

CHAIRMAN'S ADDRESS

Introduction

ARO A™ is a soft-tissue regeneration company. It develops, manufactures and distributes medical and surgical products to improve healing in complex wounds and soft tissue reconstruction.

ARO A commenced business in 2008, working out of Industrial Research Limited premises in Wellington. It relocated into its purpose-built facility in Auckland, New Zealand in 2014. In that year, ARO A also received FDA clearance for its first commercial surgical product.

ARO A now has two facilities in Auckland, New Zealand. Work is underway to triple manufacturing capacity in its 2nd facility in order to meet the growing demand for ARO A's products. The Company has 6 commercially launched products. All of which are based on ARO A ECM™, ARO A's proprietary platform technology.

FY21 Performance

Reflecting on the 2021 financial year...Covid-19 significantly impacted procedure volumes in the US during the year, due to lockdowns and the resulting postponement of surgeries. This affected ARO A's results for last year, with product sales for the first half down 10% compared to the same period in the previous year. Despite foreign exchange headwinds and a COVID-19 surge in the US, sales recovered strongly in the second half of the year. ARO A ended the year with full year product sales of NZ\$21.6 million. This represents \$23.1 million on a constant currency basis, being a 5% increase over the previous year.

During the first half of the year, product gross margin decreased to 65% compared to the same period in the previous year. This was as a result of lower product sales, while we retained indirect costs required to support anticipated higher sales volumes while emerging from COVID-19. As with product sales, product gross margins recovered strongly in the second half of the year. ARO A ended the year with a full year product gross margin of 68%. This represents 71% in constant currency, in line with 71% in 2020.

ARO A's normalised loss before income tax for the year was NZ\$7.4 million, compared to NZ\$3.9 million for the previous year. This reflected an 18% increase in selling and administrative expenses, largely due to increased investment into ARO A's US based sales operations. It also reflected a 27% increase in research and development expenses for ARO A's pipeline products.

ARO A ended the year with cash reserves of \$35 million.

Other highlights for FY21

As I outlined in the 2021 Annual Report, ARO A has realised several strategic achievements in the last year.

ARO A's IPO and ASX Admission was a key milestone for the business. It raised A\$45 million and received extraordinary support from institutional investors. It also reflected a strong vote of confidence from existing shareholders, who subscribed for approximately half of the funds raised.

ARO A raised those funds to execute the next steps in its growth strategy. I am therefore pleased to report that ARO A has materially advanced that growth strategy in the last year.

Highlights include expanding and simplifying ARO A's sales structure in the United States, the company's current principal market. This enables ARO A's sales efforts to increasingly be directed at hospital accounts and ambulatory surgical centres. Which is where ARO A expects to drive growth of ARO A's Myriad™ products.

In the last year, ARO A has obtained regulatory approval to sell its products in a further six countries. New regulatory approvals included Myriad Matrix™ in the European Union and US FDA approval for ARO A's new Symphony™ and Myriad Morcells™ products. ARO A also commercially launched Myriad Morcells in the US.

Our People

AROA could not have achieved these results without the dedication of its people, who went 'above and beyond' in the last year, and continue to do so. On behalf of the Board, I would like to take this opportunity to congratulate and sincerely thank them for their contribution to AROA's success despite COVID-19 challenges. On behalf of the Board, I would also like to recognise and thank AROA's Executive team for their exceptional efforts executing the Company's IPO and Admission during a period of exceptional concern and uncertainty.

Your Board

Turning now to your Board. There have not been any changes to AROA's Board in the last year. Philip McCaw and John Pinion are retiring by rotation and offer themselves for re-election at this Meeting.

AROA has bold ambitions for growth of its existing products in an addressable market of over US\$2.5 billion. The Board is committed to ensuring its governance helps AROA realise that potential.

Whilst the Board reflects a valuable range of skills and experiences necessary to guide AROA into the next chapter of its growth, it has identified certain additional attributes which would further complement its existing composition. As noted in the Notice of Meeting, AROA therefore intends to appoint at least one further Director with Chief Executive Officer experience in the life sciences industry and/or sales and marketing experience in AROA's key targeted markets. The Board recognises the value and importance of diversity, including in terms of gender, and will be taking this into account when evaluating potential candidates.

Social and Environmental

AROA is conscious of the need to deliver safe and effective medical products while also ensuring that it has a positive social and environmental impact. Initiatives have been completed or are underway to ensure that AROA delivers on its intent. At its core, AROA ECM platform technology harnesses the benefits of a meat industry by-product and transforms its use and value. To minimise its environmental impact, in the last year AROA installed a water waste treatment plant at its manufacturing facility. It has also updated certain product packaging to significantly reduce the carbon footprint associated with transporting those products. Further packaging reviews are also planned. For its employees AROA is committed to ensuring that new employees are paid at least a living wage. AROA also recognises the importance of diversity and has an inclusive merit-based culture. AROA's current workforce is 57% male and 43% female, and reflects more than 20 countries of origin.

As AROA grows and matures, it is increasingly cognisant of these factors. Our stated business goals now include protecting the environment, reducing waste & CO2 and making better use of resources. They also include ensuring a safe, and a healthy and productive work environment.

Closing remarks

I would like to conclude this address by thanking you, our shareholders for continuing to support AROA's vision.