

Genepharm Shareholder Update – January 2005

All Prospectus Milestones Achieved in First Half Year

Dear Shareholder,

Genepharm Australasia ended the 2004 year on-track, meeting all prospectus milestones. Since Genepharm's ASX listing in June 2004 your Board and management have diligently embarked on the core tasks of registering generic pharmaceuticals and building sales and distribution capabilities.

Generic Pharmaceuticals Sector update

The generics sector continues to grow at a rapid rate; being driven by three key factors:

- Patents on products with pharmacy sales of over A\$450 million will expire in 2005 alone. The next two years from 2006 to 2008 will see a further \$1billion worth of annual pharmaceutical sales become available for generic competition in Australia.
- Government support promoting increased generic substitution.
- An ageing population using far more prescription medicines including originator brands and generics.

Generic pharmaceutical sales are expected to grow from \$900 million to \$2 billion by 2008, primarily supported by patent expiry of eight of Australia's top 20 PBS (Pharmaceutical Benefits Scheme) blockbuster drugs.

A strong indicator of the generics sector's strength can be seen in the Intersuisse biotechnology and healthcare index that shows the outperformance of generic stocks against a broader sector that rose only 0.2% for the calendar year.

2004 Milestones

- ✓ Submission of eight drugs for registration to the Therapeutic Goods Administration (TGA). Five of these are generic anti-cancer injectables. The other three drugs were tablet formulations. Of these tablet products two are new generics that will have patent expiries by the end of 2005. The total prescription market value for these eight drugs is around \$500 million per annum.
- ✓ One of the key drugs amongst these was the cholesterol-reducing blockbuster drug Simvastatin. This is the second largest selling PBS drug accounting for more than 5.5 million Australian prescriptions to June 2004 at a total cost of over \$370 million. The company expects to commence marketing and distribution of Genepharm's Simvastatin drug next financial year.
- ✓ Genepharm finalised distribution agreements with Australia's two leading hospital pharmacy distributors, Clifford Hallam and Cottman Australia for the anti-cancer drugs. These are expected to be the first drugs to receive TGA approval in 2005.
- ✓ Appointment of key industry personnel in sales and regulatory operations. Keith Jeffs, a leading operator in pharmaceutical sales in Australia, joined Genepharm to take responsibility for implementing marketing strategies and tactics and drive sales

2005 Milestones

- Finalise retail pharmacy distribution agreements.
- Announce a differentiated sales and marketing strategy for Genepharma's entry into the retail pharmacy market in the next financial year.
- Continue registration of market leading generic products, including a number of first to market drugs. Currently on target to submit the forecast 40-50 products by July 2007.
- Develop strategic industry relationships to provide sales and growth opportunities.

Yours faithfully



Dennis Bastas
CEO/Managing Director