



PALLA PHARMA

## ASX ANNOUNCEMENT

Tuesday 26 May 2020

### UK Acquisition Update

Further to the ASX announcement of 1 April 2020, Palla Pharma Limited (ASX:PAL) has chosen not to acquire a major UK customer ("Target").

The Board ceased negotiations with the customer and its new minority owner when it became evident that a commercial agreement to acquire the Target could not be reached.

The Target has been recapitalised by a new minority shareholder and PAL will be seeking to have its current outstanding invoices (£1.9 million) for Codeine Phosphate supply in 2019 paid in full.

As highlighted in the 2019 full year results the Target was a significant customer and has (as of the date of this release) not received licence reinstatement and as a result has not purchased Codeine Phosphate as per their supply agreement. Despite this reduction in expected Codeine Phosphate sales volume in H1, PAL expects to supply the same API volume in 1H 2020 as it did in 1H 2019 through other existing and new customers.

The decision not to proceed with the acquisition does not alter PAL's move into Finished Dosage Formulation supply as a Marketing Authorisation (MA) holder, as outlined in our 2019 full year update in February.

While exploring the possible acquisition, PAL acquired seven MA's from the Target. These seven MA's accounted for about 70 per cent of the Target's revenue and all involved an opiate as a major excipient.

PAL has transferred the ownership of the MA's from the Target to Palla and is well progressed in transferring manufacturing to PAL's Norway site, where it has freed up additional tableting capacity by terminating non-opiate CMO arrangements.

PAL expects the validation and MHRA approval of manufacture in Norway will be complete in the September quarter, whereupon PAL will commence manufacturing and supply of these opiate-based tablets into the UK.

We expect that earnings in 2H 2020 will be significantly stronger than 1H 2020, as we finalise the transition of our sales profile from a volume-based commodities to higher value products. We expect a material uplift in full year earnings compared to 2019 as a result.

In addition to the above opiate marketing authorisations being transferred to PAL's Norway site, PAL expects to obtain fast track approval for the registration of a new Paracetamol generic for the UK market in the September quarter. PAL uses paracetamol as a co-excipient and would supply this product into markets when commercially attractive to do so.

PAL will provide a more detailed trading update and outlook at the AGM on May 28, 2020.

This announcement has been authorised for release by the Board.

---

#### For more information please contact:

**Jarrod Ritchie**  
Chief Executive Officer

**Brendan Middleton**  
Chief Financial Officer

**Adrian Mulcahy**  
Investor Relations  
Market Eye

---



**P A L L A P H A R M A**

Palla Pharma Limited  
+61 3 9301 0800

Palla Pharma Limited  
+61 3 9301 0800

+61 438 630 422  
ir@pallapharma.com

---

**About Palla Pharma Limited:**

Palla Pharma Limited (ASX:PAL) is a vertically integrated opiate manufacturer from poppy straw growing through to tableting production. Palla Pharma has developed an innovative, efficient and environmentally sustainable opiate manufacturing process based on a novel water-based extraction technology. The company is one of six licensed opiate producers globally, and one of three fully integrated suppliers from opiate extraction through to tableting production delivering on its strategy to secure access to regulated downstream narcotics markets by leveraging its production cost advantage.