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MAYNE PHARMA DELIVERS EXCEPTIONAL 2017 HALF YEAR PERFORMANCE

- Revenue of \$294.8m, an increase of 132% on 1HFY16
- Reported EBITDA of \$129.2m, up 217% on 1HFY16
- Underlying EBITDA of \$108.5m, up 158% on 1HFY16
- Reported net profit after tax of \$72.7m, up 278% on 1HFY16
- Earnings per share of 5.2c up 109% on 1HFY16
- Teva product acquisition on track with revenue and margins ahead of guidance
- Dofetilide capsules exceeded Pfizer's Tikosyn[®] brand volume within 10 weeks of launch
- Successful launch of Doryx[®] MPC, Fabior[®] and Sorilux[®] foam products
- Business well positioned for growth driven by recent acquisitions and product launches

Commenting on the half year result, Mayne Pharma's CEO, Mr Scott Richards said, "We are very pleased to be announcing strong results for Mayne Pharma across all key financial metrics, with the Group reporting exceptional growth across revenue, EBITDA and net profit on the prior corresponding period (pcp)."

"The Teva product acquisition which was completed in August contributed significantly to growth with sales and margins performing ahead of guidance. The underlying Generic Products Division, Metrics Contract Services and Mayne Pharma International all delivered solid growth on pcp. The launch execution of Dofetilide capsules has been outstanding, overtaking the Tikosyn brand within ten weeks of launch, delivering material returns on invested capital, in addition to providing significant savings to patients and payors."

"The Specialty Brands Division, which faced temporary headwinds in the first quarter from the loss of exclusivity on Doryx 50mg and 200mg, had a much stronger second quarter and is well positioned for growth in the second half following the successful launch of Doryx MPC in August and Fabior (used to treat acne) and Sorilux (used to treat plaque psoriasis) in January."

Summary of results¹

\$m	1HFY17	1HFY16	Change on pcp	
			\$m	%
Revenue	294.8	127.3	167.5	132%
Gross profit	171.2	80.4	90.8	113%
GM%	58%	63%		
EBITDA – underlying ²	108.5	42.1	66.4	158%
EBITDA – reported	129.2	40.7	88.5	217%
NPAT – underlying	56.6	19.1	37.5	196%
NPAT – reported	72.7	19.2	53.5	278%

1. NPAT and EBITDA is profit attributable to members of the Company.

2. Adjustments to EBITDA in 1HFY17 include \$26.2m settlement of patent litigation; \$4.6m of transaction and other related costs and \$0.9m of legal costs associated with US Department of Justice (DOJ) investigation. 1HFY16 has been restated to include HedgePath Pharmaceuticals losses attributable to members

"The Company continues to invest in its facilities and product pipeline with \$48m primarily spent on the expansion programs at Greenville and Salisbury, in addition to \$15.6m on research and development. The strategic capital investments are on track to be completed in 2018 to support



the in-house manufacture of 11 products that are currently manufactured by third parties as well as the growing pipeline of products under development.”

Operating Performance

Generic Products Division (GPD)

The GPD operating segment's sales were \$222.6m, up 399% on 1HFY16 and gross profit was \$125.8m up 377% on 1HFY16.

In US dollar terms, sales were up 420% to US\$167.8m driven by the acquisition of the Teva product portfolio and strong performance of the underlying business with dofetilide, butalbital/APAP/caffeine, hydrocodone/APAP and methamphetamine being the key drivers. Dofetilide, the Company's first first-to-file paragraph IV program, became the Company's largest selling generic product representing 17% of GPD revenue in the half and is now the market leader in terms of volume share capturing over 55% of total prescriptions (TRx) in the dofetilide market¹.

The Teva portfolio acquisition has been successfully transitioned with all on market products available for sale at completion and no products have suffered supply chain disruptions. Feedback from customers and the Federal Trade Commission monitors has been very positive on the operational execution of this complex transaction. Product transfers are tracking to plan with several products planned to be transferred to new manufacturing sites across the second half of calendar 2017. This is expected to lead to improved product margins through accessing lower manufacturing costs at the new network of contract manufacturing organisations or gains from overhead recovery throughput benefits across the internal manufacturing network.

Revenue since completion of the Teva portfolio acquisition on the 3 August 2016 was US\$100.5m and the gross profit margin exceeded our guidance of 50%. We expect monthly revenue and earnings from the Teva portfolio to increase over the remainder of the financial year as we pursue new accounts and expand revenue from other non-retail channels (i.e. government and hospitals).

During the half, several new products were launched contributing incremental sales including budesonide capsules, morphine sulphate extended-release (ER) tablets and temozolomide capsules.

Specialty Brands Division (SBD)

As anticipated, SBD's results were impacted by the loss of market exclusivity on Doryx 50mg and 200mg in May. Sales were \$26.8m and gross profit was \$26.1m. In US dollar terms, SBD's revenue was US\$20.2m.

The 1QFY17 sales were soft due to destocking in the trade channel following the generic event, however the 2QFY17 results rebounded and grew 68% to US\$12.7m. The launch of Doryx MPC in August has contributed to the growth in the second half with total prescriptions tracking above 4,000 per week and Doryx MPC accounting for over 35% of the franchise or 1,500 prescriptions per week¹.

¹ IMS Health, weekly prescriptions volume, data up to week ending 10 February 2017



The Company internalised the SBD sales team from a third-party contract sales organisation prior to the launch of the two acquired foam products, Fabior and Sorilux. The Company is already beginning to see the benefits of this change with an improved ability to attract and retain talent and greater sales force effectiveness.

In the first five weeks since the launch of Fabior and Sorilux by Mayne Pharma, the performance has exceeded expectations and Fabior has surpassed the previous peak TRx performance achieved by the product's former owner. In the latest week of prescription data, total prescriptions written for Fabior were 710 and for Sorilux were 172².

Metrics Contract Services (MCS)

The MCS operating segment's sales were \$28.1m up 20% on 1HFY16 and gross profit was \$15.4m up 25% on 1HFY16. In US dollar terms, MCS' sales were well ahead of industry growth rates with sales up 25% to US\$21.2m.

The continued strong revenue growth in this segment reflects the very successful efforts of the team to attract higher value, late stage projects. The analytical lab efficiency program, which was implemented in FY16 to enhance service levels through faster turnaround times for clients, has helped improve operating margins and increased revenue per employee by 20%.

The investment in the new solid oral dose manufacturing facility in Greenville is creating a strong book of commercial contract manufacturing leads.

Mayne Pharma International (MPI)

The MPI operating segment's sales were \$17.3m up 10% and gross profit was \$3.8m, up 6%. Australian sales were flat on pcp whilst international sales grew 62% to \$4.6m and benefited from increased Astrix[®] sales into Korea and Lozanoc[®] sales to our European partners. In Australia, Lozanoc and generic oxycodone performed well, however this was offset by weaker Kapanol[®] sales.

Pipeline

Mayne Pharma's global development pipeline includes 50 products, of which more than 40 products are targeting US markets with sales greater than US\$6bn³. The Company has 19 products pending approval at the FDA with total market sales of more than US\$1.3bn³.

The Company continues to commit substantial resources to advancing this pipeline. In 1HFY17 research and development spend was \$15.6m with 71% capitalised over the period. More than 80% of this spend was directed towards generic programs that leverage the Company's drug delivery platform technologies.

The Company continues to progress the commercialisation of itraconazole globally for the treatment of certain fungal conditions and as a potential treatment for cancer. In the US, the Company has invested a further US\$4m in HedgePath Pharmaceuticals which is seeking to repurpose SUBA[®]-Itraconazole in various cancers. During the half, HedgePath announced positive

² IMS Health, weekly prescriptions volume, data up to week ending 10 February 2017

³ IMS Health, MAT December 2016.



ASX Announcement

interim data from a Phase IIb clinical trial in patients with a genetic form of skin cancer called Basal Cell Carcinoma Nevus Syndrome (BCCNS) – more commonly known as Gorlin Syndrome.

Cash Flow

Net operating cash flow before interest, tax, working capital and other one-off items was \$107.7m. Total net operating cash was an outflow of \$67.1m after including \$22.7m of tax payments, \$4.1m of net interest payments, \$170.6m net working capital investment and \$22.6m net inflow from one-off items. The significant investments made in working capital in the half were one-off in nature and driven by the Teva portfolio acquisition. No finished goods inventory or trade receivables were acquired as part of the transaction. The working capital position for the Teva portfolio has now stabilised and is not expected to grow further. The Company ended the year with net debt of \$232.6m and cash on hand was \$80.8m. Positive operating cash flows are forecast in the second half.

Outlook

The outlook for the Group continues to be positive with significant growth opportunities from recent acquisitions, new product launches, further business development activities and transaction related revenue and cost synergies.

GPD will benefit in the second half from a full six months' contribution from the Teva product acquisition and the recent launch of five products - budesonide capsules, morphine sulfate ER tablets, temozolomide capsules, amiodarone tablets and butalbital/APAP tablets.

The Company remains confident it will achieve the FY17 revenue and earnings guidance provided at the time of the Teva acquisition when compared on an annualised basis. Growth beyond FY17 will benefit from the launch of pipeline products and revenue and cost synergies.

SBD is also expected to have a stronger second half, benefiting from the recent launch of Fabior and Sorilux which are expected to become material contributors to this segment over the remainder of the financial year.

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About Mayne Pharma

Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on applying its drug delivery expertise to commercialise branded and generic pharmaceuticals. Mayne Pharma also provides contract development and manufacturing services to more than 100 clients worldwide.

Mayne Pharma has a 30-year track record of innovation and success in developing new oral drug delivery systems and these technologies have been successfully commercialised in numerous products that have been marketed around the world.

Mayne Pharma has two product development and manufacturing facilities based in Salisbury, Australia and Greenville, USA with expertise in formulating complex oral dose forms including highly potent compounds, controlled substances, modified release products and inherently unstable compounds.