



Annual General Meeting

27 November 2007

Chairman's Address

The year 2006/2007 has been a year of transformation and consolidation for Genepharma Australasia Limited. The Company has successfully completed its integration of the Douglas Pharmaceuticals Australia operations to emerge as one of Australia's leading generic pharmaceutical and health product companies.

The Company has realised the sales and marketing synergies expected from the acquisition of Douglas. Strong market share gains have been achieved.

This growth has been achieved with significant changes being made to the personnel and overall operations of the merged business. The Directors acknowledge that the required changes took longer than initially anticipated but there has been a successful outcome to this process with the creation of a unified organisation. Importantly this structure places the Company in a strong position to leverage potential opportunities with new pharmaceutical and health products.

This past year the Company reported net sales of \$54.6 million and a net profit after tax of \$4.6 million before non-recurring items. Non-recurring items of \$20.9 million consisted primarily of the non-cash write-off of the GAPE exclusive supply agreement and associated costs. This resulted in a reported net loss after non-recurring items of \$18 million for the 2006/07 financial year.

The mutually agreed termination of the GAPE supply agreement came about as a result of the Company's expansion from a single-source generic drug supply business to a broad-based pharmacy sales operation that has a full-range of generic drugs and a growing consumer health product portfolio sourced from over twenty leading global manufacturers.

Since the end of the financial year, the Company has paid out the Convertible Notes issued as part of the acquisition of the Douglas business. The redemption of the Convertible Notes on 17 August 2007 was paid out of existing cash balances and new debt facilities. The Company retains significant unused debt facilities at this time.

Operational Highlights for the year were:

- Becoming 3rd largest generic pharmaceutical company in Australia by net pharmacy sales value,
- Achieved 80% market share growth,
- Generic drug sales growth of 53% on proforma sales of Douglas Australia business in 2006,
- First full year of positive operating cash flow.

The Company continues to view acquisitions as an integral part of its future growth strategy. A disciplined approach will be adopted to making acquisitions which will only proceed if a strong opportunity exists to enhance shareholder value.

The Australian generic pharmaceutical market is increasingly cost competitive. Margins are continually being squeezed. New entrants and cuts to drug reimbursements on the Pharmaceutical Benefits Scheme are indicative of a challenging market that will reward companies with appropriate supply sources. Genepharma is well positioned to achieve profitable growth in such a market.

It is expected that the financial result for 2007/2008 will be an increase of 25% at the NPAT line ignoring non recurring costs in 2006/2007.

Emphasis will be placed by the Board and management on profitability. The Company's sales effort will be supported by a cost review program. A strong bottom line is needed to obtain a more appropriate and acceptable share price.

The Directors expect the Company to pay a dividend out of 2007/2008 profits in the first half of the following financial year.

There has been some concern raised by a few shareholders about the total remuneration paid to the two Executive Directors, particularly bonus payments. In determining bonuses the Remuneration Committee, chaired by my fellow independent director Warren Jenkins, gave consideration to many factors including net sales, profit growth, market share growth, transition and integration of Douglas operation and GSA termination arrangement. The Douglas acquisition was considered separately. The bonus to the greater part related to the Douglas Acquisition which was sourced, negotiated and completed by the CEO and CFO without corporate advisors, whose fees could have cost about \$1.5M.

About two-thirds of the bonus related to the Douglas Acquisition. It was a one off payment and was capitalised as part of the capital cost of the acquisition.

It is not anticipated that there will be any operational or one off bonuses to Executive Directors in the 2007/2008 financial year.

To Conclude:

The Company's objective is to establish a profitable diversified healthcare business and I believe it is on track to achieve this.

I thank you for your attention. I would now like to invite the Company's Managing Director, Dennis Bastas to address the meeting.