



For Immediate Release

16 October 2017 – The Biotechnology Company PharmaZen posted a \$176,000 loss after interest and depreciation in the six months to June 2017 on a turnover of \$3.751 million. This compares with a profit of \$289,197 on a turnover of \$3.712 million for the same period 2016.

The company faced a number of challenges over this period including additional costs incurred in the commissioning of the new plant and equipment including cost of consents, consultants and resultant variations to the build and installation programme.

The retraction of the building consent at the start of the year due to changes in regional flood plains management, while resolved satisfactorily, pushed the build programme back 3 months. This in turn meant we had to place a hold on the new freeze dryer manufacture subsequently resulting in a 6 month loss in production.

As it stands the eleven 40' containers for the new 2000kg freeze dryer, originally expected in April of this year finally arrived in the first week October.

This delay has meant that the company has had to use existing capacity to fulfil obligations to a high volume low margin project we had previously committed to. Craig McIntosh, PharmaZen's Chief Executive, said "whilst this is less than an ideal scenario the opportunity in question represents a long term project which will add \$2.5-\$3.0m a year to turnover"

The company continues its policy of not capitalising intangible assets. The non-recurring expenses for GMP licensing, product development and commissioning and validation of new extraction plant were in excess of \$350k for the period.

"While disappointing, the result was the sum of a perfect storm and has made for an extremely frustrating year to date" said, McIntosh.

"The interest in the new products from the extraction facility is extremely encouraging and a number of new, and existing customers are working with our products in new formulations. What we will be launching are unique and highly sophisticated products that sit well outside of the commodity sector and as such they do take longer to get to market. We are working with three well advanced \$1m plus opportunities with internationally branded companies"

"Experience has shown us that the greater the customer investment by way of time and resource directly relates to product life cycle. Indeed this is what differentiates the PharmaZen range from the commodity sector where customers can shift supply every order for reasons of price"

McIntosh said that the balance of the year result was going to be heavily dependent on the speed with which the current opportunities and new freeze dryer commissioning can generate revenue. "We continue to incur significant costs in the development and validation process .Scale up of pilot production, staff training, and third party product testing alone is running at \$20k (double the normal amount) per month while we continue to fine tune and validate processes"

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