

AFT PHARMACEUTICALS

Business Update and Redeemable Share Issue

17 March 2017



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PROGRESS UPDATE

111

Countries that *Maxigesic* is licensed in – up from 98 at the end of FY2016. Negotiations underway for North America (MX & US/CA to follow) & EU

6

Countries that *Maxigesic* has launched and is sold in with at least 20 further launches expected during this calendar year

10

Number of studies AFT expects to complete during this calendar year – 8 Clinical and 2 Pharmacokinetic

2

Additional dose forms of *Maxigesic* under development – Dry powder sachets and Rapid Formulation

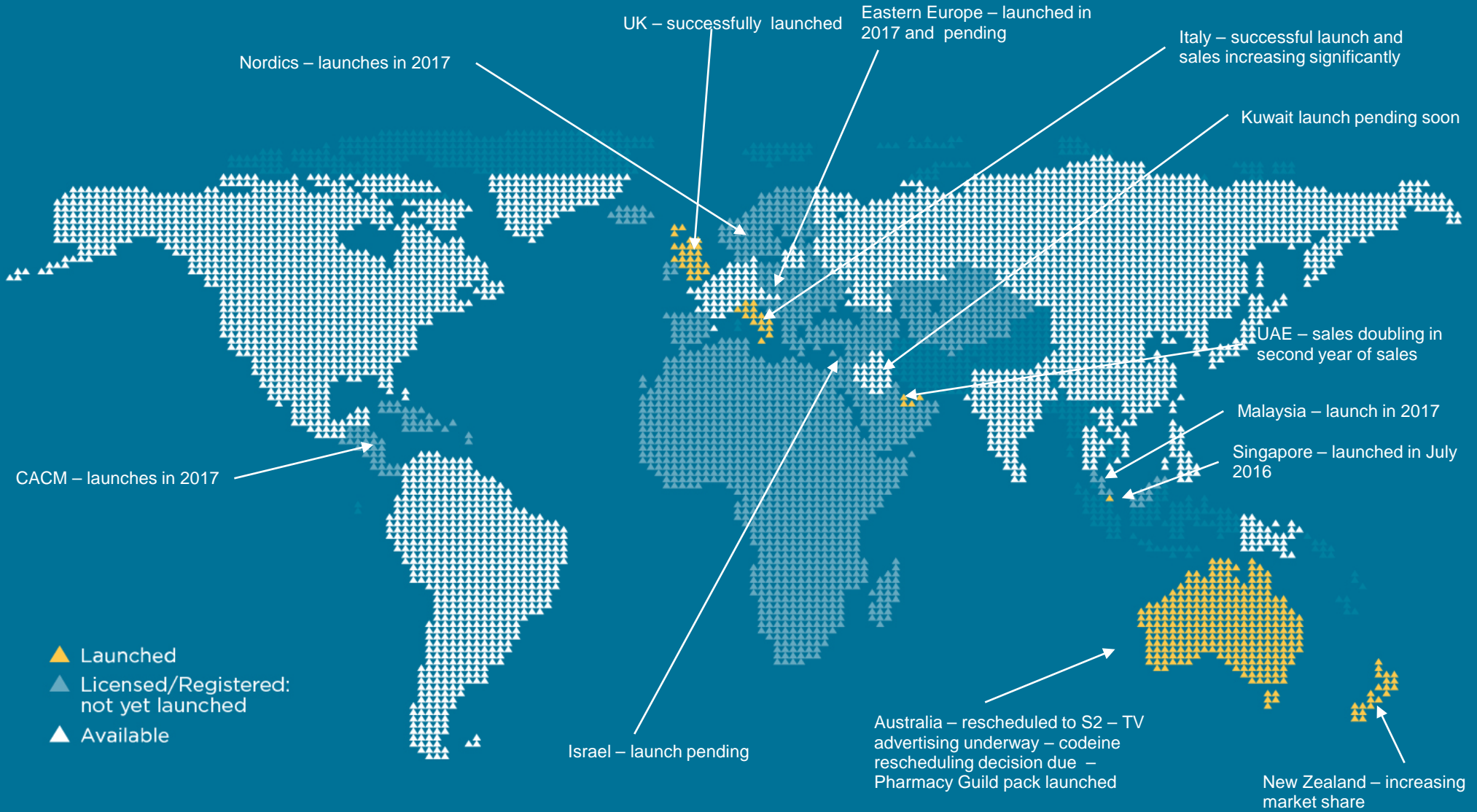
\$69 - 71m

expected total income for FY2017, up from \$65.8m in FY2016

\$7.6m

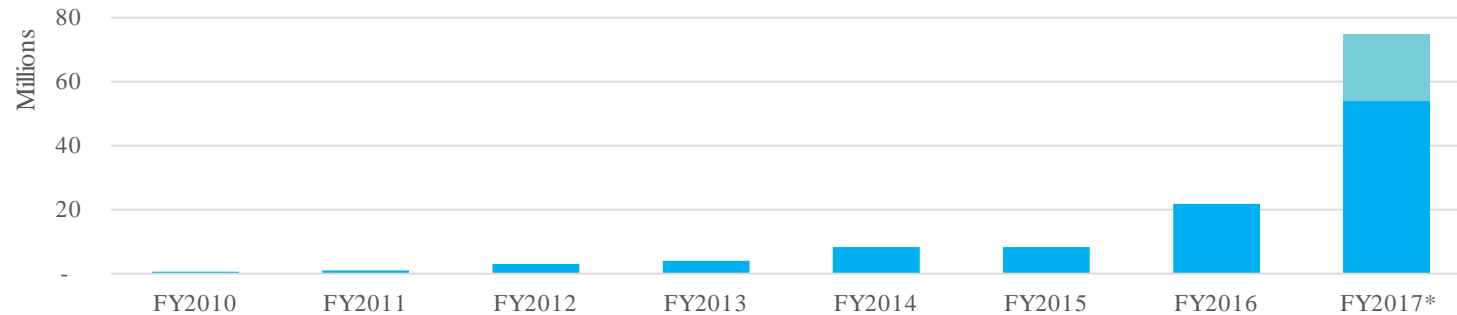
available cash as at 28 February 2017 – down from \$16.1m at the end of H1 FY2017

MAXIGESIC UPDATE



MAXIGESIC SALES PROGRESS TO DATE

Maxigesic Tablets Sold Per Year



- **Maxigesic** tablet sales for the FY2017 financial year are expected to increase to 74 million tablets per annum, representing a 339% increase on FY2016
- Additional out-licensing and distribution agreements for **Maxigesic** oral dose forms have been secured to increase the number of countries to 111 as at 30 September 2016, with additional out-licensing agreements expected to be negotiated during 2017, including in markets of significant size (e.g. the US, MX, CA, FR, DE)
- In Australia, **Maxigesic** can now be advertised directly to consumers and is more readily available in pharmacy stores. Also, the Australian regulatory authority confirmed the rescheduling of codeine OTC analgesics to become prescription medicines (from February 2018) which presents a significant opportunity for consumer conversion
- Sales in existing markets such as Italy, the UK and UAE have to date exceeded initial expectations. Sales in over 20 new countries (EU, CACM, Middle East, Asia) expected to commence in 2017

NasoSURF NEBULISER

DRUG DELIVERY AND TREATMENT OF SINUS CONDITIONS

Product description	<p>A handheld ultrasonic nasal mesh nebuliser for the intranasal delivery of medication and treatment of chronic sinusitis</p>
Rationale for investment in product	<ul style="list-style-type: none"> • To expand our existing allergy and hospital product ranges locally • Significant global potential for drug delivery • Sinusitis and Post Sinus Surgery to be established with clinical data (in vitro shows vastly improved sinus penetration cf. standard therapies)
Current status	<ul style="list-style-type: none"> • Engineering batches under production now • Registered with the FDA in the US as a Class I Medical Device • Clinical studies now commenced, with completion expected during the next 12 – 15 months
Our near term plans	<ul style="list-style-type: none"> • An IND Application will be made with the FDA in the first half of 2017 • Distribution studies <ul style="list-style-type: none"> — healthy volunteers in calendar year 2016-2017 — Patients in calendar years 2017-2018 • Conscious sedation PK studies calendar year 2017 • Conscious sedation clinical studies start calendar year 2017 • Licensing negotiations planned for FY2018, including in the US once some clinical data has been generated and IND finalised

The *NasoSURF* Nebuliser has desirable features over currently marketed nebulisers, which are not approved for delivery of specific drugs intranasally and do not possess a number of the advantages of the *NasoSURF* Nebuliser



Sales will be generated from:

- 1) device sales;
- 2) a per use charge administered through RFID (radio frequency identifier) cards; and
- 3) consumables

OTHER KEY INNOVATIVE PRODUCTS

Products	Status
<i>Pascomer (originally called Pascaderm)</i>	<p><i>Pascomer</i> currently being developed, with an IND Application to be opened in US during 2017 to enable the pivotal clinical study to be undertaken</p> <p>Successfully obtained ODD from FDA. EMA under application after successful meeting</p> <p>FDA meeting scheduled for late March 2017 to finalise development plan including pivotal clinical study</p> <p>Market studies by US development partner indicate potential for key indication of US\$600-800M, mid to high teens royalties and significant milestones. Note AFT share is 50%</p> <p>Licensing negotiations for the US and EU markets have been initiated during 2017</p>
<i>Maxiclear PE</i>	<p><i>Maxiclear PE</i> now licensed in 21 countries with the pivotal Phase 3 study currently underway in Cardiff, Wales, and was expected to be completed by the end of Q1 2017 but will need to be completed in NZ winter (Q3 2017)</p>
Fibroleve	Registration underway in Malaysia as first country
Crystaderm	<p>Successfully launched in AU</p> <p>Under Registration in Middle East</p> <p>Study completed in Russia and filing preparations underway</p>

R&D / MARKETING EXPENDITURE SINCE IPO

Purpose	As expected at time of IPO (Dec 2015)	Spent to Dec '16	Spend to Mar '18 (15 months)
Product Development			
- Maxigesic	\$13.2m	\$4.7m	\$8.0m
- NasoSurf	\$2.9m	\$1.1m	\$1.1m
- Maxiclear	\$1.5m	\$0.3m	\$0.2m
- Fibroleve	\$0.4m	\$0.3m	completed
- Crystaderm	\$0.5m	\$0.3m	\$0.4m
- Steroclear Nasal Spray	\$0.5m	\$0.3m	completed
- Pascomer	\$2.5m	\$1.4m	\$2.3m
- Maxigesic SUS	-	-	\$1.3m
- Maxigesic Orodispersible	-	-	\$0.4m
- Project M	-	-	\$0.3m
Total Product Development	\$21.5m	\$8.4m	\$14.0m
Marketing			
Underlying	\$4.7m	\$4.7m	\$5.5m
Incremental/New Launches	\$3.3m	\$5.7m	\$7.0m
Total Marketing	\$8.0m	\$10.4m	\$12.5m

FUNDING

Redeemable Shares

- In order to provide additional balance sheet capacity enabling AFT to pursue its planned R&D programme, AFT is undertaking a capital raise involving an issue of redeemable shares
- CRG is participating for approximately NZ\$7.1m of redeemable shares
- The Atkinson Family Trust is participating for approximately NZ\$2m
- The redeemable share issue is expected to be settled 24 March
- The redeemable shares will not be listed
- Approximately NZ\$9.1m of redeemable shares in total will be issued

Share Purchase Plan

- In addition to the redeemable share issue, AFT intends to make an offer of ordinary shares to eligible shareholders through a Share Purchase Plan (SPP)
- The SPP is expected to give eligible shareholders of AFT an opportunity to subscribe for at least NZ\$15,000 of shares
- The terms of the SPP are expected to be announced in more detail in late May 2017 upon release of the FY2017 financial results

REDEEMABLE SHARE ISSUE – KEY TERMS

Issue Price	The volume weighted average price of AFT's ordinary shares on the NZX over the five business days prior to the announcement of the redeemable share issue
Dividend	9.4% per annum AFT may determine at its absolute discretion whether or not to pay a full or partial cash dividend on any dividend payment date. Dividends not paid in cash shall accumulate and capitalise on a compounding basis.
Voting Rights	No voting rights
Redemption by AFT	Redeemable at the option of AFT at any time two years or more after the issue date
Conversion at Holder's Election	<p>Following the three year anniversary of this issue, the holder has the right to convert each redeemable share into one ordinary share (and will be issued ordinary shares for the accrued dividend) in multiples of 100,000</p> <p>Optional conversion events arise if:</p> <ul style="list-style-type: none"> - AFT raises any equity capital of NZ\$20m or more in a transaction or series of transactions - The price of ordinary shares on the NZX exceeds the issue price by 20% or more, or ordinary shares are issued by AFT at a premium of 20% or more to the issue price - AFT issues equity interests (or debt securities or similar equity or convertible securities) in AFT in one or a series of related transactions, the principal purpose of which is to raise capital, and which are listed on any exchange in the US, the EU or the UK - A takeover, amalgamation or scheme of arrangement in respect of AFT occurs - Following the issue date a person other than the trustees of the Atkinson Family Trust, either alone or together with its associates, acquires directly or indirectly beneficial ownership of more than 20% of the voting rights in AFT - AFT offers or takes steps to offer shares which rank in respect of dividends and in liquidation in priority to the redeemable shares - AFT enters into any transaction or series of linked or related transactions to sell, transfer or otherwise dispose of assets of AFT or any subsidiary of AFT which would either change the essential nature of the business, in respect of which the gross value is in excess of 50% of the average market capitalisation, or which is a major transaction - A resolution of shareholders to liquidate the company is proposed or an application is made for the High Court of the liquidation of AFT in circumstances where AFT is solvent
Escrow	No sale or transfer of the ordinary shares issued (for any accrued dividend or in connection with a capital change event) shall take place within a 12 month period after the issue of those ordinary shares unless off-market to certain qualified investors and the buyer provides an equivalent covenant to AFT
Liquidation Priority	In a liquidation of AFT each redeemable share Holder shall be entitled to receive, in priority to any payment to the holders of ordinary shares or any other shares in AFT that by their terms are expressed to rank behind the redeemable shares, the redeemable share amount (issue price plus any accrued dividend) in respect of each redeemable share

SUMMARY BALANCE SHEET

NZ\$000's	Restated Unaudited as at 30 Sep 2016	Restated Unaudited as at 30 Sep 2015
ASSETS		
Current assets		
Inventories	21,451	15,072
Trade and other receivables	12,748	12,224
Cash and other equivalents	16,054	10,016
Current income tax asset	19	113
Total current assets	50,272	37,425
Non-current assets		
Property, plant and equipment	421	449
Intangible assets	2,450	1,853
Deferred income tax assets	490	45
Derivative assets	-	917
Investment in joint venture entity	177	-
Total assets	53,810	40,689
LIABILITIES		
Current liabilities		
Trade and other payables	11,131	9,684
Provisions	1,841	2,326
Derivative liabilities	745	-
Total current liabilities	13,717	12,010
Non-current liabilities		
Interest bearing liabilities	22,039	24,721
Total liabilities	35,756	36,731
Equity		
Share capital	53,902	21,736
Retained earnings	(36,637)	(17,748)
Share options reserve	182	-
Foreign currency translation reserve	607	(30)
Total equity	18,054	3,958
Total liabilities and equity	53,810	40,689

- AFT had \$7.6m cash as at 28 February 2017, down from \$16.1m as at 30 September 2016
- AFT's cash balance will increase to approximately \$16.7m once NZ\$9.1m of redeemable shares are issued