

Wednesday, 24 February 2021

Manager, Company Announcements  
ASX Limited  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

**Via E-Lodgement**

Dear Sir/Madam

**Mayne Pharma Group Limited  
Interim Results**

Please find attached the Appendix 4D Half Year Report, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half-year ended 31 December 2020.

This information should be read in conjunction with Mayne Pharma Group Limited's 2020 Annual Report.

This announcement comprises the information required by ASX Listing Rule 4.2A and the statement required by Rule 4.2C.2.

Yours faithfully,  
Mayne Pharma Group Limited



Laura Loftus  
Company Secretary



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## RESULTS FOR ANNOUNCEMENT TO THE MARKET APPENDIX 4D – HALF YEAR REPORT

	% Change	Dec 2020 \$'000	Dec 2019 \$'000
Revenue from ordinary activities	(8%)	<b>208,842</b>	227,152
Profit / (loss) from ordinary activities before income tax expense		<b>(229,255)</b>	(24,960)
Profit / (loss) from ordinary activities after income tax expense		<b>(181,679)</b>	(19,280)
<u>Attributable to:</u>			
Equity holders of the parent		(181,286)	(18,215)
Non-controlling interests		(393)	(1,065)
		<b>(181,679)</b>	(19,280)
Other comprehensive income after income tax expense		<b>(89,929)</b>	(1,329)
Total comprehensive income after income tax expense		<b>(271,608)</b>	(20,609)
<u>Attributable to:</u>			
Equity holders of the parent		(270,229)	(19,556)
Non-controlling interests		(1,379)	(1,053)
		<b>(271,608)</b>	(20,609)
Net tangible assets per ordinary share <sup>(1)</sup>		<b>\$0.044</b>	\$0.031

	2020 Cents	2019 Cents
Basic earnings per share	<b>(11.6)</b>	(1.2)
Diluted earnings per share	<b>(11.6)</b>	(1.2)
Final dividend in respect of the financial year ended 30 June per share	<b>Nil</b>	Nil
Interim dividend in respect of the period ended 31 December per share	<b>Nil</b>	Nil

(1) Net tangible assets include Right-of-use lease assets

No dividend has been declared in relation to the period ended 31 December 2020.

Refer to the Directors' Report and the accompanying ASX announcement dated 24 February 2021 for a brief commentary on the results.



*Keeping our  
promises to  
patients, for  
**better  
medicines  
and a better  
tomorrow***

## **Half Year Financial Report**

FOR THE HALF YEAR ENDED 31 DECEMBER 2020  
(PRIOR CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2019)



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## CORPORATE INFORMATION

<b>DIRECTORS:</b>	Mr Roger Corbett, AO (Chairman) Mr Scott Richards (Managing Director and CEO) Mr Patrick Blake Mr Frank Condella Ms Nancy Dolan Mr Bruce Mathieson Prof Bruce Robinson, AC Mr Ian Scholes
<b>COMPANY SECRETARY:</b>	Ms Laura Loftus
<b>REGISTERED OFFICE</b>	1538 Main North Road Salisbury South South Australia 5106
<b>PRINCIPAL PLACES OF BUSINESS:</b>	1538 Main North Road Salisbury South South Australia 5106  1240 Sugg Parkway Greenville North Carolina 27834 USA
<b>AUDITORS:</b>	Ernst & Young 8 Exhibition Street Melbourne VIC 3000
<b>SOLICITORS:</b>	Minter Ellison Lawyers Collins Arch Level 20, 447 Collins Street Melbourne VIC 3000
<b>SHARE REGISTRY:</b>	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: (03) 9415 4184 Facsimile: (03) 9473 2500
<b>BANKER:</b>	Westpac 150 Collins Street Melbourne VIC 3000
<b>ABN:</b>	76 115 832 963
<b>DOMICILE AND COUNTRY OF INCORPORATION:</b>	Australia
<b>LEGAL FORM OF ENTITY:</b>	Public company listed on the Australian Securities Exchange (MYX)

## DIRECTORS' REPORT

The Directors of Mayne Pharma Group Limited ("the Company" or "Mayne Pharma") submit their report for the half-year ended 31 December 2020.

### DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise noted.

Mr Roger Corbett, AO, Chairman  
Mr Scott Richards, Managing Director and CEO  
Mr Patrick Blake  
Mr Frank Condella  
Ms Nancy Dolan  
Mr Bruce Mathieson  
Prof Bruce Robinson, AC  
Mr Ian Scholes

### REVIEW OF RESULTS

The Consolidated Entity's net loss attributable to members of the Company for the half-year ended 31 December 2020 was \$181.3m (half-year ended 31 December 2019: net loss \$18.2m).

Set out below is a summary of the financial performance attributable to Mayne Pharma shareholders for the six months ended 31 December 2020. The summary includes Mayne Pharma's share of Inhibitor Therapeutics Inc (INTI). This summary includes non-IFRS financial information that is stated excluding certain non-operating income and expense items. The results are set out this way as the Directors consider them to be a meaningful comparison from period to period. Earnings before interest tax, impairment, depreciation and amortisation (EBITDA) is used as a key measure of the earnings considered by management in operating the business and assessing performance.

The reconciliation of reported results and underlying results is as follows:

	REPORTED ATTRIBUTABLE TO MEMBERS DEC 2020 <sup>(1)</sup>	EARN-OUT REASSESSMENT <sup>(2)</sup>	RESTRUCTURING <sup>(3)</sup>	IMPAIRMENT <sup>(4)</sup>	DOJ <sup>(5)</sup>	INTI – MAYNE PHARMA'S SHARE <sup>(6)</sup>	NEXTSTELLIS RELATED COSTS <sup>(7)</sup>	UNDERLYING DEC 2020
SALES AND PROFIT	\$M	\$M	\$M	\$M <sup>1</sup>	\$M	\$M	\$M	\$M
Revenue	208.8		1.3					210.1
Gross profit	96.9		1.3					98.2
Gross profit %	47%							47%
<b>EBITDA</b>	<b>40.5</b>	(5.6)	1.9		1.4	0.3	1.4	<b>39.9</b>
Depreciation / Amortisation	(37.8)					0.2		(37.6)
Impairments	(214.5)			214.5				-
<b>PBIT</b>	<b>(211.8)</b>	(5.6)	1.9	214.5	1.4	0.5	1.4	<b>2.3</b>

(1) The values in the above table are values attributable to members of Mayne Pharma and hence include only Mayne Pharma's share of INTI. The Consolidated Statement of Profit or Loss and Other Comprehensive Income and supporting notes such as note 5 for income tax include 100% of INTI and hence differ from the above values.

(2) Earn-out and deferred consideration liabilities reassessment.

(3) Restructuring costs principally related to discontinued products and organisational restructuring.

(4) Impairments relate to intangibles.

(5) Drug pricing investigations and related litigation costs.

(6) INTI – Mayne Pharma's share of INTI's EBITDA loss.

(7) The NEXTSTELLIS™ related costs relate to Women's Health set-up costs including launch preparation.

The non IFRS financial information is unaudited.

A more detailed analysis of the operating performance is included in the ASX Announcement and Results Presentation dated 24 February 2021.

## REVIEW OF OPERATIONS

The following information is provided on a total group basis, rather than that attributable to Mayne Pharma's members and hence includes 100% of the revenues and expenses incurred by Inhibitor Therapeutics Inc (INTI) where applicable (INTI revenue 2020: nil; 2019: nil).

The Group recorded revenue of \$208.8m, down 8% on prior comparative period ("pcp") and gross profit was \$96.9m, down 9% on pcp impacted by the weakening USD and a softer generic result.

Gross profit reported as a percentage of sales revenue was 46.4% versus 46.8% in the prior comparative period (pcp).

Foreign currency has been a headwind over the period for revenue, gross profit and EBITDA with the average AUD to USD FX rate strengthening 4 cents to 0.723 versus 0.6846 in the pcp. On a constant currency basis <sup>(2)</sup>, reported revenue was down 3%, reported EBITDA up 29% and underlying EBITDA down 7%.

	AS REPORTED			CONSTANT CURRENCY <sup>(2)</sup>	
	1HFY21 \$M	1HFY20 \$M	CHANGE %	1HFY21 \$M	CHANGE %
<b>SALES AND PROFIT</b>					
<b>Reported revenue</b>	208.8	227.2	(8%)	219.4	(3%)
<b>Reported gross profit</b>	96.9	106.4	(9%)	101.9	(4%)
<i>Gross profit %</i>	46.4%	46.8%		46.4%	
<b>Underlying EBITDA</b>	39.9	47.4	(16%)	44.0	(7%)
<b>Adjustments<sup>1</sup></b>	0.6	(12.8)	nmf		
<b>Reported EBITDA</b>	40.5	34.6	16%	44.5	29%

(1) Current period adjustments are included in the table above. Prior period adjustments include \$5.3m restructuring charge, \$6.4m credit arising from the decrease in fair value of earn-out liabilities, \$9.3m of abnormal gross to net adjustments, \$1.7m of inventory adjustments principally relating to discontinued generic products, \$1.2m of legal costs associated with drug pricing litigation and \$1.4m to remove Inhibitor Therapeutics, Inc. (INTI) losses attributable to members and restatement of the value of Mayne Pharma's INTI warrants and \$0.3m of NEXTSTELLIS related costs.

(2) Constant currency removes the impact of exchange rate movements to facilitate comparability of operational performance for the Group. This is done in three parts: a) by converting the current year net profit / (loss) of entities in the group that have reporting currencies other than AU Dollars, at the rates that were applicable to the prior comparable period (Translation Currency Effect); b) by restating material transactions booked by the group that are impacted by exchange rate movements at the rate that would have applied to the transaction if it had occurred in the prior comparable period (Transaction Currency Effect); and c) by adjusting for current year foreign currency gains and losses (Foreign Currency Effect).

The sum of translation currency effect, transaction currency effect and foreign currency effect is the amount by which reported EBITDA is adjusted to calculate the result at constant currency.

The Consolidated Entity operates in four operating segments being Specialty Products (SPD), Metrics Contract Services (MCS), Generic Products (GPD) and Mayne Pharma International (MPI).

### **Specialty Products Division (SPD)**

The Specialty Products Division distributes specialty pharmaceutical products in the US.

Revenue decreased by 11% to \$40.2m (\$44.9m pcp) and gross profit decreased by 13% to \$33.3m (\$38.4m pcp) for the period.

In US dollar terms, SPD's revenue was down 5% to US\$29.1m and gross profit was US\$24.1m, down 8%. SPD performance strengthened versus the 2H FY20 with sales up 32% benefiting from some recovery from COVID-19 and improved gross-to-net performance. Key products continue to be impacted by unfavourable changes to managed care which has been offset by proactive co-pay card changes. During the period, SPD operating expenses decreased by US\$5m due to the restructure of the dermatology sales team. SPD mix of business continues to evolve with 87% of sales now through specialty pharmacy channels up from 78% in the pcp.

### **Metrics Contract Services (MCS)**

The Metrics Contract Services segment provides contract analytical, pharmaceutical development and manufacturing services to third party customers principally in the US.

Revenue was flat at \$38.5m (\$38.4m pcp) and gross profit increased by 6% to \$18.5m (\$17.5m pcp) for the period.

In US dollar terms, MCS sales were up 6% to US\$27.8m (pcp US\$26.3m) and gross profit was US\$13.4m up 12% on pcp. MCS

benefited from new commercial manufacturing revenues and improving business mix. MCS supports more than 55 projects across the pharmaceutical value chain with 52 products in development and five commercial clients. Over time, MCS is expected to transition from a predominantly project-based revenue stream to include a mix of ongoing recurring revenue from commercial manufacturing. In the period, commercial manufacturing represented 14% of MCS revenue up from 3% in the pcp.

### **Generic Products Division (GPD)**

The Generic Products Division distributes generic pharmaceutical products in the US.

Revenue decreased by 13% to \$108.8m (\$124.5m pcp) and gross profit decreased by 16% to \$38.1m (\$45.5m pcp) for the period.

In US dollar terms, sales were down 8% to US\$78.7m (US\$85.3m pcp) and gross profit was US\$27.5m, down 12%. GPD performance was impacted by ongoing pricing pressure across the portfolio. There was mixed performance across key products with growth in budesonide and carbidopa/levodopa offset by weaker performance of butalbital, methylphenidate and amiodarone.

### **Mayne Pharma International (MPI)**

The MPI operating segment's revenues and gross profit are derived principally from the Australian manufacture and sale of branded and generic pharmaceutical products globally and the provision of contract manufacturing services to third party customers within Australia.

Revenue increased by 10% to \$21.3m (\$19.3m pcp) and gross profit increased by 38% to \$6.9m (\$5.0m pcp) for the period. Contract services and contract manufacturing revenue which represent 44% of MPI revenue increased 35% on pcp and benefited from additional contract development projects and growth in contract manufacturing revenues. The improving gross margin also reflects overhead recovery benefits in the Salisbury facility with overall output dose volumes up almost 50%.

### **Expenses**

Net research and development expense after qualifying capitalisation (of \$2.6m) was \$10.3m, a decrease in expense of \$2.4m (19%) on the pcp. Additional spend in the Speciality Products area (R&D in this area is generally not capitalised) this period has resulted in the level of R&D capitalisation declining from 37% in the pcp to 20% this half. This category includes INTI research and development expense of \$nil (\$1.6m pcp).

	Dec 2020 \$M	Dec 2019 \$M
Total R&D costs incurred	12.9	20.2
Development costs capitalised	2.6	7.5
R&D expensed	10.3	12.7

Marketing and distribution expense was \$28.8m, a decrease of \$10.9m (27%) on the pcp. The major decrease was due to the restructure of the US dermatology sales team.

Administration and other expenses were \$56.4m, a decrease of \$5.3m (9%) on the pcp. This includes amortisation of intangible assets which was \$28.3m (\$30.6m pcp). Also included in administration and other expenses in the current period is the gain on reassessment of earn-out liabilities of (\$5.7m) (pcp \$6.4m gain).

Asset impairments include specific intangible impairments of \$23.4m related to discontinued products and one R&D project. CGU impairments of \$191.1m were made relating to the GPD – Other CGU.

Finance expenses were \$17.5m, an increase of \$5.4m (45%) on the pcp. The increase is mainly attributable to discount unwind impacts on earnout and deferred consideration in the current period. Finance expenses excluding the impact of earn-outs and deferred consideration declined by \$2.7m on the pcp after including a \$1.8m gain on the modification of the debt facility completed in December. These impacts are detailed in Note 3 of the accounts.

The tax benefit of \$47.6m comprised:

- Current period income tax expense for the six months to 31 December 2020 of \$4.2m;
- Prior year under provision of \$0.3m; and
- Benefit of \$52.1m relating to the movement in net tax deferred tax assets and liabilities.

## REVIEW OF BALANCE SHEET

### *Cash*

Cash decreased by \$6.3m compared to 30 June 2020. Refer below for further commentary.

### *Inventory, receivables and trade payables*

Receivables decreased by \$7.6m, inventory increased by \$1.4m and trade and other payables increased by \$17.1m compared to 30 June 2020.

### *Intangible assets and goodwill*

Intangible assets decreased by \$318.8m compared to the balance at 30 June 2020. The movement comprised of:

- An increase of \$2.6m for capitalised development costs;
- An increase of \$3.3m for other intangible asset additions;
- A decrease of \$23.4m for specific impairments;
- A decrease of \$191.1m for CGU impairments;
- A decrease of \$28.3m for amortisation; and
- A decrease of \$82.0m due to foreign currency translation with the AUD / USD exchange rate decreasing from 0.6877 at 30 June 2020 to 0.7708 at 31 December 2020.

### *Property, plant & equipment*

Property, plant and equipment decreased by \$20.9m compared to the balance at 30 June 2020. The movement comprised of:

- An increase of \$6.4m for additions which includes the capital works programs and general site maintenance capital expenditure;
- A decrease of \$8.2m for depreciation; and
- A decrease of \$19.1m due to foreign currency translation.

### *Interest bearing liabilities.*

Interest bearing liabilities includes lease liabilities which were \$10.2m at balance date. Excluding lease liabilities interest bearing liabilities decreased to \$341.9m from \$385.6m at 30 June 2020. The net repayment of borrowings during the period was \$13.4m.

### *Other financial liabilities*

Other financial liabilities decreased by \$26.6m from 30 June 2020 including as a result of:

- An increase of \$10.1m due to the unwinding of the discount for the various earn-out liabilities and deferred consideration liabilities;
- An increase of \$1.2m due to asset acquisitions;
- A decrease of \$5.7m due to re-assessments of various earn-out liabilities;
- A decrease of \$7.7m due to payments made for earn-outs and deferred settlements; and
- A decrease relating to foreign currency translation of \$23.4m.

## REVIEW OF CASH FLOWS

Cash at 31 December 2020 was \$131.5m, representing a decrease of \$6.3m from 30 June 2020.

A summary of operating cash flows is as follows:

	Dec 2020 \$M	Dec 2019 \$M
Operating cash flow before working capital movements	55.8	41.3
Working capital (investment) / release	(9.6)	11.8
Net Operating cash flows	46.2	53.1

	Dec 2020 \$M	Dec 2019 \$M
Investing cash flows	(18.7)	(38.7)

Notable cash flows during the period included:

- \$6.4m payments for capital expenditure;
- \$2.0m payments for intangibles;
- \$2.6m in capitalised development expenditure; and
- Earn-out and deferred settlement payments totalling \$7.7m.

	Dec 2020 \$M	Dec 2019 \$M
Financing cash flows	(20.7)	2.3

Notable cash flows during the period included:

- Net repayment of borrowings of \$13.4m (net of fees)
- Net interest payments \$5.7m; and
- Lease payments (right-of-use) assets \$1.6m.

## DIVIDEND

The Directors have not declared an interim dividend in relation to the period ended 31 December 2020.

## ROUNDING

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in this report and in the financial report. Amounts in this report and in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars or, in certain cases, to the nearest dollar.

## AUDITOR’S INDEPENDENCE DECLARATION

The Auditor’s independence declaration is included on page 12 of the Financial Report.

## EVENTS SUBSEQUENT TO REPORTING DATE

No other matter or circumstance has arisen since the reporting date which is not otherwise reflected in this report that significantly affected or may significantly affect the operations of the consolidated entity.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne, this 24th day of February 2021.



Scott Richards  
Director

## AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

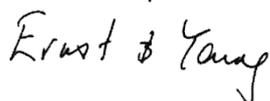
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### Auditor's Independence Declaration to the Directors of Mayne Pharma Group Limited

As lead auditor for the review of the half-year financial report of Mayne Pharma Group Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mayne Pharma Group Limited and the entities it controlled during the financial period.



Ernst & Young



David Petersen  
Partner  
Melbourne  
24 February 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
Sale of goods		160,538	181,205
Services revenue		47,871	45,307
License fee revenue		212	508
Royalties revenue		221	132
<b>Revenue</b>		<b>208,842</b>	<b>227,152</b>
Cost of sales	3	(111,986)	(120,748)
<b>Gross profit</b>		<b>96,856</b>	<b>106,404</b>
Interest income		603	586
Other income		776	158
Research and development expenses		(10,318)	(12,657)
Marketing and distribution expenses		(28,779)	(39,726)
Administrative and other expenses	3	(56,427)	(61,691)
Asset impairments	9	(214,476)	(5,949)
Finance expenses - other	3	(6,437)	(9,086)
Finance expenses – related to earn-outs & deferred consideration liabilities including discount unwind	3	(11,053)	(2,999)
<b>Net (loss) / profit before income tax</b>		<b>(229,255)</b>	<b>(24,960)</b>
Income tax credit / (expense)	4	47,576	5,680
<b>Net (loss) / profit for the period</b>		<b>(181,679)</b>	<b>(19,280)</b>
Attributable to:			
Equity holders of the Parent		(181,286)	(18,215)
Non-controlling interests		(393)	(1,065)
		(181,679)	(19,280)
<b>Other comprehensive income for the period, net of tax</b>			
<u>Items which may be reclassified to profit/loss</u>			
Unrealised (loss) / gain on cash flow hedges		1,169	(571)
Income tax effect		-	-
Exchange differences on translation		(98,107)	(677)
Income tax effect		7,995	(93)
<u>Items that will not be reclassified to profit or loss in future periods</u>			
Exchange differences on translation		(986)	12
Income tax effect		-	-
<b>Total comprehensive income for the period</b>		<b>(271,608)</b>	<b>(20,609)</b>
Attributable to:			
Equity holders of the Parent		(270,229)	(19,556)
Non-controlling interests		(1,379)	(1,053)
		(271,608)	(20,609)
Basic earnings per share		(11.6) cents	(1.2) cents
Diluted earnings per share		(11.6) cents	(1.2) cents

This statement should be read in conjunction with the accompanying notes to the financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	131,535	137,785
Trade and other receivables	6	188,269	195,908
Inventories	7	95,406	93,997
Income tax receivable		20,387	37,327
Other financial assets		2,743	443
Other current assets		27,548	25,487
<b>Total current assets</b>		<b>465,888</b>	<b>490,947</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	205,443	226,355
Right-of-use assets		9,628	11,889
Deferred tax assets	4	162,521	133,698
Intangible assets and goodwill	9	643,486	962,291
<b>Total non-current assets</b>		<b>1,021,078</b>	<b>1,334,233</b>
<b>Total assets</b>		<b>1,486,966</b>	<b>1,825,180</b>
<b>Current liabilities</b>			
Trade and other payables	10	124,050	106,943
Interest-bearing loans and borrowings	11	64,696	44,836
Income tax payable		4,412	-
Other financial liabilities	12	45,225	52,778
Provisions	13	11,301	14,696
<b>Total current liabilities</b>		<b>249,684</b>	<b>219,253</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	11	287,409	353,211
Other financial liabilities	12	161,187	180,225
Deferred tax liabilities	4	13,083	28,981
Provisions	13	1,104	1,196
<b>Total non-current liabilities</b>		<b>462,783</b>	<b>563,614</b>
<b>Total liabilities</b>		<b>712,467</b>	<b>782,867</b>
<b>Net assets</b>		<b>774,499</b>	<b>1,042,313</b>
<b>Equity</b>			
Contributed equity	14	1,238,584	1,238,584
Reserves		64,454	149,603
Retained Earnings		(531,926)	(350,640)
<b>Equity attributable to equity holders of the Parent</b>		<b>771,112</b>	<b>1,037,547</b>
Non-controlling interests		3,387	4,766
<b>Total equity</b>		<b>774,499</b>	<b>1,042,313</b>

This statement should be read in conjunction with the accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Contributed Equity \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Other Reserve \$'000	Retained Earnings \$'000	Total \$000	Non- Controlling Interests \$000	Total Equity \$'000
Balance at 1 July 2020	1,238,584	35,581	120,650	(3,485)	(3,143)	(350,640)	1,037,547	4,766	1,042,313
Profit for the period	-	-	-	-	-	(181,286)	(181,286)	(393)	(181,679)
Other comprehensive income									
Foreign exchange translation (net of tax)	-	-	(90,112)	-	-	-	(90,112)	(986)	(91,098)
Cash flow hedge	-	-	-	1,169	-	-	1,169	-	1,169
Total comprehensive income	-	-	(90,112)	1,169	-	(181,286)	(270,229)	(1,379)	(271,608)
<i>Transactions with owners in capacity as owners</i>									
Shares issued (net of issue costs)	-	-	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-	-	-	-
Tax effect of employee share options	-	-	-	-	-	-	-	-	-
Share-based payments	-	3,794	-	-	-	-	3,794	-	3,794
INTI equity changes	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	1,238,584	39,375	30,538	(2,316)	(3,143)	(531,926)	771,112	3,387	774,499
Balance at 1 July 2019	1,140,008	28,644	99,947	(437)	(3,143)	(257,851)	1,007,168	6,309	1,013,477
Profit for the period	-	-	-	-	-	(18,215)	(18,215)	(1,065)	(19,280)
Other comprehensive income									
Foreign exchange translation (net of tax)	-	-	(770)	-	-	-	(770)	12	(758)
Cash flow hedge	-	-	-	(571)	-	-	(571)	-	(571)
Total comprehensive income	-	-	(770)	(571)	-	(18,215)	(19,556)	(1,053)	(20,609)
<i>Transactions with owners in capacity as owners</i>									
Shares issued (net of issue costs)	98,017	-	-	-	-	-	98,017	-	98,017
Share options exercised	52	(52)	-	-	-	-	-	-	-
Tax effect of employee share options	4	-	-	-	-	-	4	-	4
Share-based payments	-	3,815	-	-	-	-	3,815	-	3,815
INTI equity changes	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019	1,238,081	32,407	99,177	(1,008)	(3,143)	(276,066)	1,089,448	5,256	1,094,704

This statement should be read in conjunction with the accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		277,835	336,519
Payments to suppliers and employees		(235,164)	(269,546)
Tax paid		-	(20)
Tax received		13,884	30
		56,555	66,983
Payments for research and non-capitalised development expenditure		(8,893)	(11,180)
Restructuring, transaction and DOJ costs		(1,464)	(2,651)
<b>Net cash flows from operating activities</b>	5	46,198	53,152
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(6,378)	(4,177)
Payments for intangible assets		(2,045)	(19,213)
Payments for capitalised development costs		(2,586)	(7,450)
Earn-out and deferred settlement payments		(7,712)	(7,905)
<b>Net cash flows used in investing activities</b>		(18,721)	(38,745)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	72
Proceeds from borrowings (receivables finance facility – net of fees)		106,099	76,637
Repayment of borrowings (receivables finance facility)		(95,991)	(71,762)
Proceeds from borrowings (syndicated facility - net of fees)		8,362	14,059
Repayment of borrowings (syndicated facility)		(31,916)	(14,607)
Payments of interest		(6,324)	(7,523)
Receipts of interest		603	586
Payment of lease liabilities (right-of-use assets)		(1,591)	(2,081)
<b>Net cash flows from financing activities</b>		(20,758)	(4,619)
<b>Net increase/(decrease) in cash and cash equivalents</b>		6,719	9,788
Cash and cash equivalents at beginning of period		137,785	89,004
Effect of foreign exchange changes on cash held in foreign currencies		(12,969)	(263)
<b>Cash and cash equivalents at end of period</b>	5	131,535	98,529

This statement should be read in conjunction with the accompanying notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### Basis of preparation

The financial report for the half-year ended 31 December 2020 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

Under AASB 134 Interim Financial Reporting, measurement is generally made on an annual reporting period to date basis. However, it is recognised that the interim period is part of a larger annual reporting period not an independent reporting period.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2020 and considered together with any public announcements made by Mayne Pharma Group Limited during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

#### Change in presentation

For this reporting period, Mayne Pharma has made a change to the classification of finance costs paid in the Statement of Cash Flows. Previously interest paid was included in Operating Cash Flows. As the Group has significant earn-out and contingent deferred consideration liabilities which result in significant finance costs, it was considered more appropriate to include all finance costs including the finance costs related to earn-outs and contingent deferred consideration paid as part of financing activities rather than operating activities.

Where required, items in the June 2020 and December 2019 comparatives have been reclassified to reflect the current presentation and enable better comparison between periods.

#### Changes in accounting policy and adoption of new accounting standards

From 1 July 2020 the Group has adopted the relevant standards and interpretations mandatory for annual reports beginning on or after 1 July 2020.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report except for the following:

As disclosed in the Annual Report for 30 June 2020, the Group applied a change of accounting policy in respect to the application of the Initial Recognition Exemption (IRE) under AASB 112. The change mainly related to how the tax effect of movements of earn-out and deferred consideration liabilities included in profit or loss are recognised. Previously such movements caused fluctuations in tax expense and the effective tax rate. This change therefore enables better comparisons between reporting periods. The impact on tax benefit for the pcg was to reduce the tax benefit by \$672,000. The impact on the prior comparative period and the opening balances for FY19 was as outlined in the table below -

	Retained earnings			Foreign currency translation reserve		
	As reported A\$000's	Change A\$000's	Adjusted balance A\$000's	As reported A\$000's	Change A\$000's	Adjusted balance A\$000's
Opening balance 1 July 2019	(257,341)	(510)	(257,851)	100,035	(88)	99,947
Movement during 1H FY20	(17,543)	(672)	(18,215)	(874)	104	(770)
Closing balance 31 December 2019	(274,884)	(1,182)	(276,066)	99,161	16	99,177

#### New accounting standards and interpretations

At the date of authorisation of the financial report, no Standards and Interpretations relevant to the Group were issued but not yet effective.

## 2. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO (as the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of revenue flows and responsibility for those revenues. Discrete financial information about each of these operating segments is reported to the chief operating decision maker on at least a monthly basis.

The Consolidated Entity operates in four operating segments being, Generic Products (GPD), Specialty Products (SPD), Metrics Contract Services (MCS) and Mayne Pharma International (MPI).

#### Generic Products Division

The Generic Products operating segment's revenues and gross profit are derived principally from the distribution of generic pharmaceutical products in the US.

#### Specialty Products Division

The Specialty Products operating segment's revenues and gross profit are derived principally from the distribution of specialty pharmaceutical products in the US.

#### Metrics Contract Services

The Metrics Contract Services segment's revenue and gross profit are derived from providing analytical, contract pharmaceutical development and manufacturing services to third-party customers principally in the US.

#### MPI

The MPI operating segment's revenues and gross profit are derived principally from the Australian manufacture and sale of branded and generic pharmaceutical product globally (ex-US) and provision of contract development and manufacturing services to third party customers within Australia.

	Generic Products \$'000	Specialty Products \$'000	Metrics Contract Services \$'000	MPI \$'000	Total Consolidated \$'000
<b>Half Year ended 31 December 2020</b>					
Sale of goods	108,816	40,228	-	11,494	160,538
Services income	-	-	38,496	9,375	47,871
Royalty income	-	-	-	221	221
Licence fee income	-	-	-	212	212
Revenue	108,816	40,228	38,496	21,302	208,842
Cost of sales	(70,670)	(6,944)	(19,969)	(14,403)	(111,986)
Gross profit	38,146	33,284	18,527	6,899	96,856
Other income					1,379
Asset impairments					(214,476)
Amortisation of intangible assets					(28,264)
Other expenses (refer Statement of Profit or Loss and Other Comprehensive Income)					(84,750)
Profit / (loss) before income tax					(229,255)
Income tax (expense) / benefit					47,576
Net profit / (loss) for the period					(181,679)

	Generic Products \$'000	Specialty Products \$'000	Metrics Contract Services \$'000	MPI \$'000	Total Consolidated \$'000
<b>Half Year ended 31 December 2019</b>					
Sale of goods	124,544	44,947	-	11,714	181,205
Services income	-	-	38,378	6,929	45,307
Royalty income	-	-	-	132	132
Licence fee income	-	-	-	508	508
Revenue	124,544	44,947	38,378	19,283	227,152
Cost of sales	(79,013)	(6,589)	(20,878)	(14,268)	(120,748)
Gross profit	45,531	38,358	17,500	5,015	106,404
Other income					744
Asset impairments					(5,949)
Amortisation of intangible assets					(30,630)
Other expenses (refer Statement of Profit or Loss and Other Comprehensive Income)					(95,529)
Profit / (loss) before income tax					(24,960)
Income tax (expense) / benefit					5,680
Net profit / (loss) for the period					(19,280)

**Geographical segment information**

	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
<i>Revenue from external customers</i>		
Australia	15,870	12,781
United States	187,540	207,870
Korea	1,314	1,922
Other	4,118	4,579
<b>Total external revenue</b>	<b>208,842</b>	<b>227,152</b>

	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
<i>Revenue from customers contracts</i>		
Recognised at a point in time	160,971	181,845
Recognised over time	47,871	45,307
<b>Total external revenue from customer contracts</b>	<b>208,842</b>	<b>227,152</b>

	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
<i>Revenue by product group / service</i>		
Third party contract services and manufacturing	47,871	45,307
Generic and branded products	160,538	181,205
Other revenue	433	640
<b>Total external revenue</b>	<b>208,842</b>	<b>227,152</b>

### 3. EXPENSES

	31 December 2020 \$'000	31 December 2019 \$'000
<b>Finance expenses</b>		
Interest expense	5,154	6,422
Unused line fees	893	868
Amortisation of borrowing costs	1,134	1,060
(Gain) / Loss on modification of syndicated loan facility	(1,821)	251
Foreign exchanges losses relating to funding activities	869	253
Interest expense – right-of-use asset lease liabilities	208	233
	6,437	9,086
Foreign exchanges losses related to earn-outs and deferred consideration liabilities	919	(208)
Change in fair value attributable to the unwinding of the discounting of earn-out and deferred consideration liabilities	10,134	3,207
	<b>11,053</b>	<b>2,999</b>
<b>Total finance expense</b>	<b>17,490</b>	<b>12,085</b>
Depreciation property, plant & equipment <sup>(1)</sup>	8,184	8,418
Depreciation right-of-use assets <sup>(2)</sup>	1,734	2,179
<b>Total Depreciation</b>	<b>9,918</b>	<b>10,597</b>
<b>Cost of sales include the following:</b>		
Inventory write-offs	760	4,069
Provision for inventory obsolescence	2,964	3,227
Net realisable value inventory adjustments <sup>(3)</sup>	452	5,544
<b>Employee benefits expense <sup>(4)</sup></b>		
Wages and salaries	53,607	60,290
Superannuation expense	2,363	2,788
Share-based payments expense	3,794	3,815
Other employee benefits expense	2,932	3,694
<b>Total employee benefits expense</b>	<b>62,696</b>	<b>70,587</b>
<b>Administration and other expenses include the following:</b>		
Foreign exchange loss	1,414	15
Fair value restatement of INTI warrants	-	435
Drug pricing investigations and related litigation costs	1,377	1,189
Share-based payments expense	3,794	3,815
Amortisation of intangible assets	28,264	30,630
Nextstellis – set-up costs 1HF21 / non capitalised transaction costs 1HF20	1,385	335
Restructuring expenses <sup>(5)</sup>	617	5,228
Movement in undiscounted fair value of earn-out and deferred consideration liabilities	(5,689)	(6,407)
All other administration and other expenses	25,265	26,451
<b>Total Administration and other expenses</b>	<b>56,427</b>	<b>61,691</b>

Notes: (1) Depreciation owned assets expense is included in cost of sales (\$6,710,000), research and development expenses (\$1,425,000) and administration and other expenses (\$47,000).

(2) Depreciation right-of-use assets expense is included in marketing expenses (\$495,000) and administration and other expenses (\$1,239,000).

(3) Net realisable adjustments relate to discontinued products.

(4) Employee benefit expense is included in various expense categories and cost of sales.

(5) Restructuring expense mainly relates to employee severance related costs.

#### 4. INCOME TAX

(a) The major components of income tax expense are:

	31 December 2020 \$'000	31 December 2019 \$'000
<i>Current income tax</i>		
Current income tax	(4,209)	(1,049)
Adjustment in respect of current income tax of previous years	(276)	(61)
<i>Deferred income tax</i>		
Relating to movement in net tax deferred tax assets and liabilities	52,061	6,790
Income tax credit / (expense) in the consolidated statement of profit or loss and other comprehensive income	47,576	5,680

(b) Numerical reconciliation between aggregate tax expense recognised in the consolidated statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate

	31 December 2020 \$'000	31 December 2019 \$'000
The prima facie tax on operating (loss) / profit differs from the income tax provided in the accounts as follows:		
Profit / (loss) before income tax	(229,255)	(24,960)
Prima facie tax credit / (expense) at 30%	68,777	7,488
Effect of R&D concessions	1,322	1,162
Under provision in respect of prior years	(276)	(61)
Adjustments to DTAs & DTLs		-
Non-deductible expenses for tax purposes		
Amortisation	(2,305)	(812)
Share-based payments	(1,068)	(1,119)
Asset impairments	(2,274)	-
Other non-deductible expenses	(169)	(140)
Effect of different tax rate in US	(20,850)	(2,215)
US State taxes	5,224	371
Tax losses not recognised	(285)	(576)
Restatement of DTA re changes to US state tax rates	(520)	1,582
Income tax credit / (expense)	47,576	5,680

(c) Recognised deferred tax assets and liabilities

	31 December 2020 \$'000	30 June 2020 \$'000
<b>Deferred tax assets</b>		
Intangible assets	69,124	40,476
Earn-outs and deferred consideration liabilities	45,883	51,576
Provisions	8,044	7,624
Payables	23,525	24,651
Inventory	5,528	6,609
Carry forward tax losses and R&D credits	8,078	6,671
US State taxes	13,847	12,658
Other	2,875	475
	<b>176,904</b>	<b>150,740</b>
<b>Reconciliation to the Statement of Financial Position</b>		
Total Deferred Tax Assets	176,904	150,740
Set off against Deferred Tax Liabilities	(14,383)	(17,042)
<b>Net Deferred Tax Assets<sup>(1)</sup></b>	<b>162,521</b>	<b>133,698</b>
<b>Deferred tax liabilities</b>		
Property, plant and equipment	12,751	14,652
Intangible assets	12,917	19,361
US State taxes	1,534	2,159
Unrealised foreign exchange gains	-	9,546
Other	264	305
	<b>27,466</b>	<b>46,023</b>
<b>Reconciliation to the Statement of Financial Position</b>		
Total Deferred Tax Liabilities	27,466	46,023
Set off against Deferred Tax Assets	(14,383)	(17,042)
<b>Net Deferred Tax Liabilities<sup>(2)</sup></b>	<b>13,083</b>	<b>28,981</b>

Notes: (1) Represents Australian and US Deferred Tax Assets that cannot be offset against US Deferred Tax Liabilities.  
(2) Represents US Deferred Tax Liabilities that cannot be offset against Australian Deferred Tax Assets.

Deferred tax assets and deferred tax liabilities are presented based on their respective tax jurisdictions.

5. CASH AND CASH EQUIVALENTS

(a) For the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2020 \$'000	30 June 2020 \$'000
Cash at bank and in hand	131,535	137,785

(b) Reconciliation of net profit after income tax to net cash flow from operating activities

	31 December 2020 \$'000	31 December 2019 \$'000
Net profit / (loss) after income tax	(181,679)	(19,280)
Adjustments for:		
Depreciation and amortisation	39,267	42,288
Share-based payments	3,794	3,815
Earn-out and deferred consideration liability reassessments	(5,689)	(6,407)
Discount unwind earn-out and deferred consideration liabilities	10,135	3,207
Other finance expenses	5,713	7,328
Fair value movement INTI warrants	-	435
Asset impairments	214,476	5,949
Net unrealised foreign exchange differences	1,015	22
Loss / (gain) on modification of syndicated loan facility	(1,821)	251
Non-cash provisions – inventory and restructuring	4,316	9,401
Changes in tax balances:		
Decrease / (Increase) in deferred tax assets	(43,973)	(5,375)
(Decrease) / Increase in current and deferred tax liabilities	10,281	(295)
Operating cash flows before working capital movements	55,835	41,339
Changes in working capital:		
Decrease / (Increase) in receivables	(13,498)	38,523
Decrease / (Increase) in inventories	(16,143)	(1,334)
(Increase) in other assets	(7,407)	(3,752)
(Decrease) / Increase in creditors	30,178	(17,568)
Increase / (Decrease) in provisions	(2,767)	(4,056)
Total working capital movements	(9,637)	11,813
Net cash flow from operating activities	46,198	53,152

6. TRADE AND OTHER RECEIVABLES

	31 December 2020 \$'000	30 June 2020 \$'000
Trade receivables (net of charge-backs)	182,698	189,401
Trade receivables – profit share	1,816	3,211
Provision for impairment	(519)	(626)
Other receivables	4,274	3,922
	188,269	195,908

Some of the Group's receivables are sold under the receivables financing program (refer note 11). The Group considers the economic substance rather than the legal form of the transactions in assessing the business model of the underlying receivables, accordingly, transactions that fail AASB 9 derecognition criteria are not considered true sales and thus, the business model of the underlying receivables continues to be holding to collect contractual cash flows and therefore are measured at amortised cost.

Receivables sold on a non-recourse basis total US\$35.8m at balance date. The book value of the receivables approximates the value the finance provided. Receivables are sold with no recourse to Mayne Pharma in relation to credit risk, although the receivables continue to be recognised on the Group's balance sheet as accounting derecognition criteria has not been met as Mayne Pharma retains certain risks in relation to the variability of charge-backs, rebates, returns and loyalty programs. Also refer note 12.

## 7. INVENTORIES

	31 December 2020 \$'000	30 June 2020 \$'000
Raw materials and stores at cost	33,616	32,833
Work in progress at cost	11,937	8,204
Finished goods at lower of cost and net realisable value	49,853	52,960
	95,406	93,997

## 8. PROPERTY, PLANT AND EQUIPMENT

	LAND \$'000	BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	CAPITAL WORKS IN PROGRESS \$'000	TOTAL \$'000
<b>Six months ended 31 December 2020</b>					
Balance at beginning of period net of accumulated depreciation	9,598	106,381	103,477	6,900	226,356
Additions	-	-	4,781	1,610	6,391
Transfers from capital under construction	-	-	-	-	-
Depreciation charge for year	-	(1,715)	(6,482)	-	(8,197)
Impairments	-	-	-	-	-
Disposals	-	-	-	-	-
Foreign currency restatement	(553)	(9,563)	(8,378)	(613)	(19,107)
Balance at end of year net of accumulated depreciation	9,045	95,103	93,398	7,897	205,443
<b>As at 31 December 2020</b>					
At cost	9,045	110,111	160,201	12,695	292,052
Accumulated depreciation	-	(15,008)	(66,803)	-	(81,811)
Accumulated impairments	-	-	-	(4,798)	(4,798)
Net carrying amount	9,045	95,103	93,398	7,897	205,443

## 9. INTANGIBLE ASSETS AND GOODWILL

	Goodwill \$'000	Customer Contracts, Customer Relationships Product Rights & Intellectual Property \$'000	Development Expenditure \$'000	Marketing & Distribution Rights \$'000	Trade Names \$'000	Total \$'000
<b>Six months ended 31 December 2020</b>						
Balance at beginning of the period net of accumulated amortisation and accumulated impairments	22,174	834,581	40,700	25,217	39,619	962,291
Additions	-	3,308	2,585	-	-	5,893
Amortisation	-	(23,054)	(1,785)	(1,277)	(2,148)	(28,264)
CGU impairments	-	(167,708)	(16,427)	(6,975)	-	(191,111)
Specific impairments	-	(17,411)	(4,118)	(1,837)	-	(23,366)
Exchange differences	(2,348)	(76,898)	(1,700)	(671)	(340)	(81,957)
Balance at end of period net of accumulated amortisation and accumulated impairments	19,826	552,817	19,255	14,457	37,131	643,486
<b>As at 31 December 2020</b>						
Cost	58,051	1,448,758	168,230	60,273	68,681	1,803,993
Accumulated amortisation	-	(281,779)	(18,907)	(12,865)	(31,498)	(345,049)
Accumulated impairments	(38,225)	(614,162)	(130,068)	(32,951)	(52)	(815,458)
Net carrying amount	19,826	552,817	19,255	14,457	37,131	643,486

During the period, specific impairments were recorded (totalling \$23.4m) which related to discontinued products and one R&D project.

### Goodwill and intangibles

Goodwill arises in a business combination and is the excess of the consideration transferred to acquire a business over the underlying fair value of the net identified assets acquired. It is allocated to groups of cash generating units (CGUs) which are usually represented by reported segments. Goodwill is tested for impairment periodically at the CGU level and any impairment charges are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The aggregate carrying amounts of goodwill are allocated to the Group's cash-generating units as follows:

	31 December 2020 \$'000	30 June 2020 \$'000
MCS	19,435	21,783
MPI	391	391
Total Goodwill	19,826	22,174

### Intangible Assets

Intangible assets acquired separately, or in a business combination, are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and

expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Indefinite life intangible assets are reviewed for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Certain intangible assets other than goodwill (i.e. customer contracts, relationships, intellectual property and trade marks) have been assessed as having finite useful lives and, as such, are amortised over their useful lives. The useful lives range from five to fifteen years and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate.

### Significant accounting estimates and assumptions

#### *Impairment of goodwill and intangible assets*

Intangible asset impairments recognised during the period totalled A\$214.5m (pcp: \$5.9m) following a detailed review of the Company's intangible assets (which considered the current and projected US market dynamics for the portfolio and the industry) and consisted of the following;

- Specific development expenditure: pipeline products A\$4.1m
- Other specific intangible assets A\$19.3m
- GPD – Other CGU Assets A\$191.1m

The recoverable values of the other CGUs are equal to or above their carrying values.

An asset is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less cost of disposal and its value in use. The Group applies the value in use method which utilises net present value techniques using post-tax cash flows and discount rates.

The estimates used in calculating net present value are highly sensitive, and depend on assumptions specific to the nature of the Group's activities with regard to:

- amount and timing of projected future cash flows;
- long-term sales forecasts;
- sales erosion rates after the end of patent or other intellectual property rights protection and timing of entry of generic competition;
- applicable tax rates;
- behaviour of competitors (launch of competing products, marketing initiatives, etc);
- selected discount and terminal growth rates; and
- in the case of unlaunched products:
  - the outcome of R&D activities (compound efficacy, results of clinical trials, etc);
  - amount and timing of projected costs to develop in process research and development into commercially viable products; and
  - probability of obtaining regulatory approvals.

Due to the above factors, actual cash flows and values could vary significantly from forecasted future cash flows and related values derived from discounting techniques.

#### ***Goodwill and Intangible Impairment Testing Methodology***

For impairment testing, intangible assets are allocated to individual CGUs (which are the Therapeutic Groups or 'TG') which are then combined into the overall reporting segment CGUs of GPD, SPD, MCS and MPI for goodwill testing which is performed at the segment level.

Each CGU represents the lowest level within the Group at which the asset is monitored for internal management purposes and separately identifiable cash flows are present and is not larger than a reporting segment.

The Group periodically reassess the definition of its CGUs and the product composition within each CGU. Reflecting the increasing focus on Therapeutic Groups as well as realigned operating structure, the Group has reassessed its CGUs as follows from 1 July 2020:

Segment	Cash Generating Units (CGUs)	
	FY20	FY21
Generic Products (GPD)	<ul style="list-style-type: none"> <li>GPD-Women's Health</li> <li>GPD-Other</li> </ul>	<ul style="list-style-type: none"> <li>GPD-Women's Health</li> <li>GPD-Other</li> </ul>
Specialty Products (SPD)	<ul style="list-style-type: none"> <li>SPD-Dermatology</li> </ul>	<ul style="list-style-type: none"> <li>SPD-Dermatology</li> <li>SPD-Women's Health</li> <li>SPD-Infectious Disease</li> </ul>
Mayne Pharma International (MPI)	<ul style="list-style-type: none"> <li>MPI-Dermatology</li> <li>MPI-Other</li> </ul>	<ul style="list-style-type: none"> <li>MPI (which was known as MPI-Other previously)</li> </ul>
Metrics Contract Services (MCS)	<ul style="list-style-type: none"> <li>MCS</li> </ul>	<ul style="list-style-type: none"> <li>MCS</li> </ul>

Certain products have been realigned to the most appropriate CGU based on the reassessed CGU definitions.

CGU	Product Change(s) due to CGU Reassessment
Women's Health	<ul style="list-style-type: none"> <li>NEXTSTELLIS is now included in SPD-Women's Health</li> </ul>
SPD-Dermatology	<ul style="list-style-type: none"> <li>DORYX family, Trifarotene and SUBA-Itraconazole (BCCNS) (in-process R&amp;D) (from MPI-Dermatology CGU)</li> </ul>
SPD-Women's Health	<ul style="list-style-type: none"> <li>NEXTSTELLIS (from GPD-Women's Health).</li> </ul>
SPD-Infectious Disease	<ul style="list-style-type: none"> <li>TOLSURA (from MPI-Dermatology)</li> </ul>
MPI-Dermatology	<ul style="list-style-type: none"> <li>Products are now included within the various TGs within SPD.</li> </ul>

The E4/DSRSP US distribution rights have been included in the SPD Women's Health CGU.

Impairment testing is conducted at firstly the TG CGU level and then the Segment CGU level (where relevant for goodwill impairment testing).

The testing methodology for the recoverable value of each asset is as follows:

- Allocate the asset value to the relevant CGU including an allocation of corporate assets and costs;
- Estimate cash flows generated over a five-year forecast period plus a terminal value calculation for the CGU;
- Calculate the Weighted Average Cost of Capital (WACC) of the CGU; and
- Discount the cash flows using WACC and compare to the CGU allocated asset carrying value.

Purchased assets not yet launched and R&D in process represent products in development but not yet launched. These assets, and related cashflows, are included in the relevant CGU for testing purposes and are also tested individually and on an annual basis.

The allocation of intangible assets to CGUs as at 31 December 2020 is shown in the table below.

A\$m	GPD		SPD		SPD		MPI	Total
	GPD Other	Women's Health	SPD Derm	Women's Health	MCS	Infectious Disease		
Intangible Assets	29.2	144.5	173.1	248.2	3.7	11.3	13.7	<b>623.7</b>
Goodwill	-	-	-	-	19.4	-	0.4	<b>19.8</b>
<b>Total Intangible Assets including Goodwill</b>	<b>29.2</b>	<b>144.5</b>	<b>173.1</b>	<b>248.2</b>	<b>23.1</b>	<b>11.3</b>	<b>14.1</b>	<b>643.5</b>

The allocation of intangible assets to CGU's as at 30 June 2020 was shown in the table below:

A\$m	MPI – Dermatology	MPI – Other	GPD - Other	Women's Health	SPD	MCS	TOTAL
Intangible Assets	93.5	15.3	252.0	458.7	115.8	4.6	940.1
Goodwill	0.4	-	-	-	-	21.8	22.2
<b>Total Intangibles</b>	<b>93.9</b>	<b>15.3</b>	<b>252.0</b>	<b>458.7</b>	<b>115.8</b>	<b>26.4</b>	<b>962.3</b>

#### Key Assumptions

Key assumptions in impairment testing methodology include:

- Cash flow forecasts for the on-market portfolio are based on FY21 forecast results as well as specific cash flows which have been forecast out to FY25. A terminal growth rate is then applied;
- Risk weighted pipeline cash flows are included in each of the relevant TG/Segment CGUs;
- Corporate overhead has been allocated to the relevant TG/Segment CGU based on their respective cash flow contributions;
- Other net assets have been allocated to the relevant TG/Segment CGU; and
- Individual CGU discount rates have been used.

Discount rates reflect Management's estimate of time value of money and the risks specific to the CGU and have been determined using the WACC. The pre and post-tax discount rates used are shown below (and are unchanged from 30 June 2020).

- GPD Other: Pre-Tax – 12.5% / Post Tax – 9.6%
- GPD Women's Health: Pre-Tax – 12.5% / Post Tax – 9.6%
- SPD Dermatology : Pre-Tax – 13.3% / Post Tax – 10.2%
- SPD Women's Health : Pre-Tax – 13.3% / Post Tax – 10.2%
- SPD Infectious Disease : Pre-Tax – 14.2% / Post – Tax 10.2%
- MCS: Pre-Tax – 13.3% / Post Tax – 10.2%
- MPI: Pre-Tax – 13.7% / Post Tax – 9.6%

Forecast net sales growth rates including pipeline products (simple average across the periods) are shown in the table below. These average growth rates are assumptions determined to satisfy applicable accounting standards but should not be used for guidance.

December 2020	Forecast net sales growth rate FY22 to FY25	Terminal Value Growth Rate
GPD Other CGU	-5%	-3%
GPD Women's Health CGU	12%	-3%
SPD Dermatology CGU	2%	-5%
SPD Women's Health	nmf <sup>(1)</sup>	-5%
SPD Infectious Disease	67%	-5%
MCS CGU	13%	2%
MPI Other CGU	8%	0%

(1) SPD Women's Health is projected to generate first revenues from commercial launch in late 2HFY21 / early 1HFY22 and is anticipated to reach annual net sales of A\$200m across FY25 forecast period.

June 2020	Forecast net sales growth rate 1 <sup>st</sup> five years	Terminal Value Growth Rate
MCS CGU forecast net sales growth	13%	2%
Women's Health CGU forecast net sales growth	49%	-5%
GPD Other CGU forecast net sales growth	0%	-3%
SPD CGU forecast net sales growth	4%	-5%
MPI CGU forecast net sales growth	9%	0%
<i>MPI Dermatology TG forecast net sales growth</i>	15%	0%
<i>MPI Other TG forecast net sales growth</i>	7%	0%

Recoverable values and carrying values are shown in the table below.

	Carrying Value <sup>(1)</sup>	Recoverable Value	Difference
GPD Other CGU	187.3	187.3	-
GPD Women's Health CGU	183.7	200.9	17.2
SPD Dermatology CGU	213.0	253.8	40.8
SPD Women's Health CGU	249.2	580.1	330.9
SPD Infectious Disease CGU	24.6	33.5	8.9
MCS CGU	150.9	373.2	222.3
MPI Other CGU	24.9	35.3	10.4

Notes: (1) Includes intangible assets, working capital and property, plant and equipment.

#### Sensitivity to changes in assumptions

The tables below show the sensitivity of the changes in key variables on recoverable values.

A\$m	+/-1% Change in Net Sales Growth	+/-1% Change in Terminal Growth Rate	+/-1% Change in WACC <sup>(1)</sup>
GPD Other CGU	+6.2/-6.2	+5.5/-4.7	-11.1/+13.1
GPD Women's Health CGU	+5.1/-6.3	+9.9/-8.5	-14.2/+16.9
SPD Dermatology CGU	+9.7/-9.4	+6.6/-5.9	-11.0/+12.5
SPD Women's Health	+18.2/-18.2	+35.5/-31.2	-50.7 /+58.5
SPD Infectious Disease	+1.6/-1.6	+2.3/-2.0	-2.7/+3.1
MCS CGU	+16.5/-16.0	+41.0/-32.2	-44.4/+56.9
MPI Other CGU	+1.1/-1.0	+1.4/-1.3	-3.4/+4.2

Notes: (1) Change refers to the movement in the post-tax WACC.

#### 10. TRADE AND OTHER PAYABLES

	31 December 2020 \$'000	30 June 2020 \$'000
Trade payables	43,778	29,842
Accrued rebates, returns and loyalty programs	59,109	56,624
Other payables	21,163	20,477
	124,050	106,943

## 11. INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2020 \$'000	30 June 2020 \$'000
<b>Current</b>		
Syndicated loan (working capital facility)	15,487	-
Receivables financing	46,407	41,229
Lease liabilities – right-of-use assets	2,802	3,607
	64,696	44,836
<b>Non-current</b>		
Syndicated loan	279,990	344,420
Lease liabilities – right-of-use assets	7,419	8,791
	287,409	353,211

### Syndicated loan and working capital facilities

The loan facility is supported by a syndicate of seven banks and was extended in December 2018 and modified in December 2019 and December 2020. The 3 year fixed term loan component, which was due to mature on 30 November 2021, was renewed during the period for a four year term and now matures on 30 November 2024. The total loan facility limit is US\$300m consisting of the 4-year US\$100m term loan (matures November 2024) and a 5-year US\$200m revolving facility (matures November 2023). The facility can be drawn in either USD or AUD.

Working capital facilities of A\$10m and US\$20m are also available. The working capital facilities mature November 2021.

The total amount drawn, across all facilities, at 31 December 2020 was US\$155m and A\$99m (June 2020: US\$160m and A\$115m).

The facility is unsecured and incurs interest based on either LIBOR (for USD) with no floor, or BBSY (for AUD) plus a margin based on a net debt leverage ratio. The loan is subject to certain covenants and has an unused line fee payable based on the undrawn amount.

The Group complies with the covenants at reporting date.

At 31 December 2020, the variable interest rate was 2.22% (2019: 2.95%). The Group has entered into interest rate swap contracts to hedge the interest rate risk exposure with 56% of the outstanding US dollar loan amount and 61% of the AUD loan amounts hedged at 31 December 2020 (30 June 2020: US dollar loans 53%, AUD loans 52%). The interest rate risk is managed using interest rate swaps in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The syndicated facility was modified in the current period with a gain on modification of \$1.8m recognised in the profit or loss account.

The syndicated facility was modified in the prior period with a loss on modification of \$0.3m recognised in the profit or loss account.

### Receivables financing facility

The receivables facility was established in December 2018 and extended in December 2019 and again in December 2020, has a limit of US\$50m and was drawn to US\$35.8m at reporting date. Receivables are sold with no recourse to Mayne Pharma in relation to credit risk and generally roll each 90 days as each debtor pays amounts outstanding. The receivables continue to be recognised on the Group's balance sheet as accounting derecognition criteria has not been met as Mayne Pharma retains certain risks in relation to the variability of charge-backs, rebates, returns and loyalty programs.

## 12. OTHER FINANCIAL LIABILITIES

	31 December 2020 \$'000	30 June 2020 \$'000
<b>Current</b>		
Mark to market value of interest rate swap contracts	2,316	3,485
Earn-out liabilities – various products/distribution rights	7,282	7,226
Deferred consideration – various products/distribution rights	35,586	41,991
Completion of clinical studies obligation relating to acquired asset	41	76
	45,225	52,778
<b>Non-current</b>		
Earn-out liabilities – various products/distribution rights	15,241	18,053
Deferred consideration – various products/distribution rights	145,946	162,172
	161,187	180,225

The Consolidated Entity has recognised various earn-out liabilities relating to various asset purchases. Most earn-outs are based on a percentage of net sales or gross margin and typically payable on a quarterly basis for a period of between two and ten years.

Deferred consideration recognised includes amounts which have contingent conditions such as FDA approvals, sales milestones and on market conditions (e.g. timing of commercial launches, no entry of a new competitor into the relevant market). At balance date the Group has assessed the amount expected to be paid for contingent amounts outlined in the asset purchase agreements, using best estimates as to timing and likelihood of payments.

### Significant accounting estimates and assumptions

#### Earn-out and deferred consideration liabilities

The earn-out liabilities are based on expected future cash flows determined as a percentage of net sales or gross margin. Deferred consideration liabilities represent the net present value of future predetermined payments. The estimation of the cash flows over a significant period, combined with the impact of currency movements and interest rates may result in substantial movements in the value of the liabilities recognised between reporting periods. The cash flows assumed discount rate and forecast exchange rates are reviewed every six months to ensure the most accurate fair value of the liabilities is reported. Movements in the liabilities from changes in these assumptions and forecasts are reported in the consolidated statement of profit or loss and other comprehensive income.

Earn-out liabilities represent the net present value of estimated future payments. Any changes in fair value for changes in the net present value of estimated future payments are recognised in the statement of profit or loss and other comprehensive income. The earn-out liabilities at reporting date include a charge representing the unwinding of the discounting of the earn-out liabilities of \$10,135,000 (pcp: \$3,207,000) for the period.

At 31 December 2020 the deferred consideration amounts consist mainly of amounts which are subject to FDA approvals, no new competitors entering the market or sales milestone requirements.

### 13. PROVISIONS

	31 December 2020 \$'000	30 June 2020 \$'000
<b>Current</b>		
Employee entitlements	11,301	13,867
Restructuring	-	829
	<b>11,301</b>	<b>14,696</b>
<b>Non-current</b>		
Employee entitlements	754	846
Restoration	350	350
	<b>1,104</b>	<b>1,196</b>

### 14. CONTRIBUTED EQUITY

#### (a) Issued capital

	31 December 2020 \$'000	30 June 2020 \$'000
Ordinary shares, fully paid	1,238,584	1,238,584

#### (b) Movements in share capital

	Number	\$'000
Balance at beginning of period	1,679,068,131	1,238,584
Tax effect of employee LTI shares and employee options	-	-
Shares issued to employees under the LTI non-recourse loan funded arrangement (subject to risk of forfeiture) (net of forfeitures)	-	-
<b>Balance at end of period</b>	<b>1,679,068,131</b>	<b>1,238,584</b>

### 15. DIVIDENDS

The Board has decided to preserve the Company's capital and no interim dividend has been declared.

### 16. COMMITMENTS AND CONTINGENCIES

The partly owned subsidiary INTI continues to require a secure source of funding. If INTI raises external funding of US\$3m, INTI has the right to ask Mayne Pharma to provide additional funding of up to US\$2m which would be an advance of future royalty streams payable by Mayne Pharma to INTI. Mayne Pharma has previously prepaid US\$3m in royalties to INTI. If INTI's external fund-raising activities are successful, Mayne Pharma could lose control of INTI. Prior to 31 December 2020, Mayne Pharma agreed to provide INTI a working capital facility up to a maximum of US\$231,000 which can be drawn in instalments each quarter. Mayne Pharma may cancel funding, at its own discretion, provided it gives 30 days' notice before the start of the quarter. US\$55,000 was drawn prior to 31 December 2020.

Some Mayne Pharma companies are, or will likely in the future, be subject to various legal proceedings and investigations that arise from time to time. These may include proceedings regarding product liability and personal injury, sales and marketing practices, continuous disclosure obligations, commercial disputes, antitrust and intellectual property matters. As a result, the Group may become subject to substantial liabilities that may not be covered by insurance and that could affect our business, financial position and reputation. Litigation is inherently

unpredictable and large judgements sometimes occur. Consequently, Mayne Pharma may in the future incur judgements or enter into settlements of claims that could have a material adverse effect on its operating results and/or cash flow.

Mayne Pharma has not made provisions for potential damage or other remedies for legal claims against it or its subsidiaries where Mayne Pharma currently believes that a payment is either not probable or cannot be reliably estimated.

#### **Summary of significant investigations and legal proceedings currently brought against the Company seeking damages or other remedies**

All these legal claims and allegations are being vigorously contested. No payment is considered probable and possible related amounts cannot be reliably estimated and as such no amounts have been provided at reporting date.

##### *Drug pricing matters – investigations*

In FY16, Mayne Pharma Inc received a subpoena from the Antitrust Division of the US Department of Justice and the Office of the Attorney General in the State of Connecticut seeking information relating to the marketing, pricing and sales of select generic products.

In May 2018, Mayne Pharma Inc received a Civil Investigative Demand from the Civil Division of the US Department of Justice, seeking similar information in connection with a False Claims Act investigation stemming from alleged anticompetitive conduct.

Mayne Pharma is fully cooperating with these investigations, which appear to be focused on the generic doxycycline hyclate delayed-release market, and to be part of a broader inquiry into industry practices.

##### *Drug pricing matters - litigation*

In the last few years, Mayne Pharma Inc has been sued alongside other generic pharmaceutical companies in civil complaints alleging anticompetitive conduct in the sale of generic drugs with claims related to drugs sold by Mayne Pharma as well as allegations that all defendants were part of an overarching, industry wide conspiracy to allocate markets and fix prices generally. The civil complaints include a complaint by the attorneys general of 45 US states, the District of Columbia and the Commonwealth of Puerto Rico, and class action lawsuits filed by direct purchasers (including one in Canada), indirect purchasers and indirect resellers, as well as lawsuits filed by opt out private plaintiffs and various county plaintiffs. The US cases have been consolidated into multidistrict litigation pending in the Eastern District of Pennsylvania. Mayne Pharma is strongly defending the allegations made in these civil complaints.

##### *Product liability - amiodarone*

In the last few years, Mayne Pharma Inc and other pharmaceutical companies have been sued in multi-plaintiff/coordinated complaints in California involving allegations relating to amiodarone. The issues involved include allegations of failure to adequately warn about risks associated with amiodarone, failure to provide the FDA-required medication guide, off-label promotion, and conspiring with the other defendants to downplay the risks of the drug. Plaintiffs have filed individually against Mayne Pharma Inc in Delaware. Mayne Pharma continues to defend these proceedings vigorously, and some lawsuits have already been dismissed.

##### *Other matters*

In July 2019, HedgePath, LLC (HP LLC), filed a civil action involving INTI in the Delaware Court of Chancery suing Mayne Pharma Ventures Pty Ltd and certain INTI directors and officers. The action contains claims purportedly brought derivatively for INTI, as well as direct claims. The derivative claims revolve around breaches of fiduciary duty and other wrongdoing including in connection with (i) the issuance of certain INTI equity securities to Mayne Pharma in early 2018, (ii) Mayne Pharma's alleged influence over the timing and conduct of INTI's clinical trials of SUBA-itraconazole for the treatment of BCCNS, and (iii) amendments to a supply and license agreement between INTI and Mayne Pharma and related transactions pursuant to which (among other terms) Mayne Pharma re-acquired from INTI the licensing rights to SUBA-itraconazole for the BCCNS field. The complainant seeks unspecified damages, equitable and other relief from the defendants. Mayne Pharma is a majority shareholder of INTI and HP LLC is a minority shareholder. In March 2020 a class action complaint was filed for INTI shareholders seeking damages from claims arising out of essentially the same facts covered in the HP LLC complaint. INTI and the named director and

officer defendants have stated that they intend to defend themselves vigorously. Mayne Pharma is also strongly defending the allegations.

## 17. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2020.

	31 December 2020 \$'000	30 June 2020 \$'000
<b>Financial liabilities</b>		
<b>Current</b>		
Mark to market valuation – interest rate swaps	2,316	3,485
Earn-out and deferred consideration liabilities	42,909	49,217
Syndicate loan and receivables financing	61,894	41,229
	107,119	93,931
<b>Non-current</b>		
Earn-out and deferred consideration liabilities	161,187	180,225
Syndicated loan	279,990	344,420
	441,177	524,645

Trade and other receivables, trade and other payables, other financial assets and other liabilities are considered short term and their fair values approximates the carrying values.

### **Fair Value**

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carrying Amount		Fair Value	
	31 Dec 2020 \$'000	30 June 2020 \$'000	31 Dec 2020 \$'000	30 June 2020 \$'000
<b>Liabilities</b>				
Mark to market valuation – interest rate swaps	2,316	3,485	2,316	3,485
Earn-out and deferred consideration liabilities	204,096	229,518	204,096	229,518

Interest rate swaps represent the Mark to Market value of open contracts at reporting date.

The Consolidated Entity has recognised various earn-out liabilities relating to various asset purchases. Most earn-outs are based on a percentage of net sales or gross margin and typically payable on a quarterly basis for a period of between two and ten years.

Deferred consideration recognised includes amounts which have contingent conditions such as FDA approvals and on market conditions (e.g. timing of commercial launches, no entry of a new competitor into the relevant market, achievement of cumulative net sales milestones). At balance date the Group has assessed the amount expected to be paid for contingent amounts outlined in the asset purchase agreements, using best estimates as to timing and likelihood of payments.

Set out below are the significant unobservable inputs to valuation as at 31 December 2020:

Earn-out / deferred consideration	Valuation technique	Significant unobservable inputs	Input used	Sensitivity of the input to fair value
Mithra-NEXTSTELLIS – deferred consideration liability	DCF	Forecast net sales  WACC  Delay in obtaining FDA approval	10.2%	5% increase (decrease) in net sales would change the expected timing of milestone payments resulting in an increase (decrease) in fair value by \$3.6m / (\$11.1m). 1% increase / (decrease) in the WACC would result in decrease / (increase) in fair value by \$7.2m / (\$7.8m). One-year delay in obtaining FDA approval would decrease the fair value by \$13.7m.
Lexette earn-out and deferred consideration liability	DCF	Forecast net sales  WACC	10.2%	5% increase (decrease) in net sales would result in an increase (decrease) in fair value by \$1.0m / (\$0.6m). 1% increase (decrease) in the WACC would result in decrease (increase) in fair value by \$0.6m.
Mithra – gNuvaring – deferred consideration liability	DCF	Timing of ANDA approval  WACC	9.6%	A delay of 1 year for the ANDA approval would decrease the fair value by \$1.0m 1% increase (decrease) in the WACC would result in decrease (increase) in fair value by \$0.2m.
Efudex-deferred consideration liability	DCF	Entry of new generic competitor		Entry of a new generic competitor before 20 July 2021 would decrease the deferred consideration by \$2.5m.

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### Assets and liabilities measured at fair value

As at 31 December 2020, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	Level 2		Level 3	
	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
<b>Financial Liabilities</b>				
Mark to market valuation – interest rate swaps	2,316	3,485	-	-
Earn-out and deferred consideration liabilities	-	-	204,096	229,518

**Reconciliation of fair value measurements of Level 3 financial instruments**

The Group carries Earn-out and deferred consideration liabilities classified as Level 3 within the fair value hierarchy.

A reconciliation of the beginning and closing balances including movements is summarised below:

	<b>2020</b> <b>Earn-out &amp; deferred</b> <b>consideration</b> <b>liabilities</b> <b>\$'000</b>
Opening balance	229,518
Acquisitions	1,249
Fair value (decrement) / increment	4,445
Foreign currency restatement	(23,404)
Payments	(7,713)
Closing Balance	<u>204,096</u>

During the six-month period ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements. The fair value increments and decrements were recorded in determining profit before tax.

**18. EVENTS SUBSEQUENT TO REPORTING DATE**

No matter or circumstance has arisen since the reporting date which is not otherwise reflected in this report that significantly affected or may significantly affect the operations of the consolidated entity.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mayne Pharma Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2020 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read "Scott Richards".

Scott Richards  
Director

Melbourne, 24 February 2021

## AUDITOR'S INDEPENDENT REVIEW REPORT



Building a better  
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### Independent Auditor's Review Report to the Members of Mayne Pharma Group Limited

#### Report on the Half-Year Financial Report

##### Conclusion

We have reviewed the accompanying half-year financial report of Mayne Pharma Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

##### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

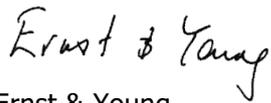
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "David Petersen".

David Petersen  
Partner  
Melbourne  
24 February 2021