

Annual General Meeting 27 November 2014

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Chairman's Address



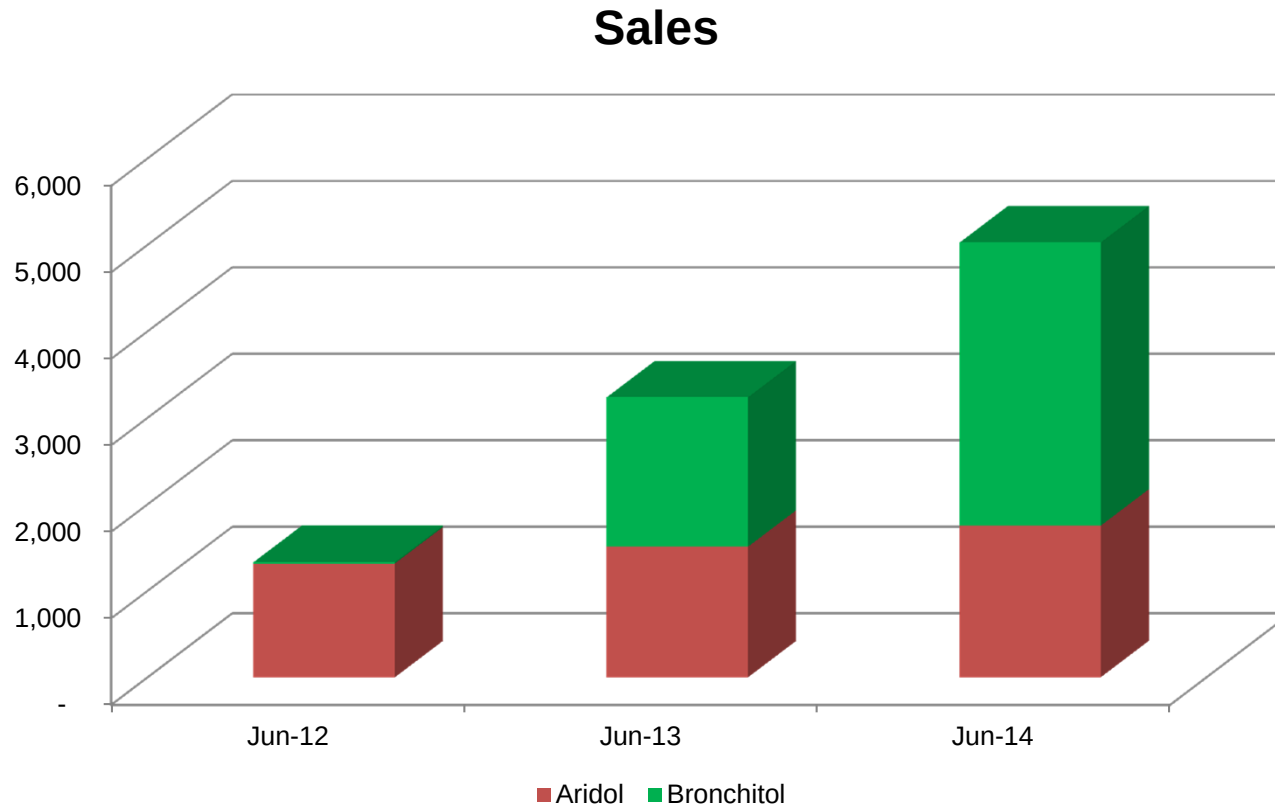
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Financial Overview



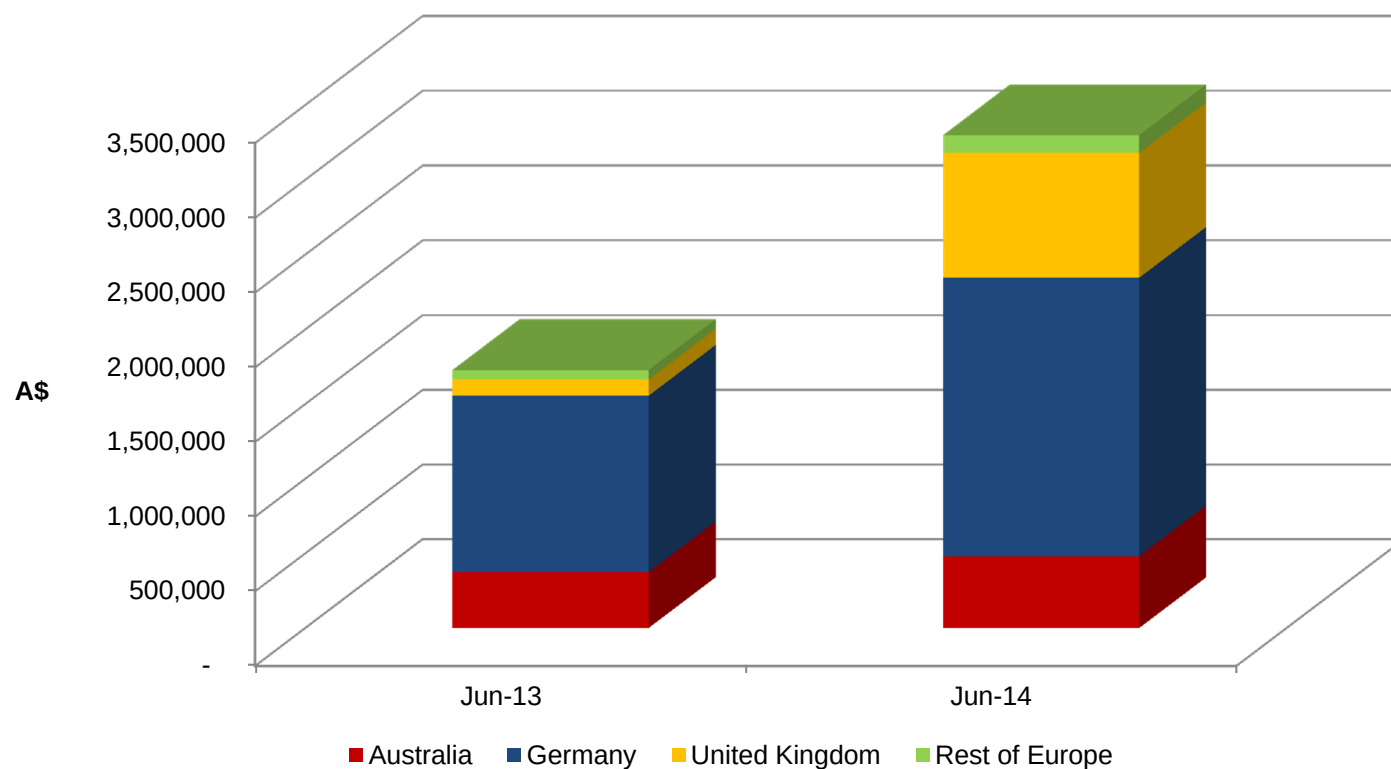
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Sales revenue



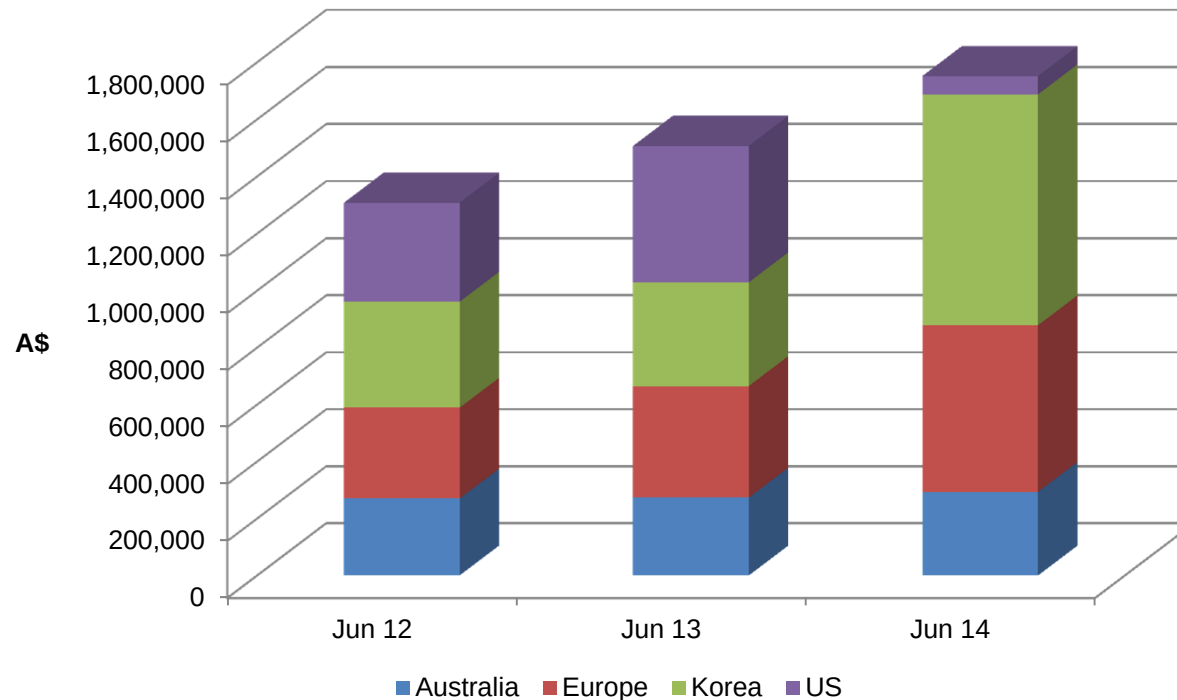
- Total sales increased 56% over 2013
- Bronchitol sales increased 55% over 2013
- Aridol sales increased 16% over 2013

Bronchitol sales by country



	<u>Germany</u>	<u>Australia</u>	<u>UK</u>	<u>Total</u>
Sales increase over 2013	58%	29%	662%	55%

Aridol sales by country



- Total sales increased 16% over 2013
- Significant growth in Korea
- Discontinued sales in US
- EU sales increase include improved margin in several countries – now sell direct, previously via a distributor

	<u>Europe</u>	<u>Australia</u>	<u>Korea</u>	<u>US</u>	<u>Total</u>
Sales increase over 2013	49%	8%	122%	(87%)	16%

Financial statements

Financial Statement Data		
Income statement ('000 except per share data)	Year ended	
	30-Jun-14	30-Jun-13
	A\$	A\$
Revenue from sale of goods	5,036	3,237
Cost of sales	(1,858)	(1,140)
Gross profit	3,178	2,096
Interest income	1,735	2,695
Grant and other income	3,715	5,675
Expenses		
Sales & marketing	(9,522)	(13,893)
Regulatory, safety & medical affairs	(4,495)	(5,581)
Administration	(8,268)	(6,030)
Available manufacturing capacity	(4,271)	
Research & development - Bronchitol	(12,801)	(18,531)
Research & development - new drug development	(4,901)	(5,331)
Finance & royalties	(7,302)	(2,130)
Restructuring and impairment expenses	(8,783)	(1,690)
Total expenses	(60,343)	(53,187)
Net loss before tax	(51,715)	(42,721)
Income tax expense	(103)	(2)
Net loss after tax	(51,818)	(42,723)
Basic and diluted earnings (loss) per share - \$	(0.168)	(0.141)

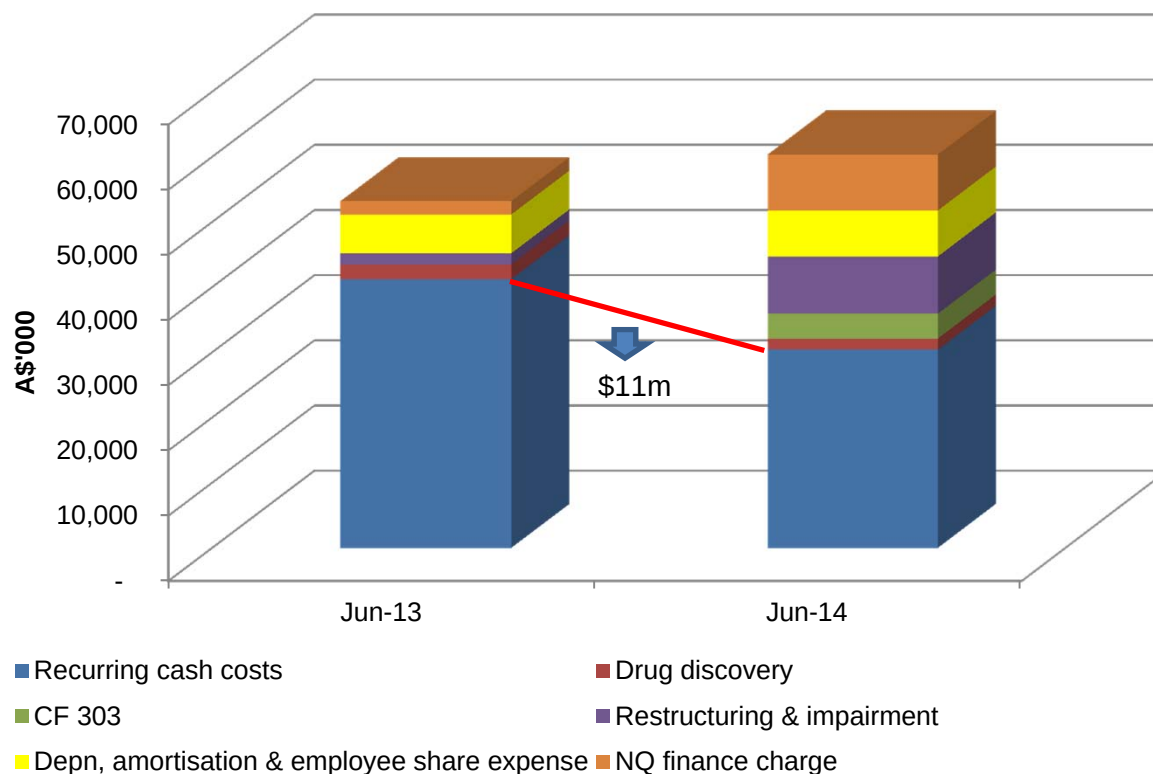
Income

- Other income - R&D tax credit significant component

Expenses

- Sales & marketing – overall decrease, close US & France; costs include pricing applications in EU, patient support programs in EU
- Safety – 2013 includes FDA CF costs
- Admin – consolidation of functions, employee share costs \$1.6m (non cash)
- R&D - Bronchitol includes CF303 of \$4m ('13: nil), manufacturing research \$3.4m ('13: \$9.5m) and clinical \$4.9 ('13: \$7.9m)
- R&D – new drug development: net cash cost \$1.7m
- Finance includes non cash NQ finance expense
- Restructuring charge in 2014 \$8.8M write down of intangible assets, 2013 – restructuring

Expense analysis – cash costs

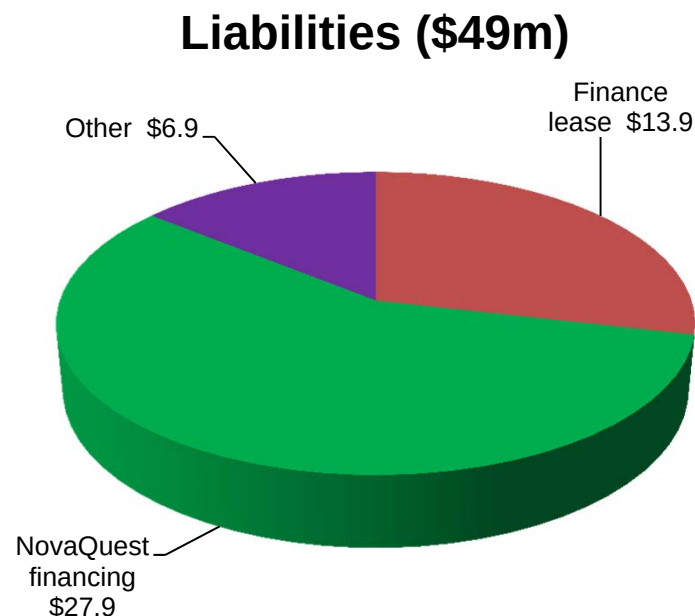
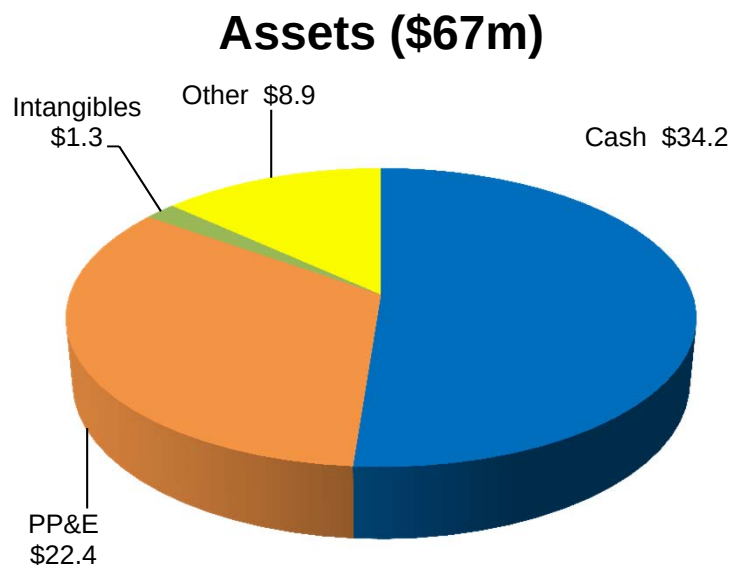


Expense analysis

- Separately recurring cash costs from non-cash and other expenses
- Recurring cash costs decreased by \$11m (26%) in FY14
- Annual run rate for Sept 14 quarter – further 16% reduction
- Further reductions Q1 CY 2015

Balance sheet – 30 June 2014

(A\$ mil)



- 2014 R&D tax credit of \$3.3m received November

- Finance lease is 15 year lease over 20 Rodborough Rd
- NovaQuest financing – amount received plus accrued charge. **Not repayable other than as % of sales** (note current legal proceedings described in annual report)

Shareholder Questions



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Formal Business



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Resolution 1 – Financial Report, Directors' Report and the Auditor's Report

- **No shareholder vote is required**

Resolution 2: Adoption of the Remuneration Report

Resolution:

“That the remuneration report of the Company for the year ended 30 June 2014 is adopted.”

Resolution 2: Adoption of the Remuneration Report

The Company has received:

- 115,009,730 proxy votes in favour of the resolution;
- 8,227,296 proxy votes against the resolution;
- 390,964 proxy votes abstaining from the resolution;
- 1,022,007 proxy votes excluded from voting;
- 925,717 proxies able to be voted by the chair which the chair intends to vote in favour of the resolution.

* Voting exclusions apply

Resolution 3: Re-election of Mr William Delaat as a Non Executive Director

Resolution:

“That Mr William Delaat is re-elected as a non executive director of the Company.”

Resolution 3: Re-election of Mr William Delaat as a Non Executive Director

The Company has received:

- 118,010,980 proxy votes in favour of the resolution;
- 6,295,134 proxy votes against the resolution;
- 343,883 proxy votes abstaining from the resolution;
- 925,717 proxies able to be voted by the chair which the chair intends to vote in favour of the resolution.

Thank you for your participation



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