



Working to improve your health
Market release

4 August 2017

Chairman's address to the 2017 Annual Meeting

The financial year ending 31 March 2017 was another milestone year for AFT with good progress made on our development and clinical trial programmes. Looking at our headline numbers for the last financial year to 31 March, FY17, these show total income of \$70.8m with operating revenue of \$69.2m and \$1.6m of licensing income, with an operating loss of \$14.8m and cash available of \$16m. Operating revenues therefore grew by 8% over FY16 which primarily reflected growth in our existing business in Australia and New Zealand. However, our most important and significant growth is to come from business expansion to our licensees around the world – Hartley will talk about this in his presentation.

This year, we are continuing to do what we said we would do in our product disclosure statement – the document we prepared for our IPO. For example, we targeted that by mid 2018 we would be selling our products in over 100 countries. Well by 31 March 2017, we were licensed in or selling products in 110 countries and that number has now increased to 124 countries. We are not yet selling in all these countries and Hartley will explain more about the timetable for sales in his presentation.

In respect of performance for FY18 year-to-date, we are tracking well with sales above FY17 levels and trading in line with analysts annual revenue projections, although it is early days yet.

And in terms of product development we have registered our Nebuliser nasal device in the United States already as a Class I Medical device and now we are confirming with the FDA the development pathway for the first major indication. We are also on track pending successful trial data to file our first line extension for Maxigesic in the United States this financial year.

As shareholders will recall, we took the opportunity to raise an additional \$10m of equity earlier this year. The first part of that raise was \$9m of redeemable preference shares issued to CRG and the Atkinson family trust at \$2.74/share. This provided us with good balance sheet support at a time when we would not have been able to raise that amount of money through a rights issue and it also provided much better value for us than the debt funding offered to us. The shares are non-voting, are not listed and they can be redeemed by the company. Subsequently, we launched a successful share purchase plan which offered shares to all shareholders at \$2.25/share. This has provided additional balance sheet capacity enabling AFT to pursue our current and planned R&D programme, as well as taking advantage of the codeine rescheduling decision in its key Australian market.

So, this FY18 is an important year for AFT as we continue to execute our strategy. So, for AFT the keys to our growth are:

- 1) to complete the development of our key innovative products, including clinical trials;
- 2) registration of those key products into markets around the world; and
- 3) to grow our existing Australasian business through further product development, licensing of products and taking advantage of the codeine rescheduling decision

Hartley will provide more detail on each of these initiatives in his presentation.

Your board and management team are very focused on achieving these objectives. In that regard, your board held an excellent strategy meeting earlier this week with significant input from the senior management team. We questioned each other on how best we can execute on our plans and strategies and really challenged each other to ensure that we have the right strategy as we head into the next crucial phase of our development.

So – your board is committed to achieving those objectives, and I do just want to comment on the board.

Currently, we believe that we are a diverse board and bring a good mix of skills to the board table. You will hear from Marree and Nate shortly as they will say a few words about themselves ahead of the resolutions for their re-election – but just to add to that – of course, Hartley and Marree have been involved with AFT since day 1 – nearly 20 years ago – and their family trust still owns over 70% of the company. Nate and Jim are both from the United States – Nate represents our shareholder CRG who have been very supportive of AFT. CRG has a great deal of expertise and experience in the United States pharmaceutical and health markets and we are delighted to have him join us for this meeting and for our strategy sessions. We are also delighted to have Jim here – he has a wealth of experience in pharmaceuticals and biotechnology and his insights are particularly valuable as we look to register, license and then sell our products into the United States. Doug has a strong background in drug development and regulatory affairs. Jon has worked in a number of pharmaceutical companies in senior strategic planning and marketing roles. And I have a mix of governance, commercial and legal experience.

We feel we have a well-balanced board looking after the interests of all our shareholders. And we are committed to having robust governance and risk and compliance frameworks and we regularly review our board and board structure. We have three standing board committees – the audit and risk committee chaired by Jon with 2 other independent directors; the remuneration and nominations committee also chaired by Jon, and we have a regulatory and product development oversight committee chaired by Doug – which oversees our regulatory risk management framework relating to product development,

monitors our compliance with regulators, and oversees our key clinical and product development projects.

Fellow shareholders, I am excited about our progress and the opportunities ahead for AFT. We are looking forward to the challenges ahead as we move from the development phase to clinical trials, then registration, licensing and sales. Your board and management team is focused on these objectives and will work hard in the best interests of all shareholders to make this happen. I personally would like to thank Hartley for his vision and strategic thinking. And for an excellent management team. AFT has transitioned well from a private company into the listing company environment and your board is determined to ensure that your capital is used well and that AFT continues its growth trajectory for the benefit of all shareholders.

[End of release]

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