



GroPep Limited FY05 Full Year Review

Investor Presentation

- About GroPep
- Business Model
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- Financials
- Biological Products
- Biopharmaceutical Development
- FY06 Outlook

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About GroPep

- A *profitable* Biopharmaceutical Company - NPBT of \$3.1m in FY05 and growing
- Founded in 1988 by the University of Adelaide and CSIRO
- Listed on ASX in 2000
- 85 employees, including 22 PhD's, located at a modern facility near the Adelaide CBD
- Mission - GroPep is a biopharmaceutical company that develops, manufactures and commercialises products that bring significant benefit to human health

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Business Model

GroPep

Biological Products

- Cell Culture and Biomedical Research Products
- Used in discovery, development and production of biopharmaceuticals
- Long-term agreement with JRH Biosciences
- JRH owned by Sigma-Aldrich Corporation

Biopharmaceutical Development

- In-license preclinical products
- Partner with Pharmaceutical/Large Biotechnology company
- Currently 3 active projects
- Net investment expected to be 15-20% of total revenue

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Highlights

- Further significant growth in net profit before tax to \$3.1m; +200% on FY04
- FY06 net profit before tax projected to grow by around 30% to approximately \$4.0m
- Stage 1 of the expansion and upgrade of the manufacturing facility essentially complete – pending final equipment qualification
- Stage 2 to be undertaken during FY06
- Licensed WGFE technology to TGR Biosciences

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Highlights (cont)

- Restructured the CSL agreement in January 2005 due to the sale of JRH to Sigma-Aldrich Corporation of the USA
- Negotiated annual payment from CSL of US\$1.0m for six years until 2010 as part of the contract restructure. First payment of US\$0.5m received in 2H05
- Awarded a \$3.4m R&D Start grant in December 2004 to advance the development of the Psoriasis project – PP0102
- Further development of the Infertility project – PV903, following positive preclinical results, as presented at the American Society for Reproductive Immunology meeting in June 2005

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Financial Highlights

- Profit before tax of \$3.1m compared with \$1.0m in FY04, driven by strong revenue growth
- NPAT of \$6.5m includes \$3.4m tax benefit due to initial recognition of Future Income Tax Benefit (FITB)
- Total revenue of \$16.7m; +27% on FY04
- Product sales of \$12.4m; +42% on FY04, driven by Cell Culture Products +47%
- EBIT from Biological Products of \$9.1m; +54% on FY04

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Financial Highlights (cont)

- Gross investment in Biopharmaceutical Development of \$5.7m; +\$0.4m on FY04
- Net Biopharmaceutical Development investment of \$3.2m; 19.2% of total revenue
- Operating cash flow of \$1.9m, Capex for site upgrade of \$3.0m – cash reserves \$10.1m
- Approximately 90% of FY06 US\$ revenue hedged at US\$0.71 with partial participation below the hedge rate
- Inventory of \$3.9m; \$1.4m above June 04 to support growth & meet customer expectations of appropriate risk management

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Financial Highlights - Tax

- FY05 tax benefit of \$3.4m arose due to initial recognition of FITB, comprising:
 - Timing differences from CSL fee of \$2.2m
 - Remaining carry-forward losses of \$0.6m
 - Timing differences from employee benefits of \$0.6m
- Accounting standard requires recognition as “virtual certainty” test has been met for future recovery
- FITB will reverse as “Tax Expense” in future years as losses utilised and timing differences realised
- Tax payments likely to commence from 2H06
- Future effective tax rate likely to be close to 30%

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Financials - Revenue

Revenue \$'000	FY05	FY04	Chge	Chge %
Product Sales	12,400	8,747	3,653	41.8%
Service Revenue	2,667	2,454	213	8.7%
Other Revenue	1,583	1,909	(326)	-17.1%
Total	16,650	13,110	3,540	27.0%

Product Sales - Cell Culture \$'000	FY05	FY04	Chge	Chge %
Revenue (USD)	7,816	4,679	3,137	67.0%
Revenue (AUD)	11,310	7,668	3,642	47.5%
Gross Margin	8,399	5,769	2,630	45.6%
Gross Margin %	74%	75%		

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Financials - Segment Analysis

Segment Analysis \$ '000	Revenue			Profit before tax		
	FY05	FY04	Chge %	FY05	FY04	Chge %
Cell Culture Products ⁽¹⁾	11,956	7,668	55.9%	8,502	5,427	56.7%
Biomedical Research Products	1,090	1,079	1.0%	559	469	19.2%
Biological Product EBIT Margin %	13,046	8,747	49.1%	9,061 69.5%	5,896 67.4%	53.7%
Biopharmaceutical Development	2,523	3,172	-20.5%	(3,200)	(2,178)	46.9%
Unallocated	1,081	1,191	-9.2%	(2,748)	(2,700)	1.8%
Total	16,650	13,110	27.0%	3,113	1,018	205.8%

⁽¹⁾ FY05 revenue for Cell Culture Products includes \$646k in Service Revenue arising from the restructured Agreement with CSL Limited.

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Financials – Profit & Loss

P&L Summary \$'000	FY05	FY04	Chge
Product Sales Revenue	12,400	8,747	3,653
Gross Margin	9,218	6,548	2,670
<i>GM %</i>	74.3%	74.9%	
Other Income	3,703	3,938	(235)
Net Income	12,921	10,486	2,435
Research & Development	(4,542)	(4,420)	(122)
Bus Dvlpmt, Marketing & IP	(2,183)	(1,817)	(366)
General & Admin	(3,630)	(3,656)	26
EBIT	2,566	593	1,973
Net Interest	547	425	122
Net Profit Before Tax	3,113	1,018	2,095
Tax Benefit/(Expense)	3,359	-	3,359
Net Profit After Tax	6,472	1,018	5,454

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Financials – Cash Flow

Cash Flow \$'000	FY05	FY04	Chge
EBITDA	3,301	1,262	2,039
Change in Working Capital	(1,360)	2,493	(3,853)
Operating Cash Flow	1,941	3,755	(1,814)
Capex	(3,198)	(1,403)	(1,795)
Sale of Non Current Assets	16	3,858	(3,842)
Other Investing Activities	(124)	(203)	79
Investing Cash Flow	(3,306)	2,252	(5,558)
Financing Cash Flow	570	297	273
Net Cash Flow	(795)	6,304	(7,099)
Cash at beginning of year	10,871	4,567	6,304
Cash at end of year	10,076	10,871	(795)

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Financials – Balance Sheet

Balance Sheet \$'000	FY05	FY04	Chge
Cash	10,076	10,871	(795)
Receivables	1,453	1,333	120
Inventory	3,909	2,516	1,393
Other Current Assets	808	793	15
Non - Current Assets	13,094	7,583	5,511
Total Assets	29,340	23,096	6,244
Total Liabilities ⁽¹⁾	(3,677)	(4,495)	818
Net Assets	25,663	18,601	7,062

(1) GroPep has no interest bearing liabilities

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Financials - Shareholders

	FY05	FY04	Chge
Average Shares on Issue (mill)	45.1	44.1	1.0
NTA per share (cents)	56.9	42.2	14.7
EPS (cents)	14.4	2.3	12.1
EPS (cents) ⁽¹⁾	6.9	2.3	4.6

(1) Excluding the impact of the recognition of tax assets

- Three institutional investors now substantial shareholders
- Two of the four founding shareholders remain with ~7% holding
- Several institutional investors now on the register, holding >35%

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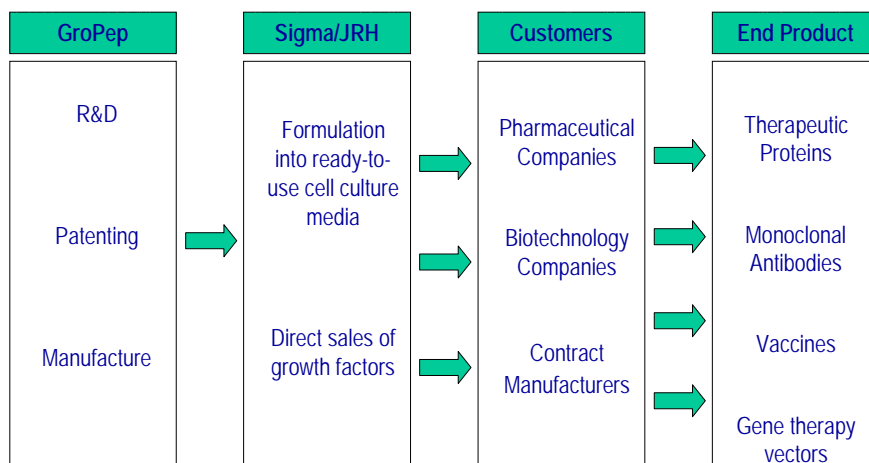
Biological Products – Cell Culture (LONG™R³IGF-I)

- Biopharmaceuticals are manufactured by fermentation and have traditionally used serum or insulin as a source of growth factors
- GroPep growth factors offer a safe and superior alternative to serum or insulin
- Major biopharmaceutical manufacturers have switched to GroPep growth factors in recognition of their superior benefits and added patient safety.

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Biological Products – Cell Culture Commercialisation



Growth Factors become “embedded” in each product

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Biological Products – Cell Culture Existing Users

	Products	Years to market
Approved Products	8	
Phase II / III Development	~ 3	1-7

- >100 companies purchased “evaluation” quantities in last 12 months
- One “Blockbuster” drug with FY05 sales of US\$3.2b delivering majority of GroPep’s revenue. 57% growth in FY05; further growth expected.
- FY05 product sales revenue of \$11.3m @ gross margin of 74%
- Projected FY06 revenue growth of 20-25% @ gross margin >70%

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Biological Products – Cell Culture Existing Users Indications

Phase II/III Development	Approved Products
<ul style="list-style-type: none">• Colorectal cancer• Crohn’s disease• Juvenile idiopathic arthritis• Lung cancer• Multiple myeloma• Osteoporosis• Renal cancer• Rheumatoid Arthritis	<ul style="list-style-type: none">• Ankylosing Spondylitis• Castleman’s disease• Chronic Lymphocytic Leukemia• Juvenile Rheumatoid Arthritis• MPS I (deficiency of lysosomal enzyme)• MPS VI (lysosomal storage disorder)• Oncology diagnostic imaging agents x2• Psoriasis• Psoriatic Arthritis• Rheumatoid Arthritis• Skin substitute

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Biological Products – Cell Culture Market Opportunity

- Total Global Cell Culture Media market ~ US\$300m
- Target market for GroPep products ~ US\$ 50-80m
- Current market share ~ 20-30%
- Target market expected to grow by 15-20% pa for next 5-10 years

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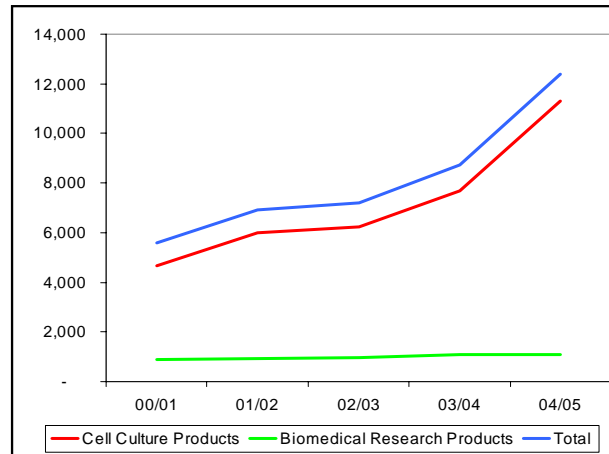
Biological Products – Cell Culture Manufacture

- Manufactured using GroPep's patented *E.coli* expression system
- FY05 sales represents 30-35% of current theoretical capacity, rising to 40-45% in FY06
- Facility upgrade / expansion nearly completed, that meets demand for at least the next 5 years and meets customer / regulatory requirements
- Additional Capex (~ \$1-2m only) would enable a further doubling of capacity

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Biological Products – Sales Revenue Growth



- Sales revenue growth of 22% pa between FY01 and FY05

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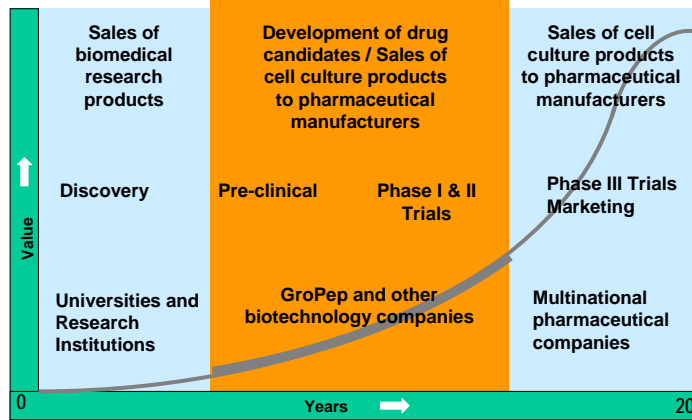
Biopharmaceutical Development - Model

- In-license drug candidates from Universities, Research Institutes and biotech companies, with specific licensing criteria
- Invest 15-20% of total revenue in biopharmaceutical development
- Utilise our expertise in Molecular Biology & Protein Chemistry to develop from preclinical to Phase I/II and partner with big pharma / biotech
- Expect milestone payments / cost reimbursement during development and ultimately ~ 10% gross royalty
- Significant potential value in current portfolio

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Biopharmaceutical Development – Model (cont)



Probability of success*

6%

PI

20%

PII

29%

PIII

67%

* (ex DiMasi et al, 2001. Tufts Center for the Study of Drug Development, Tufts University, Boston)

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Biopharmaceutical Development - Projects

INDICATION	PROJECT	POC	Pre	PI	PII	PIII	Market
Infertility	PV903	████████	████████				
Psoriasis	PP0102	████████	████████				
MVI	PM0103	████████	████████				

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PV903 Infertility

PV903 is a potential treatment of recurrent miscarriage where the female has an adverse immune response to paternal antigens



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PV903 Infertility (cont)

Market Assessment

- Incidence of couples seeking treatment for Recurrent Miscarriage in USA is 170,000 (National Survey of Family Growth, National Centre for Health Statistics, USA)
- Sales > US\$750 million p.a.
- No competing products on the market or under development
- Independent assessment of product and price acceptability completed (QED, New Jersey)

Project Status

- IP licensed from OSI Pharmaceuticals & Uni of Adelaide
- \$2.5m Start Grant completed during FY05
- Key patent granted providing US exclusivity through to mid-2020
- Preparing for "Clinical Research Study" to determine end points for Phase I trial
- If successful, Phase I trial to commence in 2006
- Initial discussions held with potential licensees

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PP0102 Psoriasis

PP0102 is a topical peptide formulation for treatment of psoriasis

Applications for PP0102 extend to other autoimmune diseases including dermatitis, multiple sclerosis, rheumatoid arthritis and asthma



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pictures from: www.dermis.multimedica.de



PP0102 Psoriasis (cont)

Market Assessment

- Prevalence: 6-7 million people in the USA. Onset between 10-40 years of age with 150,000+ new cases per year (American Academy of Dermatology, National Psoriasis Foundation)
- Current market is ~US\$1.0 billion p.a. but expected to be more than double by the time of potential approval of PP0102
- Current treatments are vitamin D analogues and corticosteroids which have poor side effect profiles
- New biopharmaceutical treatments reaching the market now but few are topical application
- Independent assessment confirms market analysis (QED, New Jersey)
- Supported by high quality scientific publications, pre-clinical data in animal models and preliminary human data

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PP0102 Psoriasis (cont)

Project Status

- Acquired license from Northern Sydney Area Health Service – treatment of autoimmune disease with T cell peptide
- Currently conducting a series of preclinical efficacy studies to underpin an initial clinical trial
- Significant progress made in manufacturing and methods development during FY05
- Toxicology and formulation development key issues for FY06
- \$3.4m R&D Start Grant awarded September 2004
- Investigating other applications including dermatitis and asthma
- Patent granted in Japan covering the active ingredient and International Patent Application filed for use in treatment of asthma

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PM0103 Malaria Vaccine

Project Status

- Malaria Vaccine Initiative (MVI) – aims to accelerate development of malarial vaccines and ensure their availability and accessibility for the developing world
- Fee for Service contract through agreements with Program for Appropriate Technology in Health (PATH) and Vaccine Solutions Pty Ltd
- Collaborators:
 - GroPep Ltd
 - LaTrobe University
 - Vaccine Solutions Pty Ltd – commercial arm of CRC for Vaccine Technology
- Milestone 1 completed
- **Milestone 2 in progress – expect completion during 1H06**

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FY06 Outlook

- FY06 net profit before tax projected to grow by around 30% to approximately \$4.0m
- Revenue from Biological Products projected to grow by 20-25%, driven by Cell Culture Products
- Total revenue projected to grow by 10-15%, impacted by completion of MVI project
- Complete manufacturing facility upgrade project
- Commence phase I trial for PV903 (Infertility)
- Complete preclinical studies for PP0102 (Psoriasis)
- Complete Milestone 2 of the MVI project

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Questions

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