ASX / Media Release

Genepharm's full year results 2006/07

Strong sales and profitability growth & on-market share buy-back

28 August 2007, Melbourne: Genepharm Australasia (ASX:GAA) today reported its results for the full year to 30 June 2007, delivering strong growth in sales and underlying profitability. Net sales were $54.6 million and net profit after tax (before non-recurring items) was $4.6 million, compared to a loss of $5.6 million in 2005/06.

Genepharm has also announced today the write-off of a $18.5 million non-cash intangible asset as a result of the termination of the distribution agreement with Genepharm Asia Pacific Enterprises (GAPE). This was previously foreshadowed by the company in April 2007. Further details of the agreement with GAPE to terminate the exclusive distribution agreement by mutual consent will be separately announced.

Full Year Highlights

Key points:

- Reported net sales of $54.6 million in 2006/07.
    - Proforma [1] net sales of $56.5 million, consistent with company guidance in April 2007.
- Reported EBITDA (before non-recurring items) of $4.7 million in 2006/07.
    - Proforma EBITDA (before non-recurring items) of $5.0 million, consistent with company guidance in April 2007.
- Reported NPAT (before non-recurring items) of $4.6 million.
    - Reported net loss of $18.0 million after non-recurring items, including the write-off of the GAPE intangible asset.
    - Proforma NPAT (before non-recurring items) of $4.8 million.
- Forecast growth in NPAT (before non-recurring items) in excess of 25 percent for 2007/08.

CEO Comments

"Genepharm has achieved rapid sales growth, driven by expansion of our markets and an increase in our market share for generic pharmaceuticals," said Mr Dennis Bastas, CEO of Genepharm. Genepharm has an estimated market share of 11 per cent across its product categories.[2] This compares with an estimated market share of 6 percent, as reported by Genepharm in June 2006.

"We have significantly strengthened our competitive position in the pharmacy channel with a high quality broad-based product offering. Our sales and marketing teams have been bolstered over the last year to ensure that we are able to best serve our customers. This is consistent with Genepharm's customer focused, sustainable growth strategy," said Mr Bastas.

In relation to the intangible write-off and arrangements with GAPE, Mr Bastas said, "The pharmaceutical market has drastically changed over the past three years and Genepharm has become a very different company, especially with the Douglas Pharmaceuticals Australia acquisition a year ago. The write-off is a one-off, non-cash item and represents the full and final write-off position.

"Going forward, Genepharm will be able to source its pharmacy products from the most competitive suppliers. Over the last three years, we've grown from being a single-source short-range generic drug supply company to a broad-based pharmacy sales and marketing business, with a full-range of generic drugs and a growing consumer health product portfolio sourced from over twenty leading global manufacturers," Mr Bastas said.

In relation to other non-recurring items, Mr Bastas noted, “The company devoted considerable time and resources over recent months reviewing a number of major acquisition opportunities, the costs of which have been written-off. Although we chose not to proceed, we continue to identify and assess other potential acquisitions as part of our aggressive growth strategy. We adopt a disciplined approach to making acquisitions and will only proceed if we believe that they will enhance shareholder value.”

Mr Bastas added: “It is also worth noting that since the end of the financial year, Genepharm has paid out the Convertible Notes issued at the time of acquisition of Douglas Pharmaceuticals Australia.” The Convertible Notes payment on 17 August 2007 was paid from existing cash balances and new debt facilities. The company retains significant unused debt facilities at this time.

“The company continues to actively review its capital management options. The Board has decided to initiate an on-market share buy-back, reflecting our belief in company’s future prospects and the value of our shares,” said Mr Bastas. An on-market buy-back for up to 10% of the company’s shares will commence following the normal regulatory notification process. Given the company’s improving financial outlook and continuing positive cashflows, the Board will also consider the company’s position with regard to dividends in 2008.

Company Outlook

Genepharm announced today forecast growth in underlying NPAT in excess of 25 percent for 2007/08.

“Genepharm finished 2006/07 with strong momentum, which has carried through into 2007/08. We now have the right products and people in place to exploit the significant growth opportunities presented within our markets,” said Mr Bastas. “Achievement of our growth targets will be assisted by new product launches, some of which have already been announced and others that are still in the development program.”

Notes:

1. Proforma figures for 2006/07 assume a full year contribution from the acquisition of Douglas Pharmaceuticals Australia, which was completed on 13 July 2006. GAA assumed control of DPAL on 1 April 2006 but financial contribution is not accounted in reported results until after settlement date of 12 July 2006.
2. Market share estimates based on IMS data, June 2007.

Inquiries:

Dennis Bastas	Rudi Michelson
Genepharm Australasia	Monsoon Communications
03 9699 2300	03 9620 3333

About Genepharm:
Genepharm Australasia (ASX:GAA) is one of Australia’s leading generic pharmaceutical and healthcare product companies. Genepharm's focus is to establish a business with a diversified healthcare offering that is clearly focused on target customer segments. Genepharm markets and distributes a premium range of generic pharmaceuticals in Australia. Generic pharmaceuticals are expected to increase in total dispensed value to an estimated $2 billion by 2010. The company was established in 2003 and listed on the ASX in 2004. For more info: www.genepharm.com.au

Attachment 1

	Reported Results FY2007	Reported Results FY2007 (before non-recurring items)	Notes (non-recurring items)
Net sales	$54.6	$54.6	
Cost of Sales	$32.8	$32.8	
Gross Profit	$21.8	$21.8	
Operating Expenses	$36.8	$17.0	i
EBITDA	($15.0)	$4.7	
Dep'n & Amortisation	$3.2	$0.8	ii
EBIT	($18.2)	$3.9	
Net Interest	($0.2)	$0.7	iii
NPBT	($18.5)	$4.6	
Tax	$0.5	-	iv
NPAT	($18.0)	$4.6	

Notes (non-recurring items):

i. $18,461,106 – Expense for GAPE Distribution Agreement intangible asset write-off (non-cash) and associated costs
$995,639 – One-off integration costs related to Douglas Pharmaceuticals Australia (DPAL) acquisition
$288,723 – One-off costs related to proposed business acquisitions

ii. $2,404,055 – Final amortisation cost related to GAPE Distribution Agreement (non-cash)

iii. Interest expenses associated with DPAL Convertible Notes, fully redeemed for cash on 17 August 2007.
$472,803 – One-off cost related to AIFRS treatment of DPAL Convertible Notes (non-cash)
$439,024 – One-off cost related to coupon interest paid on DPAL Convertible Notes upon redemption

iv. ($492,000) – In light of the positive earnings outlook for the business the company has also recognised the future tax benefit of its tax losses with a subsequent positive impact on income tax expense.