

# AFT Pharmaceuticals Limited

## Reconciliation of non-GAAP to GAAP information

Capitalised terms used but not defined in this document have the specific meaning given in Section 13 (*Glossary*) of the Product Disclosure Statement dated [ ] November 2015 relating to the initial public offering of ordinary shares in AFT Pharmaceuticals Limited (**PDS**).

The following financial information is available on the Disclose Register ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose)) under AFT's offer number (OFR10331):

- AFT's audited consolidated financial statements for FY2015, which include comparative information for FY2013 and FY2014, and accompanying auditor's report on those statements;
- AFT's unaudited consolidated condensed interim financial statements for 1HFY2016, which include comparative information for 1HFY2015, and accompanying independent review report on those statements,

(together, **Financial Statements**).

In order to assist readers of the PDS to better understand the Group's financial performance, the PDS includes the following non-GAAP information: operating expenses, research & development, dividends - Series A Preferred Shares, dividends - Series B Preferred Shares, gross margin, selling and distribution, general & administration and product development (net of government grants). Set out below is a reconciliation of that non-GAAP information to GAAP information contained in the Financial Statements disclosed on the Disclose Register.

Financial Statement GAAP items						
Non GAAP terms						
NZD\$000	Notes	FY2013	FY2014	FY2015	1HFY2015	1HFY2016
Revenue						
Revenue	1	40,363	48,939	56,241	24,153	29,543
Cost of Sales		(23,073)	(28,609)	(35,083)	(15,277)	(19,161)
<b>Gross Profit</b>		<b>17,290</b>	<b>20,330</b>	<b>21,158</b>	<b>8,876</b>	<b>10,382</b>
Other Income		536	1,684	1,270	468	1,328
Deduct:						
Research and Development Grant		(536)	(787)	(974)	(468)	(357)
Licencing Income	1	-	897	296	-	971
Selling and Distribution Expenses		(8,884)	(12,063)	(17,157)	(8,076)	(9,525)
Deduct:						
Depreciation - S&D		46	31	27	12	11
Selling and Distribution		(8,838)	(12,032)	(17,130)	(8,064)	(9,514)
General and Administrative Expenses		(3,904)	(4,227)	(5,475)	(2,882)	(3,302)
Deduct:						
Depreciation - G&A		100	109	102	46	56
Amortisation - G&A		39	82	99	45	54
General and Administration		(3,765)	(4,036)	(5,274)	(2,791)	(3,192)
Operating Expenses		(12,603)	(16,068)	(22,404)	(10,855)	(12,706)
Research and Development Expenses						
New Market Development		(794)	(722)	(1,140)	(603)	(722)
Product Development		(2,998)	(3,273)	(3,772)	(1,738)	(1,252)
Employee emoluments		(507)	(873)	(849)	(431)	(432)
Research and Development Expenses		(4,299)	(4,868)	(5,761)	(2,772)	(2,406)
Deduct/(Add):						
New Market Development		794	722	1,140	603	722
Research and Development Grant		536	787	974	468	357
Product Development (net of government grants)		(2,969)	(3,359)	(3,647)	(1,701)	(1,327)
Deduct/(Add):						
New Market Development		(794)	(722)	(1,140)	(603)	(722)
Research and Development		(3,763)	(4,081)	(4,787)	(2,304)	(2,049)
<b>EBITDA</b>		<b>924</b>	<b>1,078</b>	<b>(5,737)</b>	<b>(4,283)</b>	<b>(3,402)</b>
Depreciation and Amortisation						
Depreciation - S&D		(46)	(31)	(27)	(12)	(11)
Depreciation - G&A		(100)	(109)	(102)	(46)	(56)
Amortisation - G&A		(39)	(82)	(99)	(45)	(54)
Depreciation and Amortisation		(185)	(222)	(228)	(103)	(121)
<b>EBIT</b>		<b>739</b>	<b>856</b>	<b>(5,965)</b>	<b>(4,386)</b>	<b>(3,523)</b>
Interest and tax						
Finance Income		352	2	35	30	6
Finance Cost		(785)	(2,030)	(7,225)	(1,924)	(2,806)
Tax		(134)	59	282	168	(44)
Interest and Tax		(567)	(1,969)	(6,908)	(1,726)	(2,844)
<b>Net Profit/(Loss) after Tax</b>		<b>172</b>	<b>(1,113)</b>	<b>(12,873)</b>	<b>(6,112)</b>	<b>(6,367)</b>
Gross margin	2	42.8%	41.5%	37.6%	36.7%	35.1%

**Notes:**

(1) Revenue is referred to as "operating revenue" throughout the PDS to emphasis that it excludes Licencing Income, which is non-recurring in nature. Licencing Income is referred to as "non-recurring licencing income" throughout the PDS to emphasis that it is non-recurring in nature.

(2) Gross margin is defined as: gross profit dividend by operating revenue. Gross margin is an indication of how profitable the business operations of AFT are.