



PALLA PHARMA

2021 ANNUAL GENERAL MEETING

Wednesday 26 May 2021 | 3.00pm AEST
ASX: PAL



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AGENDA

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Formal Business of Meeting 29

- Financial Report for year ended 31 December 2020
- Adoption of Remuneration Report
- Director elections
- Ratification of issue of Ordinary Shares

Meeting Close

Q&A

CHAIRMAN'S ADDRESS

SIMON MOORE
NON-EXECUTIVE CHAIRMAN

BOARD OF DIRECTORS

Wide breadth of industry experience across pharmaceuticals, agriculture and investment management



Mr. Simon Moore
Independent Non-Executive Chairman



Mr. Stuart Black
Independent Director
Chair of Audit & Risk Committee



Ms. Sue MacLeman
Independent Director
Chair of Human Capital
Committee



Mr. Iain Ross
Independent Director

LEADERSHIP TEAM

Over 100 years of collective experience in opiate based pharmaceuticals industry



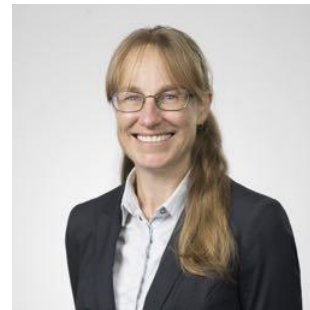
Mr. Giles Moss
CEO (from 1 Sep 2021)



Mr. Brendan Middleton
Interim CEO & CFO



Mr. Richard Scullion
Commercial & Sales Director



Ms. Lucy Waddell
Group Head of Quality



Dr. Artur Abreu
Site Director – Australia



Dr. Richard Bos
Director of Research &
Development



Mr. Craig Sweeney
Site Director – Norway

LEADERSHIP TRANSITION UNDERWAY

CEO transition and Board renewal to provide strong foundation for strategic initiative execution

CEO departure in December 2020; CFO Brendan Middleton appointed Interim CEO with hands-on Board support during the transition period

Iain Ross, an experienced pharmaceutical and biotech company director based in the UK, appointed to Board in December 2020

Long serving Board member Todd Barlow resigned in February 2021 after 6 years as a Director to focus on other commitments

Board and management team has completed thorough review of strategy and operations

Appointment of Giles Moss as CEO to commence September 2021 based in the UK; brings over 30 years of commercial leadership and operations experience in the pharmaceutical industry



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INTERIM CEO'S PRESENTATION

BRENDAN MIDDLETON
INTERIM CHIEF EXECUTIVE OFFICER

COMPANY OVERVIEW

Fully integrated opiate based pain relief medication manufacturer from “farmgate to pharmacy”

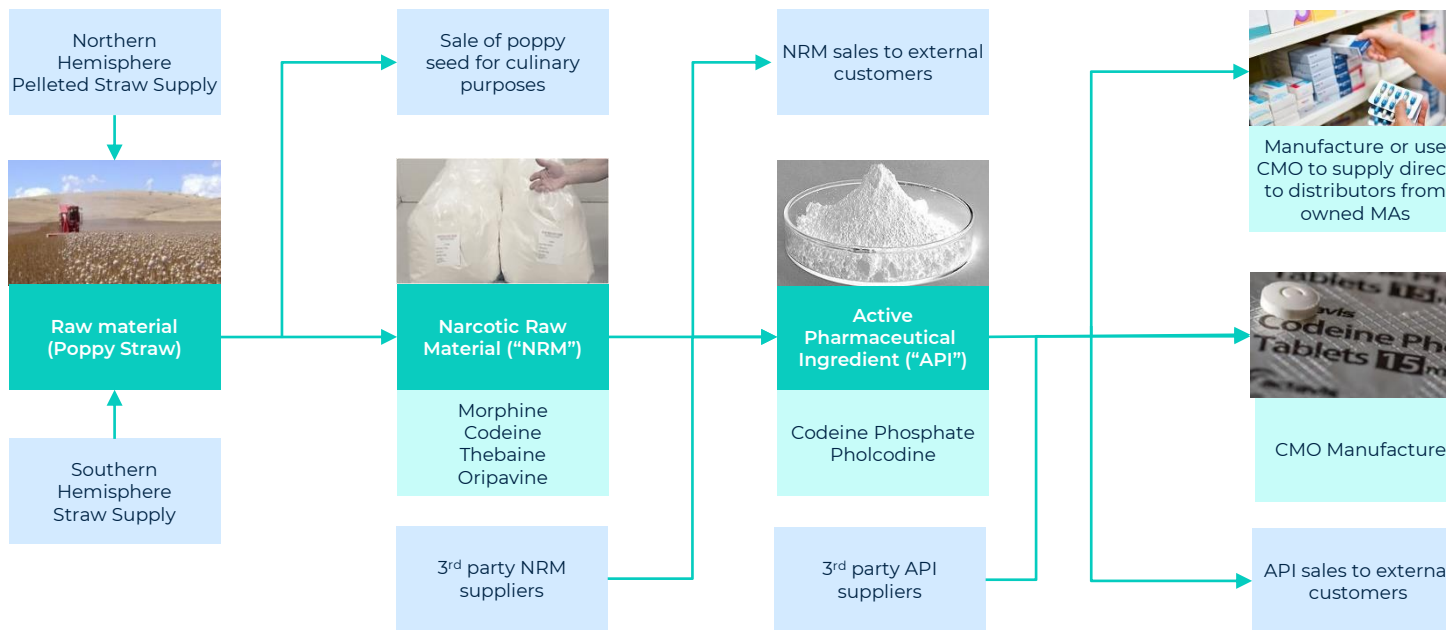
Low-cost extractor of Narcotic Raw Material (NRM), the largest cost contributor to cost of opiate-based Active Pharmaceutical Ingredient (API) and Finished Dosage Formulation (FDF) products

Manufacturer of opiate-based FDF products under Contract Manufacturing (CMO) or direct to distributors from own Marketing Authorisations (MAs)

Growing global supplier of opiate-based pain relief medicines with future opportunities in high-value products and markets

FULLY INTEGRATED SUPPLY CHAIN

Fully integrated opiate based supply chain from “farmgate to pharmacy”; MAs has completed product offering



Input optionality at every stage - “Buy” or “Manufacture” with a focus on lowest cost / highest margin outcome

LOOKING AHEAD

Strong future earnings growth potential through acquisition of MAs in 2020 and launch in 2021

2020 / 2021

ACQUIRED MAs TO DRIVE VOLUME AT HIGHER VALUE

- ✔ Exited low-margin non-opiate FDF CMO contract
- ✔ Acquired 7 opiate based product MAs
- ✔ Simplified production processes
- ✔ Qualified FDF customers for PAL MA products
- ✔ Validated and gained approval of site change and full transfer of first 2 MA products in February 2021
- ✔ Additional MA launch in progress

2021 and beyond

MAXIMISING VALUE ACROSS SUPPLY CHAIN WITH MAs

- ❖ Strategy to optimise value at all points of supply chain – “buy” or “manufacture”
- ❖ Fully utilise API and tableting capacity
- ❖ Partnership with UK manufacturer driving further value from acquired MAs
- ❖ Completing remaining MA transfers, validations and approvals
- ❖ Enter European market to maximise value of existing MAs
- ❖ Continue product development around opiate-based pain relief



FY20 RESULTS OVERVIEW

BRENDAN MIDDLETON
INTERIM CHIEF EXECUTIVE OFFICER

CHALLENGING FY20 BUT MAJOR MILESTONES ACHIEVED

Disappointing financial performance in FY20 due to MA approval delays, but major strategic milestones achieved

Limited impact of COVID-19 on operations, but paracetamol shortages and deferral of elective surgeries reduced API demand

Regulatory approval delays of two product MAs, combined with COVID-19-related lower API demand, impacted revenue and earnings; the cessation of the non-opiate based legacy FDF supply agreement significantly reduced revenue, compared to 2019

Higher inventory levels were carried to mitigate supply chain interruptions: this coupled with MA approval delays and reduced API demand, led to a major increase in work-in-progress inventory

Core 30/500 Co-Codamol caplet and tablet product approval received in February 2021 with product launch and first sales commenced in Q2 2021

Senior leadership changes occurred in late 2020 / early 2021



FY20 RESULTS OVERVIEW

FY20 was a transition year where the company positioned itself for growth through MA Finished Dosage sales

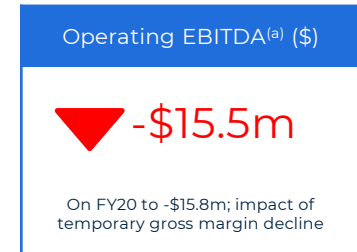
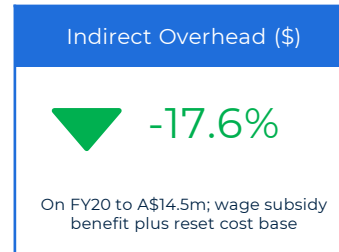
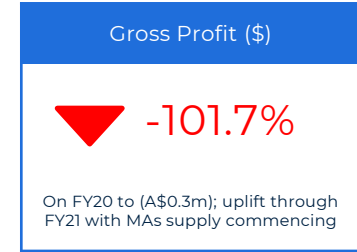
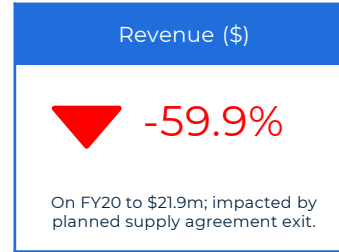
Revenue impacted by early exit of non-opiate based supply agreement and lower API volumes due to major UK customer losing its manufacturing licence; revenue expected to accelerate in FY21 from sale of opiate based FDF products under owned MAs

Reduction in gross profit driven by reduced Finished Dosage revenue; production inefficiencies associated with timing of FDF supply agreement exit; lower API volumes; and lower seed volumes due to reduction in domestic growing area

Indirect overhead cost base reduced by \$3.1m (~17.6%), from April 2020 following exit of the non-opiate CMO supply agreement and the benefit of \$1.1m in wage subsidy receipts

Operating EBITDA^(a) impacted by the decline in revenue, gross margin and costs associated with MA site transfers, partly offset by indirect overhead cost reduction

Net debt increased with the acquisition of MAs and additional inventory to avoid COVID-19 supply disruption



(a) Operating EBITDA is a non-GAAP financial measure – see appendix of 2020 Full Year Results presentation for reconciliation of Operating EBITDA to statutory net profit/(loss) after tax.

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MARKETING AUTHORISATIONS LAUNCH UPDATE

BRENDAN MIDDLETON
INTERIM CHIEF EXECUTIVE OFFICER

MA APPROVALS GRANTED & PRODUCT LAUNCH COMMENCED

Maximising value of Codeine Phosphate API through sale in Marketing Authorisation products

MA product value proposition: 1kg of Codeine Phosphate sold via an MA product generates approx. A\$1,200/kg revenue compared to approx. A\$500/kg when sold as an API

MAs acquired for 7 products in 2020; Norway site change approval granted in February 2020 to commence manufacture of 2 highest value and volume MA products

Final MHRA approval required minor packaging change with first MA product commencing in March 2021

EU approval process for core MAs begins end of May 2021, expect to enter selected markets by March 2022

Contract Manufacturing Partnership with M&A Pharmachem (UK) established comprising MA licenses, CMO and API supply to:

- Accelerate use of PAL-owned MAs and enhance UK retail market access
- Adds to PAL ability to service customers in the world's largest codeine-based pain management market
- 'Capital light' approach to expand capacity and market reach
- Provides significant long term API sales volumes

First Palla Pharma Co-Codamol 30/500mg Tablets lifted from the packing line by robotic lifter (21 March 2021)



UK MARKET DYNAMICS FOR CODEINE PRODUCTS

Robust market dynamics remain for UK codeine-based products; pricing holding to expectation for initial sales

Price of a 100-tablet packet (Codeine/Paracetamol 30mg / 500mg) has increased significantly since Q2 2018 from approx. £2.50 to over £4.00 per 100 pack

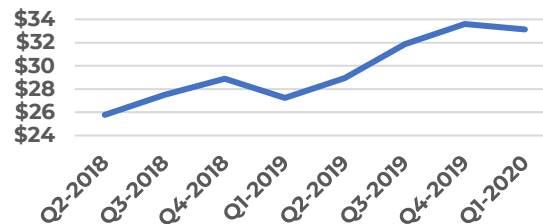
Sales volumes in the UK, including retail and hospital, has grown strongly over the same period, up 28.6% and 21.7% over the year to March 2020 before COVID-19 impacted elective surgeries

Two major manufacturers were unable to supply product for an extended period leading to supply shortages

With recently launched MAs, and the Manufacturing Partnership established, PAL can compete strongly in the UK market and maximise the value of its portfolio of MAs

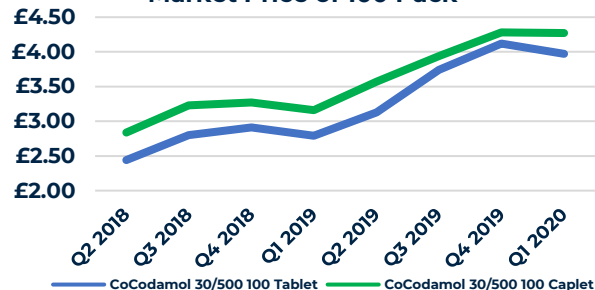
Market pricing is holding to expectation for initial sales

**Co-Codamol 30/500
UK Sales (US\$m)**



Source: Company estimate and IQVIA United Kingdom

Market Price of 100 Pack



Source: Company estimates and IQVIA United Kingdom

CMO PARTNERSHIP TO MAXIMISE UK MA OPPORTUNITY

CMO partnership provides additional capacity to realise value from all MAs

A commercial relationship established with M&A Pharmachem to maximise the economic opportunity of the MAs for each party

Established a partnership for UK manufacturing, to accelerate use of the portfolio of Palla owned MAs

CMO and licencing agreement with M&A Pharmachem, gives Palla access to additional capacity and allows M&A Pharmachem to re-establish itself in the market in its own right with limitations on volume

Onshore UK manufacturing capacity also mitigates potential logistics challenges posed by Brexit

M&A Pharmachem will manufacture under MAs which Palla's current capacity will not allow it to use in the short to medium term



MA_s ACQUIRED AND CUSTOMER SUPPLY MODEL ESTABLISHED

Multi-source UK customer supply model established through use of internal and CMO manufacturing capacity

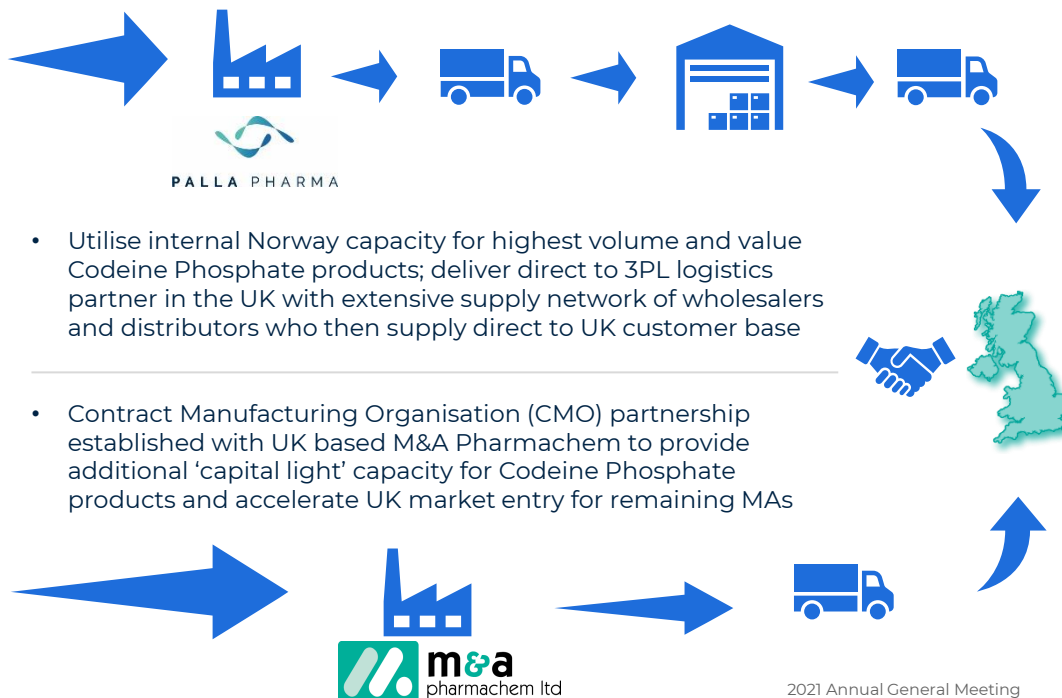
MA products launched 2021

1. 30/500mg
Codeine Phosphate/Paracetamol Caplet
2. 30/500mg
Codeine Phosphate/Paracetamol Tablet

Other MA_s acquired in 2020

1. 8/500mg
Codeine Phosphate/Paracetamol Tablet
2. 10/500mg
Dihydrocodeine /Paracetamol Tablet
3. 20/500mg
Dihydrocodeine / Paracetamol Tablet
4. 30/500mg
Dihydrocodeine / Paracetamol Tablet
5. 30mg Dihydrocodeine Tablets

Multi-source UK Customer Supply Model



MANUFACTURING CAPACITY UTILISATION & PROGRESS

Expect Finished Dosage capacity to be fully utilised exiting 2021

Norway site Finished Dosage capacity:

- Initial capacity: 550,000 packs per month and increasing to 750,000 packs per month from June (9m per annum = ~28t of Codeine Phosphate equivalent API consumption per annum), **and expect to fully utilise through Q3 2021**
- Scope to further increase capacity with capex of A\$1.5m for additional 250,000 packs per month, lead time of 9 months

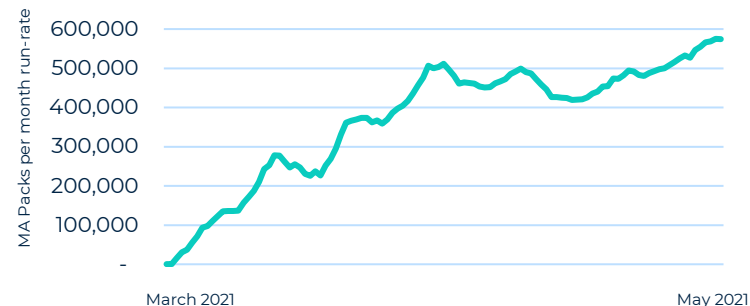
Manufacturing Partnership with M&A Pharmachem provides additional Finished Dosage capacity:

- 200,000 packs per month (2.4m per annum = ~7t of Codeine Phosphate equivalent API consumption) post MHRA MA access approval for M&A Pharmachem (expected July 2021) **and expect to exit 2021 fully utilised**
- Scope for further volumes based on capacity availability

Finished Dosage capacity supported by:

- API capacity of ~70t in Norway to supply both internal and CMO Finished Dosage requirements with remaining supply directed to external customers
- NRM capacity of 70t in Australia to supply internal to Norway and external customers

MA packs per month production run-rate (by shift)



First Palla Pharma Co-Codamol 30/500mg Tablet pallets assembled for delivery

KEY PLAYERS IN THE UK MARKET

Large wholesalers with own retail brands and outlets dominate the market



Wholly owned subsidiary of Walgreen
Alliance Boots

- Significant wholesale volumes and retail presence through Boots business with over 2,200 stores



Part of McKesson Europe

- Have a separate short line arm in Trident and 16 other AAH Branches in UK and buy for their retail chain Lloyds (>1,500 stores)



Part of largest Pan-European Pharma Distributor

- Based in Runcorn (13 depots throughout UK) and also purchase for their retail arm Rowlands which has >500 stores in the UK



Part of Bestway since 2012

- Have 760 stores throughout UK and a key player in full-line wholesale



Privately owned wholesaler

- Based in Northern England but a national provider and 9 distribution depots nationally



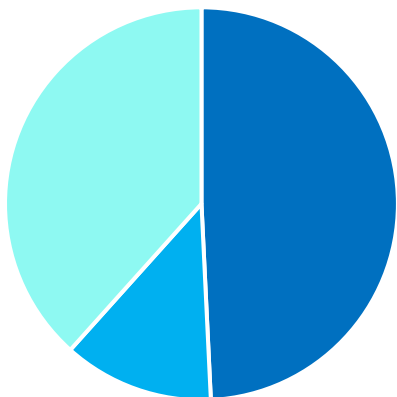
Privately owned wholesaler and retailer

- Strategy of acquisition most recently highlighted by purchase of Scottish short liner Strathclyde in 2020; have small retail presence of ~50 stores

SALES & DISTRIBUTION PROGRESS

Commenced supply with 4 customers of major wholesaler group supplying 70% of UK Co-Codamol retail market

Major Wholesaler Outlets



- Nationals 100+
- 6+ Pharmacy Groups
- 1-5 Pharmacy Groups

Source: GPC 2016

Alliance
Healthcare

AAH
All About Health

PHOENIX
Healthcare Distribution Limited
a PHOENIX company

DE
Group

+well

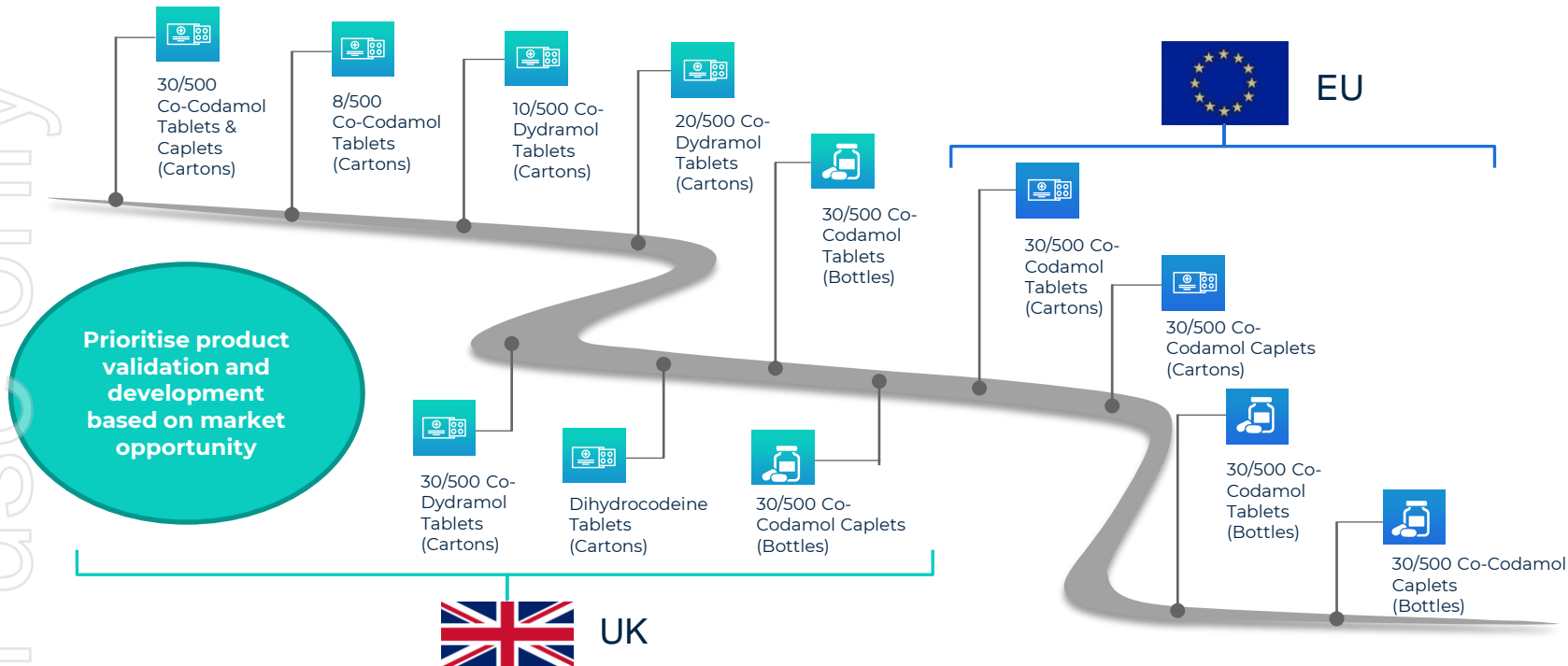
LEXON
UK LIMITED

- Palla Pharma has commenced supply to 4 of 6 targeted wholesale customers, which together supply ~70% of the UK Co-Codamol 30/500 retail market; the remaining 30% of the retail market is branded generic product
- This excludes the Primary Care (ie. hospitals and other healthcare providers) market

- Major Wholesalers Purchase over 12m packs of Co-Codamol 30/500 per year
- Over 50% of Total Pharmacies are Nationals
- Boots Represent 33% of Total Nationals
- Supermarkets represent around 10% of Total Nationals

MA PORTFOLIO PRODUCT ROAD MAP

Product Roadmap to drive maximum value from acquired MA's



2021 CRITICAL SUCCESS FACTORS & OUTLOOK

BRENDAN MIDDLETON
INTERIM CHIEF EXECUTIVE OFFICER



2021 CRITICAL SUCCESS FACTORS

Improved financial performance and heightened focus on cash conversion to reduce Net Debt

Exiting 2021 with proven and scalable business model driving surplus cash generation to reduce Net Debt by:

- 1. Achieving MA Finished Dosage production run rates > 750k/month.** Underpinned by a continued focus on manufacturing excellence initiatives in Norway which has included new maintenance planning and standards for key equipment ('reactive to predictive'), cross-skilling of API and warehouse staff in FD production, rigorous establishment of rated operating limits complemented by routine shift reporting and downtime PLAN-DO-CHECK-ACT improvement cycles
- 2. Execution of MA sales strategy.** Continued penetration of UK wholesaler market to gain further wallet share.
- 3. NRM & API WIP reduction.** Delivery of NRM WIP reduction plan to reduce WIP inventory and incremental cash cost of production (higher P&L cost of production impact, but improved cash conversion), and stagger API production to meet internal and external demand

1. MA FD
production
run-rates >
750k/month

2. MA sales
launch
strategy
execution

3. NRM &
API WIP
inventory
reduction

4. Net Debt
reduction

2021 OUTLOOK

Revenue and earnings skewed to second half of 2021 as MA sales ramp up to full capacity

Foundations of fully integrated business model now in place with expectation of increasing MA sales volumes and expectation of both internal and CMO Finished Dosage production capacity being fully utilised exiting 2021

UK CMO manufacturing partnership provides additional capacity and optionality to derive maximum value from owned MAs, and along with 3PL logistics provider partnership, reduces MA product distribution complexity and delivery capability risks

Revenue and margins expected to increase through 2H21 as MA product sales increase and additional capacity is utilised, and further planning for earnings accretive capacity expansion takes place

Focus on cashflow generation, improved operating leverage with increased sales and production volumes and reducing inventory build from FY20; NRM inventory reduction plan will negatively impact production costs but expected to improve cash conversion

Appointment of Giles Moss as CEO to commence from 1 September 2021



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APPENDIX



CEO APPOINTMENT: GILES MOSS

Summary of skills and experience

Giles brings over 30 years of commercial leadership and significant operational experience in the pharmaceutical industry to the role

Vice President and General Manager Europe at GW Pharmaceuticals, Giles has been central to the successful ex-US launch of a new highly regulated orphan medicine for epilepsy. Since 2016, Giles has built-out the core international functions and the commercial organisation across Europe

Prior roles as General Manager and accountable for regional P&Ls, in 24 countries across Europe and Asia Pacific and has also held key global and regional leadership roles

Broad pharmaceutical industry experience; starting as a sales representative and moving through marketing, medical and management roles at BMS, Sandoz and SmithKline Beecham whilst operating in multiple therapeutic areas including neurology, cardiology, oncology, infectious diseases and psychiatry.

Giles is a UK Pharmacist, and holds a Bachelor of Science degree in Pharmacy from Manchester University and an MBA from Henley the Management College, UK



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FORMAL BUSINESS OF MEETING

SIMON MOORE
NON-EXECUTIVE CHAIRMAN

FORMAL BUSINESS OF MEETING

Meeting Agenda

- | | |
|--------|--|
| Item 1 | To receive and consider the Financial Report of the year ended 31 December 2020 together with the Directors' Report and Auditor's Report as set out in the Annual Report |
| Item 2 | Resolution 1 - Adoption of Remuneration Report |
| Item 3 | Resolution 2 - Re-election of Stuart Alexander Black as a Director |
| Item 4 | Resolution 3 – Election of Iain Gladstone Ross as a Director |
| Item 5 | Resolution 4 – Ratification of issue of Ordinary Shares pursuant to ASX listing Rule 7.4 |
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ITEM 1 – FORMAL BUSINESS OF MEETING

To receive and consider the Financial Report of the year ended 31 December 2020 together with the Directors' Report and Auditor's Report as set out in the Annual Report

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ITEM 2 – FORMAL BUSINESS OF MEETING

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report as contained in the Directors’ Report for the year ended 31 December 2020 be adopted.”

The vote on this resolution is advisory only and will not bind the Directors or the Company. The vote will, however, be taken into consideration in determining future remuneration policy for Directors and executives.

	Number	%
FOR	97,264,614	99.34%
AGAINST	434,875	.44%
OPEN - Nominated Chair ¹	183,247	.19%
- Other Nomination	23,250	.02%
Abstain	162,414	

¹ To be voted in favour of the resolution

ITEM 3 – FORMAL BUSINESS OF MEETING

RESOLUTION 2 - RE-ELECTION OF STUART ALEXANDER BLACK AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, Stuart Alexander Black , who retires in accordance with clause 23.10(b) of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

	Number	%
FOR	97,555,884	99.59%
AGAINST	196,038	.20%
OPEN - Nominated Chair ¹	183,247	.19%
- Other Nomination	23,250	.02%
Abstain	109,981	

¹ To be voted in favour of the resolution

ITEM 4 – FORMAL BUSINESS OF MEETING

RESOLUTION 3 – ELECTION OF IAIN GLADSTONE ROSS AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, Iain Gladstone Ross be elected as a Director of the Company.”

	Number	%
FOR	97,508,559	99.53%
AGAINST	248,363	.25%
OPEN - Nominated Chair ¹	183,247	.19%
- Other Nomination	23,250	.02%
Abstain	104,981	

¹ To be voted in favour of the resolution

ITEM 5 – FORMAL BUSINESS OF MEETING

RESOLUTION 4 – RATIFICATION OF ISSUE OF ORDINARY SHARES PURSUANT TO ASX LISTING RULE 7.4

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, in accordance with ASX Listing Rule 7.4, the Company ratifies and approves for the purposes of ASX Listing Rule 7.1, the issue of 8,000,000 Fully Paid Ordinary Shares in the capital of the Company, details of which are set out in the Explanatory Memorandum which accompanies and forms part of the Notice.”

	Number	%
FOR	88,895,920	99.75%
AGAINST	12,876	.01%
OPEN - Nominated Chair ¹	186,247	.21%
- Other Nomination	23,250	.03%
Abstain	8,950,107	

¹ To be voted in favour of the resolution

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