TPI ENTERPRISES LIMITED
2018 FULL YEAR RESULTS

28 FEBRUARY 2019

ASX : TPE

Jarrod Ritchie
Managing Director

Brendan Middleton
Chief Financial Officer

TPI

DISCLAIMER

Summary information

The following disclaimer applies to this document and any information provided regarding the information contained in this document (the “Information”). The Information has been prepared by TPI Enterprises Ltd (TPE) and relates to the TPE Group (including, without limitation, Purplebay Pty Ltd and TPI’s Norway and Portugal subsidiaries or any new entity subsequently incorporated following the date on which this Information is provided) (collectively “TPE”). The Information in this presentation is of general background and does not purport to be complete. You are advised to read this disclaimer carefully before reading or making any other use of this document or any information contained in this document. In accepting this document, you agree to be bound by the following terms and conditions including any modifications to them.

Not financial or product advice

This presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire securities in TPI without taking into account the objectives, financial situation or needs of individuals. You are solely responsible for forming your own opinions and conclusions on such matters and the market and for making your own independent assessment of the Information. TPI is not licensed to provide financial product advice.

Financial data

All dollar values are in Australian dollars (A$) unless stated otherwise.

Past performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Future performance

The presentation includes forward-looking statements regarding future events and the future financial performance of TPI. Forward looking words such as “expect”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target” or other similar expressions are intended to identify forward-looking statements. Any forward looking statements included in this document involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, TPI and its officers, employees, agents or associates. In particular, factors such as variable climatic conditions and regulatory decisions and processes may affect the future operating and financial performance of TPI. This may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. The Information also assumes the success of TPI’s business strategies. The success of the strategies is subject to uncertainties and contingencies beyond control, and no assurance can be given that the anticipated benefits from the strategies will be realised in the periods for which forecasts have been prepared or otherwise. Given these uncertainties, you are cautioned to not place undue reliance on any such forward looking statements. TPI is providing this information as of the date of this presentation and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.

AGENDA

COMPANY OVERVIEW

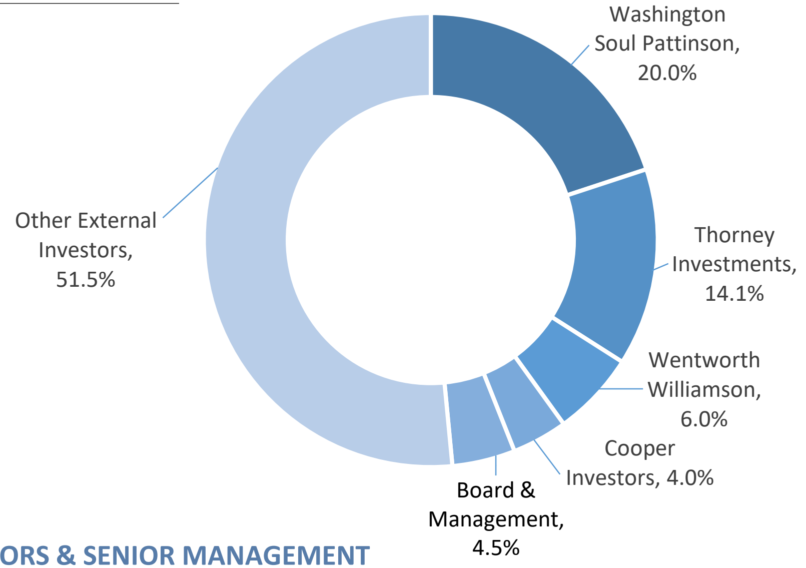
TPI ENTERPRISES AT A GLANCE

- Fully integrated opiate manufacturer from farm gate to tablet production.
- Lowest cost narcotic raw material (“NRM”) and active pharmaceutical ingredient (“API”) production capability based on novel water-based extraction technology.
- Rapidly growing global supplier of pain relief, cough and plans for anti-addiction active pharmaceutical ingredients.
- Significant contract manufacturer of finished dosage formulation (“FDF”) tablets via contract manufacturing organisation supply agreements (“CMO”).
- Founded in 2004 and headquartered in Victoria, Australia with production facilities in Victoria, Australia and Kragerø, Norway.

CAPITAL STRUCTURE

Share Price (27 February 2019)	$	0.92
Fully Paid Ordinary Shares	m	81.1
Share Appreciation Rights	m	2.1
Market Capitalisation	$m	74.6
Net debt (31 December 2018)	$m	21.0

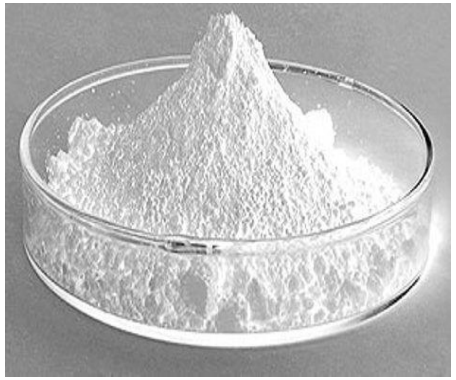
SHAREHOLDERS



DIRECTORS & SENIOR MANAGEMENT

Simon Moore	Independent	Non-Executive Chairman
Jarrod Ritchie		Chief Executive Officer
Stuart Black	Independent	Non-Executive Director
Todd Barlow		Non-Executive Director
Sue MacLeman	Independent	Non-Executive Director
Jaime Pinto		Company Secretary
Brendan Middleton		Chief Financial Officer

TPE IS A FULLY INTEGRATED LICENSED NARCOTIC SUPPLIER

	Natural narcotics	*Synthetic and semi-synthetic narcotic derivatives*	*Contract manufacturing of tablets (CMO)*
Raw Material Sourcing	**Narcotic Raw Material (NRM)**	**Active Pharmaceutical Ingredient (API)**	**Finished Dosage Formulation (FDF)**
			
	Morphine Codeine	Morphine Sulphate* Codeine Phosphate Pholcodine (Cough treatment)	MS Contin Panadeine Panadeine Forte
	Thebaine*	Oxycodone HCl Hydrocodone Buprenorphine	Oxycontin, Endone Vicadin, Tylenol Paracetamol, Ibuprofen
	Oripavine *	Naloxone (Anti-addiction)* Naltrexone Buprenorphine HCl	Suboxone, Revia Subutex, Narcan

***Under development**

GLOBAL SUPPLY CHAIN AND SALES

Raw Material Supply Chain

Northern Hemisphere Straw
(Hungary and others)
-Contract growers
-Straw provided by historical competitors for toll processing

Southern Hemisphere Straw
(Australia: NSW/VIC/TAS)
-Contract growers

Melbourne, Australia
NRM Manufacturing

NRM (Narcotic Raw Material) sales

Sales of NRM to external customers

Internal sales of NRM to API manufacturing in Norway

Sales of poppy seed for culinary purposes

Kragerø, Norway
API/FDF Manufacturing

FDF (finished dosage formulation) sales

Contract manufacturing of FDF (tableted medications) from API, sold to external customers

Contract manufacturing of non-opiate[1] based FDF, sold to external customers

API (Active Pharmaceutical Ingredient) sales

Sales of API to external customers

1. Medications not derived from NRM.

THE OPPORTUNITY

Significant Manufacturing Cost Advantage = Market Penetration Opportunity in Sizable Addressable Market

Total number of NRM extraction licences available globally	6
Number of fully vertically integrated (poppy straw to FDF) manufacturers	3
Lowest cost producer of NRM	TPE
Key competitive advantage	NRM is often c.70-80% of the input cost of API/FDF, creating a lowest cost producer opportunity in NRM, API and FDF
Total NRM equivalent sales volume (2018 actual)	41 tonnes
2021 total NRM annual production target	200 tonnes
Addressable NRM market[1]	1,100 tonnes

1. Currently targetable

TPI

STRATEGIC PATHWAY TO LONG TERM GROWTH

2016 – ESTABLISH SUSTAINABLE MANUFACTURING FOOTPRINT

Relocated factory to Victoria

Invested in capacity for long term growth

Listed on ASX:TPE

2017 – SECURE STRAW SUPPLY AND MARKET ACCESS

Drove legalisation of NSW/VIC poppy cultivation

Secured secondary straw supply from Europe

Acquired Vistin Opiates[1]

Developed tolling opportunity with prior industry competitors

2018 – ACCELERATE REVENUE GROWTH

Expanded sales channels and offerings to exploit lowest cost NRM producer status

Significant API customer base growth

CMO Division turnaround

NRM volume growth as increased volumes drive down costs

Targeted 52 tonnes of NRM equivalent sales in 2018 – delivered 41 tonnes

2019–2020 – DELIVER MEANINGFUL SHAREHOLDER RETURNS

Market share growth: become the leading global supplier of Codeine Phosphate (CPO) API

Diversify customer and product revenue: continue to grow sales of existing API products. In addition to CPO, add API products to the portfolio (Morphine Sulphate, Di-Hydrocodeine Tartrate, Diamorphine and Naloxone)

Explore FDF dossier purchase (~A$1 million) to capture additional downstream margin

Expand manufacturing capacity to meet sales growth

Realise further cost benefits of increased scale

Further manufacturing process cost reduction initiatives

TARGETING 200T OF ANNUAL NRM PRODUCTION BY 2021

2016 | 2017 | 2018 | 2019 | 2020

1. Now TPI Norway

GROUP RESULTS

JARROD RITCHIE MANAGING DIRECTOR

2018 KEY HIGHLIGHTS

REVENUE

+113.1%

Including first full year of ownership of TPI Norway

GROSS PROFIT

+256.9%

To A$16.0M, as scale efficiencies begin to emerge

Q4FY18 OPERATING EBITDA[1]

+A$1.7M

Maiden EBITDA profit

POPPY STRAW THROUGHPUT

+70%

Based on tonnes throughput per available production shift

OVERHEADS

-16.4%

To A$18.4 million

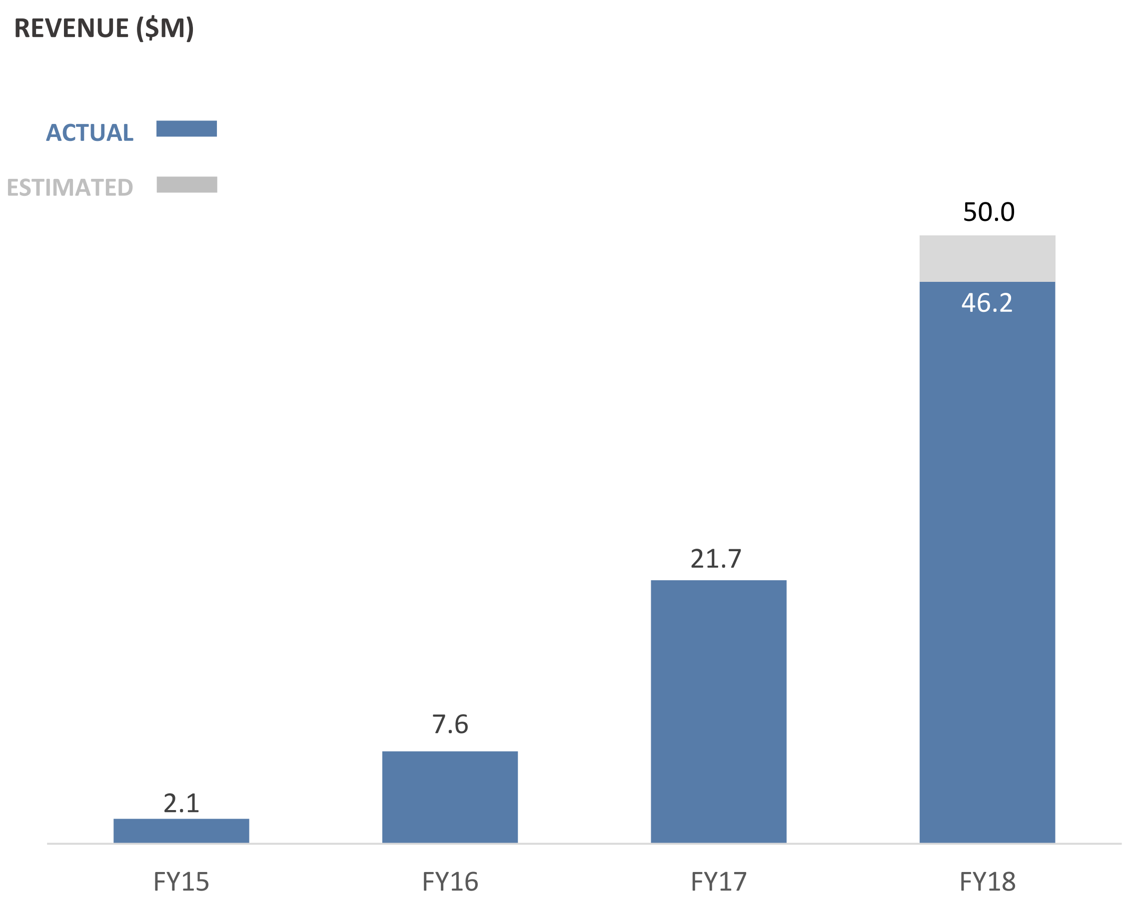
1. See appendix for a reconciliation of operating versus reported EBITDA measurement. Operating EBITDA is a non-GAAP measure.

2018 KEY HIGHLIGHTS

- ✓ Record volume, revenue and gross profit growth
- ✓ TPI Norway restructuring and integration substantially progressed
- ✓ Good Manufacturing Practice (GMP) Certification issued TPI Norway
- ✓ Tableting contract manufacturing (CMO) serialisation installed before Feb 9 Deadline
- ✓ Expanded Board technical expertise

TPI

2018 FULL YEAR REVENUE SUMMARY

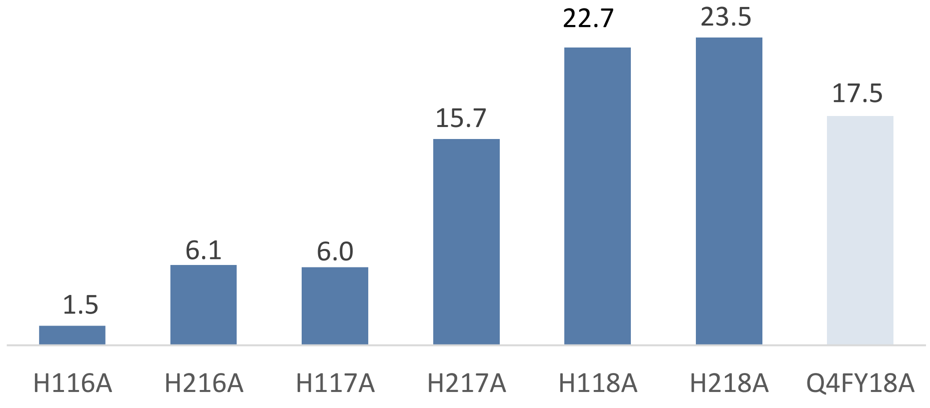


REVENUE GROWTH AND INTEGRATION

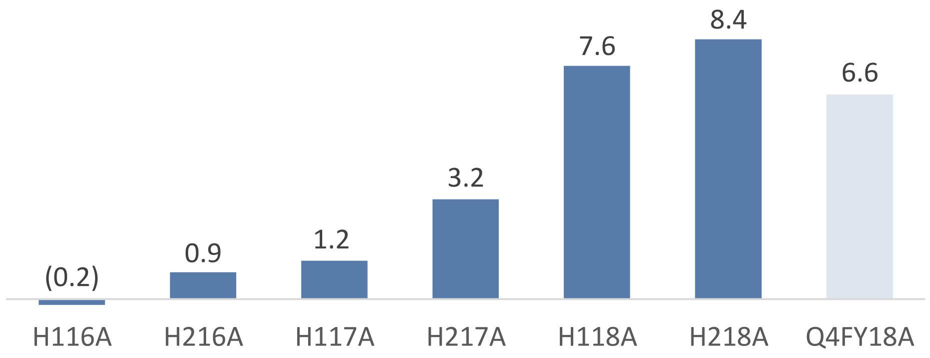
- TPE achieved FY2018 revenue of A$46.2 million versus an estimated A$50.0 million.
- The variance between actual and estimate was due to a number of factors including:
  - Delays in obtaining GMP certification meant some customers could not take material when required.
  - Some lower quality Northern Hemisphere crops reduced Coolaroo production rates and pushed some sales of NRM into 2019.
  - Difficulties in replacing staff after redundancy when CMO contract was renegotiated resulted in CMO tablet revenue being lower than expected.
  - Expansion of API production hindered by staff shortages.

2018 PERFORMANCE
MAIDEN EBITDA PROFIT IN Q4FY18

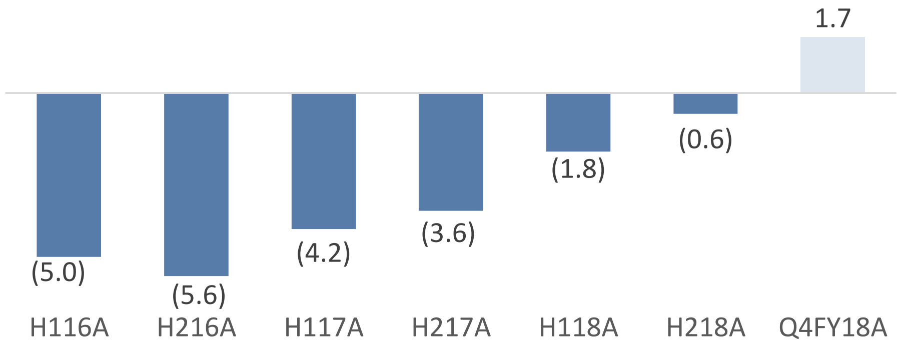
REVENUE ($M)



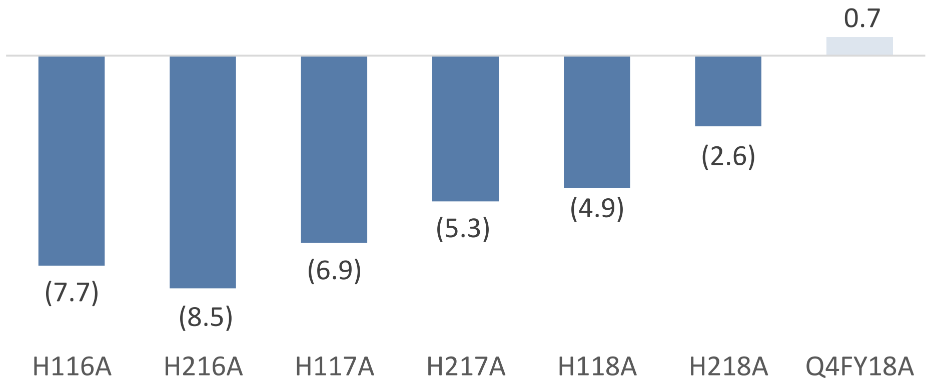
GROSS PROFIT ($M)



OPERATING EBITDA[1] ($M)



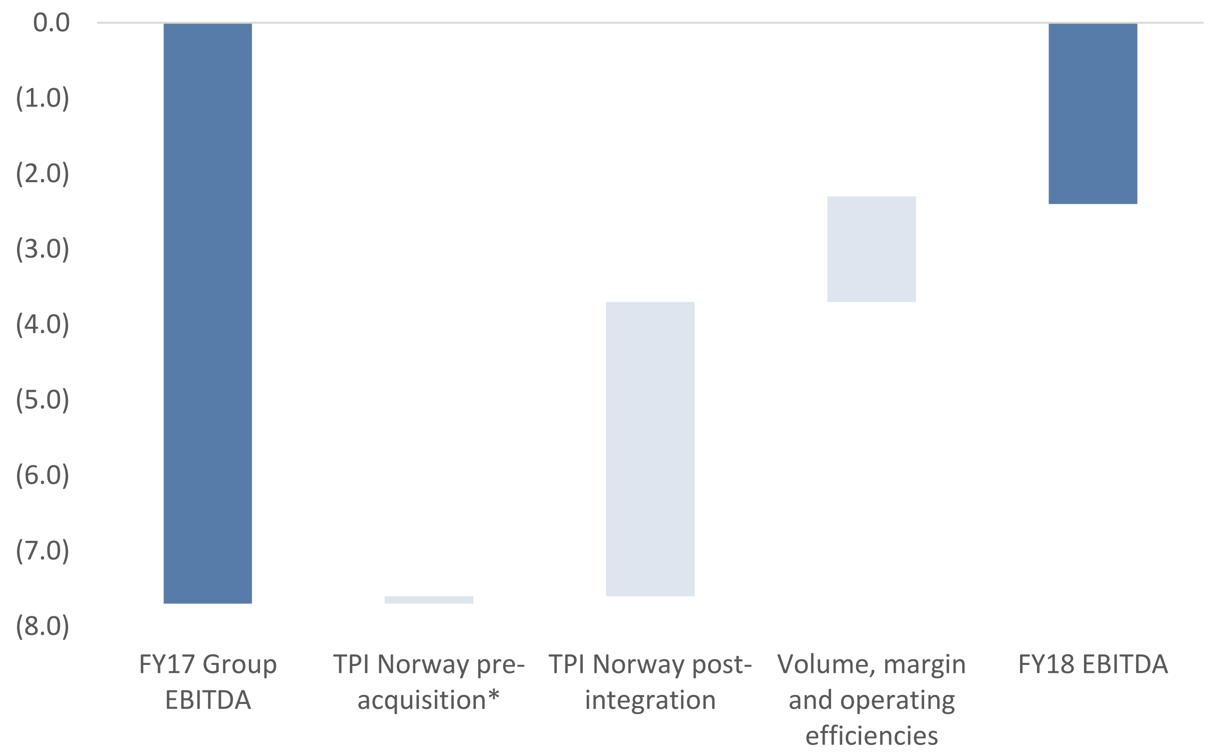
UNDERLYING[2] NPAT ($M)



1. See appendix for a reconciliation of operating versus reported EBITDA measurement. Operating EBITDA is a non-GAAP measure.
2. Underlying NPAT is derived from Operating EBITDA less depreciation and amortisation, net finance costs and tax.

SUBSTANTIAL EBITDA TURNAROUND

OPERATING[1] EBITDA ($M)



ACQUISITION COST-OUT & OPERATING LEVERAGE

- TPE delivered a substantial turnaround in operating EBITDA in 2018.
- The restructuring and integration of TPI Norway was a significant contributor to this, with the Company on track to deliver the targeted acquisition EBITDA in 2019.
- Group operating EBITDA also benefitted from increased volume throughput driving operating efficiencies, as well as positive margin mix.
- The Company expects to produce further operating efficiencies and margin growth in 2019 with Management’s focus now largely on growth versus integration.

1. See appendix for a reconciliation of operating versus reported EBITDA measurement. Operating EBITDA is a non-GAAP measure.
* Proforma estimate based on TPE analysis.

2018 FULL YEAR RESULTS OVERVIEW

Revenue of A$46.2 million, +113.1% versus 2017, including the first full year contribution from TPI Norway.

Gross margin improvement to A$16.0 million, +257.0% y-y or 34.6% of operating revenue (2017 gross margin: A$4.5 million, 20.7% of operating revenue).

Maiden EBITDA profit in 4QFY18 of A$1.7 million supported by revenue growth across all key verticals – NRM, API, CMO and seed.

Restructuring and integration of TPI Norway mostly complete, with substantial cost savings realised (A$3.6 million).

Operating[1] earnings before interest, tax, depreciation and amortisation (EBITDA) loss of A$2.4 million (2017: loss of A$7.7 million).

Statutory EBITDA loss of A$2.6 million represents a +A$9.0 million improvement on the prior corresponding period (2017 loss of A$11.6 million).

The result was impacted by the restructuring of TPI Norway, the exiting of an unprofitable CMO contract and issues with initial Northern Hemisphere straw supply consistency and quality impacting operating efficiency.

Two significant new contracts signed in H12018 - 3-year 6t CPO contract, with minimum revenue of $9 million; 18-month 17t CMO contract, with minimum revenue of $15 million.

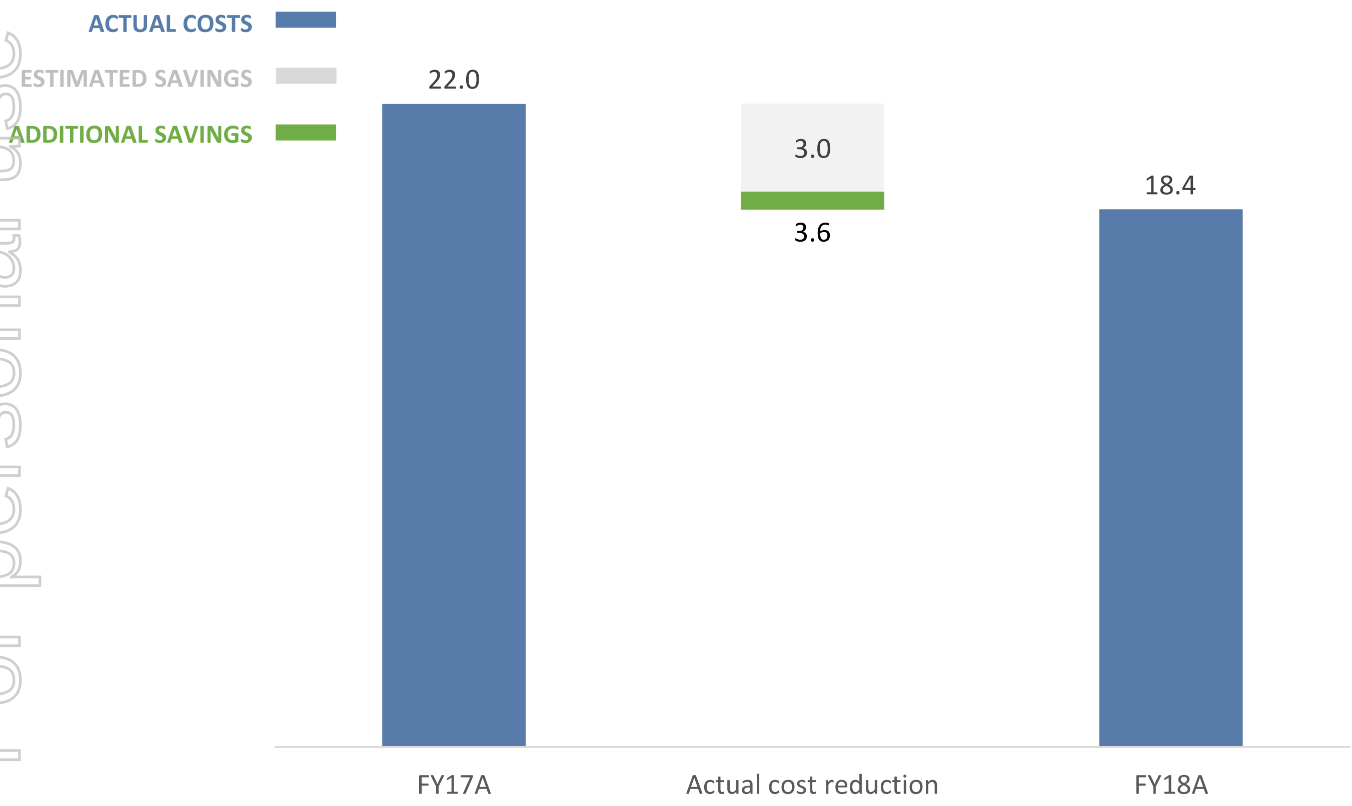
Purchase of Australian processing facility for A$8.3 million, well below third party valuations.

Net debt increase of A$11.4 million driven by investment in working capital to support H12019 growth and purchase of Australian processing facility.

1. See appendix for a reconciliation of operating versus reported EBITDA measurement. Operating EBITDA is a non-GAAP measure.

2018 OVERHEAD COST REDUCTION

GROUP OVERHEAD COSTS ($M)



STRONG FOCUS ON COST CONTROL

- Realised Group overhead cost savings reached A$3.6 million, ahead of the targeted A$3.0 million.
- The Company delivered total Group overheads for 2018 of A$18.4 million (2017: $22.0 million[1]).
- Key cost reduction initiatives undertaken during 2018 included:
    - 34% reduction in TPI Norway headcount
    - 67% reduction in overtime
    - 75% reduction in external advisors
    - 40% cleaning and clothing

1. Annualised combined Group overheads post-TPI Norway acquisition, but pre-cost reduction initiatives.

2018 BUSINESS CHALLENGES
SITE INTEGRATION & INCREASED WORKING CAPITAL

Being a fully integrated supplier from the farm gate to tablet has added working capital complexity; the Company will continue to focus on improving its working capital efficiency in 2019 even while the absolute dollar amount of working capital needs grow to support business growth.

TPI Norway's regional location has created challenges employing appropriately skilled staff; we are looking at new ways to incentivise staff to relocate to Norway including rotation through Australia, FIFO and fixed term placements.

Due to limited investment by Vistin Norway in both environmental and quality systems, a significant focus for TPI Norway during 2018 was rectification of relationships with both the Norwegian Department of Health (NoMA) and the Norwegian Environmental Department (NEA). Development of these relationships will continue to be a focus as we create a standardised quality and environmental management system across our global business.

A significant increase in regulatory body interactions are now required due to the increased complexity and length of the supply chain. Any delay to the normal timeline for required import or export permits can have a significant negative impact on working capital. The last NoMA audit occurred in 2015 and as such an Audit was due in 2018. The Audit occurred in March 2018 and it was not until October 2018 that TPI Norway received its GMP certificate. Some customers would not purchase API until the GMP certificate was received in the name of TPI Norway rather than the legacy GMP certificate in the name of Vistin. This GMP certification issue has now been resolved however regulatory compliance remains a key area of focus.

While TPE's strategy to source straw from a number of growing regions within the Northern and Southern Hemisphere is starting to deliver supply reliability, it has contributed to a significant increase in the working capital as at year end 2018. The success of this year's Australian harvest has increased TPE's crop purchases from planned levels and negatively impacted on TPE's cash flow position. The optimisation of this element of the business is critical to TPE's growth as we must grow our supply of poppy straw in line with our NRM, API and CMO (opiate based) sales.

The CMO business experienced significant operational dislocation over 2018 after a decision in late 2017 to exit a significant tableting contract due to a lack of profitability. The consequence of this decision was to reduce headcount by approximately 30 FTE's. This transition was completed by June 2018 and occupied a significant amount of senior management time. After this was completed the original contract was renegotiated and TPE rapidly re-employed staff to supply the contract.

NORWAY ACQUISITION SUBSTANTIALLY EXPANDED ADDRESSABLE END USE MARKETS

	2017	2018
Available revenue streams	NRM, tolling and seed	API, CMO, NRM, tolling and seed
Revenue	A$21.7 million	A$46.2 million
Active geographic reach (no. of countries)	5	28
Number of active customer relationships	5	55
Addressable end use markets	Limited to concentrated base of < 15 NRM customers	Customer base of > 100 across API, CMO, NRM products
Number of product categories	4 NRM	4 NRM / 2 API's 40 tablet SKU's
Business model	Competing with single product and lowest cost promise, but low plant capacity utilisation	Competing with vertically integrated, global supply capability with high plant capacity utilisation

NRM, API, CMO & AGRICULTURE
2018 PERFORMANCE

JARROD RITCHIE MANAGING DIRECTOR

BUSINESS UPDATE
NRM: SALES IN LINE: MARKET YET TO RECOVER

NRM sales volumes slightly exceeded budget for 2018 with direct sales higher than expected and tolling revenues lower than expected.

Industry stockpiles are starting to reduce in line with reduced growing in the last few years. US demand for thebaine has started to plateau after decreasing due to a reduction in DEA quote for thebaine in response to US opioid abuse. Growing and extraction operations by Macfarlan Smith (Johnson Matthey) and Alkaloida (Sun Pharma) have ceased, reducing the number of suppliers further.

Seed sales were almost 100% higher than expected due to increased pricing based on an ongoing shortage in global seed supply from poor crops in the Czech Republic and decreases in growing areas in Australia, France and Spain over the last few years. Seed prices have historically been a lead indicator for NRM pricing.

TPE continues to look at supply of NRM into Europe, South Africa, and Asia. TPE's NRM capacity is currently greater than its API capacity, and while this remains the case the company will look to sell excess NRM into the external market when profitable to do so.

While no sales were made in 2018 TPE has made significant progress in its thebaine processing capability and can now offer thebaine at competitive prices. The Company has appointed a US focussed sales advisor with the aim of supplying thebaine samples for validation during 2019 and commercial volumes in 2020.

The company expects that for 2019 demand for direct external sales of NRM and internal consumption for API production to account for all NRM production capacity.

To support increased NRM production in 2019, TPE took steps in 2018 to secure additional straw sources and appointed a Northern Hemisphere Agricultural Manager. One of the advantages of Northern Hemisphere growing in addition to diversifying climate risk is the spreading of the Company's working capital peaks.

BUSINESS UPDATE
API: SIGNIFICANT PROGRESS IN CAPACITY & CAPABILITY

2018 was the first full year of ownership of TPE's API business, one of the key drivers for the acquisition of Vistin Opiates in October 2017.

API revenues grew 14% versus the 12 months to 31 December 2017. While pleasing given the executive team's substantial focus on the integration and restructuring of TPI Norway during the year, the result fell short of internal expectations due predominantly to the Indian tender being awarded to another party, delays in GMP certification re-issue by NoMA and staffing issues related to the corporate restructure.

TPI Norway was successful in recertifying its facilities post-acquisition for Good Manufacturing Practise (GMP), however the time between audit and certification was a factor in the sales shortfall. We should not see this reoccur in 2019 and will continue to work with NoMA to bring TPI Norway in line with their requirements.

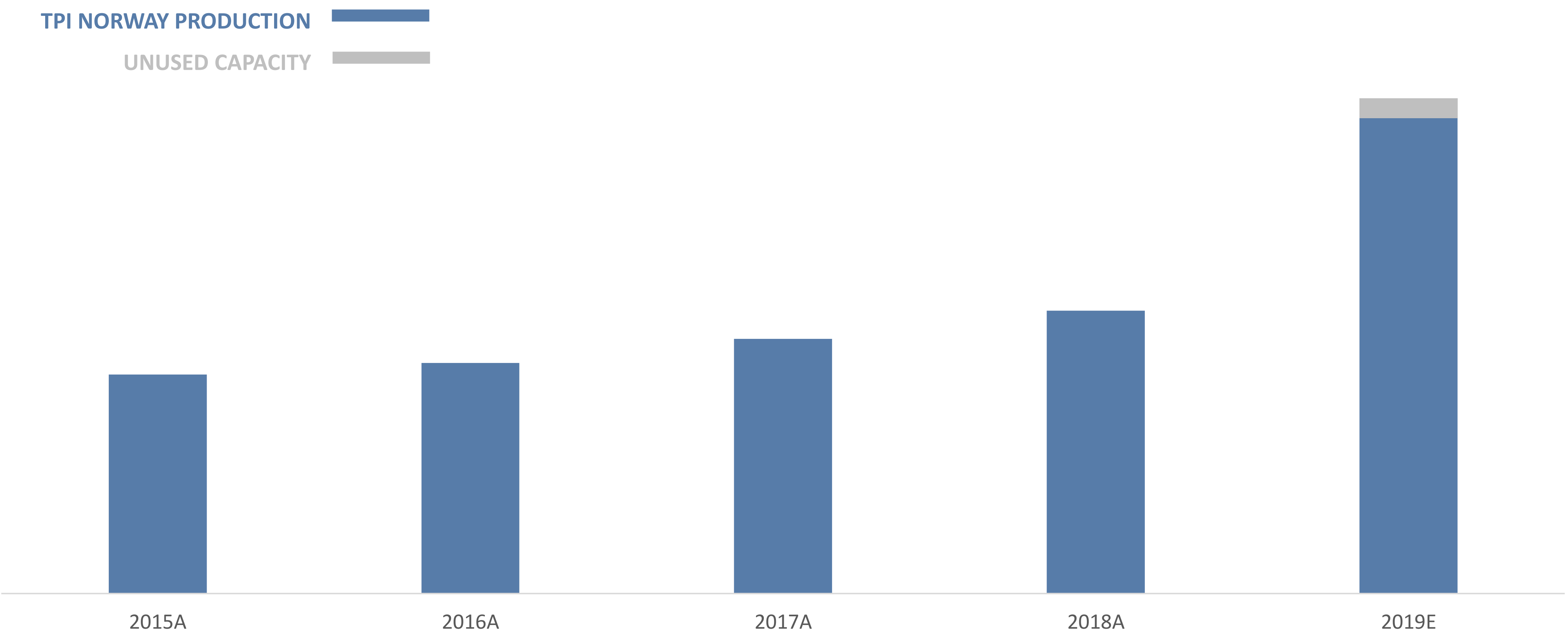
Bedding down new staffing structures, rosters and operating modes was a major focus during H2FY2018 and, as a result of these efforts, TPE is well positioned to grow API production, sales and margins in 2019. These new operating modes will allow an increase in API production and sales in 2019 without additional investment.

During H2FY2018 TPE worked to improve drying times of product, milling and staff utilisation. As these initiatives mature, the Company expects to be able to produce approximately 50 tonnes of CPO per annum in Norway with no additional investment. As TPE expects to utilise close to 100% of this capacity in 2019, TPE is planning to increase CPO production capacity to over 70 tonnes per annum with an approximate A$3 million capital investment. The Company may look to make this investment in 2HFY2019.

TPE expects to be able to further expand its product range through utilisation of its extensive "Buchi" synthesis equipment that was funded via an Australian government grant pre the acquisition of Vistin. This equipment has been relocated to TPI Norway and is planned to be installed in 2019 to allow for validation batches to be produced in 2020.

TPE continues to work to broaden its product portfolio with Morphine Sulphate, Dihydrocodeine Tartrate, Codeine Base and Naloxone expected to be developed over the coming 18 months. It has recently appointed a senior executive with over 20 years opiate experience to manage the new product development program.

BUSINESS UPDATE
API: TARGETING AN INCREASE IN SALES OF OVER 80%



BUSINESS UPDATE
CMO DIVISION: A YEAR OF MATERIAL CHANGES

TPE has made good progress improving the performance of its tableting CMO business post-acquisition in October 2017. It has enhanced sales, re-negotiated supplier terms and added new customers and suppliers.

A significant reduction of employee numbers and re-structuring of manufacturing operations occurred.

The Company realised significant cost savings totalling A$3.6 million (actual P&L impact) in 2018 and secured a new material contract (3-year contract for Codeine Phosphate tablets, utilising approximately 17 tonnes of codeine phosphate, minimum A$15 million revenue).

While the company successfully re-negotiated a major codeine phosphate tabletting contract, this occurred after a reduction of employee's. The time to restaff for this new volume and time to source required raw materials meant the full 2018 requested volumes were unable to be supplied in the second half of 2018. These are being made up in 2019 sales.

The Company completed a significant regulatory-based requirement to incorporate automated serialisation into its CMO production process during H2FY2018 (explored in greater detail on the following slide).

TPE believes there are further opportunities in the CMO Division - both revenue growth from opiate based products and margin expansion from further operational improvements.

Areas of focus in the CMO department will be improving the quality management systems in-line with Australian market practices and continued automation of the packaging process including the use of packaging robotics and electronic batch documentation.

BUSINESS UPDATE
CMO DIVISION: SERIALISATION

In 2018 TPI Norway made a significant investment to upgrade its labelling of CMO product to include a new serialisation labelling system as per EU Directive 2011/62/EU (Falsified medicines).

Serialisation is an initiative of the European Union to increase supply chain security for prescription drugs and prevent falsified medicines.

From 9 February 2019, all prescription drugs sold via a pharmacy must will include the new serialisation process.

Serialisation replaces the old system of barcoding prescription drugs with a new '2D matrix code', which is harder to counterfeit.

The codes sync with a EU & National database which marries prescription drug point-of-sale occurrences with the manufacturing facility of origin to ensure authenticity.

Implementation of serialisation took over a year to complete, and provides the opportunity for the Company to acquire additional manufacturing volumes.

BUSINESS UPDATE
AGRICULTURE: SUPPLY CONFIDENCE GROWING

TPE has taken significant steps since 2016 to establish a diversity of straw supply, and is now the only licensed narcotic extractor with both Northern and Southern Hemisphere straw supply.

The Company has employed a Northern Hemisphere Agricultural Manager with over 20 years experience in poppy growing in Europe. We see meaningful supply of high quality straw from the Northern Hemisphere as integral to mitigating the risk of climate events and reducing the working capital requirements of the business.

TPE has already sown 2,000 Ha of Northern Hemisphere crop for 2019, out of an expected total of 5,000-6,000 Ha for the year from that region. This planting should produce approx. 40-60 tonnes of alkaloid available for processing. A key advantage of Northern Hemisphere supply is payment terms are far more favourable and in line with usage rather than harvest.

The first large scale commercial growing of crops in NSW occurred in 2018 with pleasing results especially given the very difficult season. Benefits including scale and transport continue to support our investment in Australian mainland growing with the addition of this area continuing to diversify our supply risk.

TPE is currently disputing the validity of Tasmanian Alkaloids high codeine poppy. This is explained in more detail in the following slide.

BUSINESS UPDATE
AGRICULTURE: CHALLENGE OF PATENT VALIDITY

Tasmanian Alkaloids is seeking to prevent TPE from growing and extracting a certain strain of high codeine poppy straw.

TPE's key market advantage is its low cost extraction, isolation and purification technology. This fundamental advantage over its competitors continues regardless of the use of high codeine or high morphine straw.

While the Northern Hemisphere has been growing a high codeine poppy since 2011, a patent was granted to Tasmanian Alkaloids for this poppy variety in Australia. TPE is challenging the validity of the patent with a trial date set for October 2019.

Should TPE Enterprises be unsuccessful in defending Tasmanian Alkaloids' claims, the Company has approx. A$4.5 million worth of inventory that is based on high codeine straw.

Through TPE's acquisition of Vistin Pharma in 2017, TPE has full access to Tasmanian Alkaloids process via its CEP application. It is clear from this information that with or without a high Codeine Poppy Tasmanian Alkaloids is unable to compete with TPE in the codeine phosphate market.

ADDITIONAL INITIATIVES

Further steps taken during 2018 to enhance shareholder value

TPI Norway

- **Financial:** A$0.9 million reduction in purchase price of Norway business due to settlement of Reps and Warranties claim.
- **Personnel:** Appointment of an R&D Director to accelerate API product portfolio expansion of several new compounds, including anti-addition drugs.
- **Harmonisation:** An independent Quality Audit was conducted to facility a gap-analysis which will be used to bring the Norway Quality Management Systems (QMS) in line with Australian operations.

Corporate Initiatives

- **Board:** Addition of Ms. Sue MacLeman as a Non-Executive Director. Ms. MacLeman has over 30 years experience as a pharmaceutical, biotechnology and medical technology executive, having both CEO and Board experience on ASX and NASDAQ listed companies. Ms. MacLeman is also serves on a number of academic and government advisory committees.
- **Infrastructure**: Divestment of Portuguese assets for a small profit on book value and acquisition of Australian based processing facility to ensure control of its future development and take advantage of an advantageous purchase right.

TPI

FINANCIAL RESULTS

BRENDAN MIDDLETON CHIEF FINANCIAL OFFICER

GROUP RESULTS OVERVIEW

TPE delivered record revenue and gross margin for 2018

A$ million	2018	2017	% chg
Revenue	46.2	21.7	113.1
Gross profit	16.0	4.5	257.0
Gross margin	34.6	20.7	64.1
EBITDA (operating)[1]	(2.4)	(7.7)	68.8
Significant items	(0.2)	(3.8)	(94.7)
EBITDA (reported)	(2.6)	(11.9)	78.2
Depreciation & amortisation	(2.6)	(2.8)	7.1
EBIT (reported)	(5.1)	(14.6)	65.1

COMMENTARY

- The acquisition of the Norway business (October 2017) contributed to a **record 2018 revenue result** given first full year of contribution.
- Both the Australian and Norwegian operations enjoyed **double digit revenue growth**, primarily due to growth in Seed, NRM and API sales.
- Significant increase in **manufacturing plant utilisation** substantially improved gross margins to 34.6% (2017: 20.7%).
- Operating EBITDA was impacted by: lower than expected CMO manufacturing capacity utilisation as **unprofitable contracts were exited** and new contract terms negotiated; slower manufacturing throughput during **GMP recertification**; and a significant reworking of staffing numbers, rostering and reporting lines. This was offset by a **partial benefit realised** from overhead cost reductions.

1. See appendix for a reconciliation of operating versus reported EBITDA measurement. Operating EBITDA is a non-GAAP measure.

INCOME STATEMENT

Underlying EBIT loss impacted by performance of CMO operations during the period

A$ million	2018	2017	% chg
EBIT (underlying)	(5.0)	(10.2)	50.9
Net finance costs	(1.6)	(2.0)	(20.0)
Income Tax benefit (before significant items)	0.1	0.0	nm
NPAT (before significant items)	**(6.5)**	**(12.2)**	**46.7**
Significant items after tax	0.7	(4.5)	nm
NPAT	**(5.8)**	**(16.7)**	**65.3**

COMMENTARY

- The underlying **EBIT** loss of A$5.0 million improved on 2017 as a result of record revenue growth and increased plant utilisation enabled by expanded sales channels via the Norway acquisition.
- **Finance costs** reduced by A$0.4 million due to lower facility utilisation and reduction of line fees related to the unsecured working capital debt facility during the period.
- **Significant items** comprise transaction and integration costs (A$0.3 million), loss on disposal (A$0.2 million), offset by recognition of a gain on sale of TPE's Portugal operations (A$1.1 million).

BALANCE SHEET

Investment in working capital to support H1FY19 growth

A$ million	2018	2017	% chg
Trade receivables	11.9	9.3	27.8
Contract assets[1]	3.5	0.9	282.2
Inventories			
-Raw materials	7.0	6.5	7.4
-Work in progress	13.4	9.2	45.8
-Finished goods[2]	0.6	0.8	(23.8)
Total inventories	**21.0**	**16.5**	**27.2**
Trade payables	9.4	9.4	0.8
Net working capital	**27.0**	**17.4**	**55.3**
Cash	1.9	3.6	(47.7)
Borrowings	22.9	13.2	(72.9)
Net debt	**21.0**	**9.6**	**(118.8)**
Contributed equity	**181.5**	**181.5**	**0.0**

COMMENTARY

- Net working capital employed at balance date increased by A$9.6 million versus the prior corresponding period, driven by a A$2.6 million **increase in contract assets/inventory** and A$4.2 million **increase in WIP** to support Q1FY19 sales, including an anticipated ramp up in API and CMO sales volumes.
- Inventory levels are higher compared to the prior corresponding period due to a longer supply chain creating additional working capital complexity and **longer cash conversion cycle now being a fully integrated supplier** – improving working capital efficiency remains a key focus of management.
- **Contract assets** relate to product manufactured under contract that is yet to be shipped but recognised as revenue.
- **Net debt** has increased by A$11.4m to support the growth in contract assets/inventories.

1. The Group initially applied AASB 9 and AASB 15 at 1 January 2018. Under the transition method chosen comparative information is not restated but is shown above and included in “Net working capital” to show a reasonable like-for-like comparison.
2. Prior period Finished goods notionally restated for AASB15 impact.

OUTLOOK

JARROD RITCHIE MANAGING DIRECTOR

OUTLOOK:
GROWING PROFITABILITY AND RETURN ON CAPITAL

TPE expects to deliver strong revenue and profit growth in 2019 following its maiden positive quarterly EBITDA result in Q4FY2018.

H1FY2019 will see a continuation of initiatives to streamline TPI Norway and maximise operating efficiencies, while also growing manufacturing volumes and sales. These initiatives are expected to deliver further improvement in gross margins and overhead to sales ratios.

H2FY2019 will be primarily focussed on growing manufacturing volume and sales.

Significant growth will come from increased sales of morphine NRM, and codeine phosphate and pholcodine API. Growth in NRM will also come from sales no longer involving toll processing.

The Company notes that of its estimated sales growth for 2019, a significant majority of these volumes are already contracted.

A key focus for 2019 is reducing working capital use throughout the business through increased sales velocity and progressing initiatives to streamline the Company's global supply chain.

2019 CHECKLIST

- [ ] Increase API sales by over 80%
- [ ] Continue integration of Norway operations including improving Quality Management Systems (QMS) and Finance systems
- [ ] Reduce and optimise working capital position in Australia
- [ ] Expand NRM and API product portfolio
- [ ] Invest in additional growth (NRM & API Capex)
- [ ] Optimise raw material supply from both Hemispheres
- [ ] Develop new APIs (Morphine Sulphate & Di-Hydrocodeine, Anti-addiction)

APPENDICES

PROFIT TO EBITDA RECONCILIATION

GAAP versus non-GAAP reconciliation

Profit & Loss Summary (A$ '000)	2018	2017
Net Profit/(Loss) for year	**(5,788)**	**(16,693)**
Add:		
(+) acquisition related expenses	296	2,043
(+) transaction integration services	-	-
(+) agricultural area trialling expenses	-	432
(+) inventory impairments	-	1,959
(-/+) (gain)/loss from discontinued operations	(1,119)	647
(+) loss on disposal of property, plant and equipment	233	-
(+) depreciation and amortisation	2,551	2,414
(+) net finance expense	1,653	2,050
(+) income tax expense	135	-
Less		
(-) other income	(392)	(597)
(-) depreciation expense from discontinued operation	-	-
Operating EBITDA	**(2,432)**	**(7,745)**

COMMENTARY

- The consolidated financial statements of the Group are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB's) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS's) adopted by the International Accounting Standards Board (IASB).
- This presentation includes a non-GAAP financial measure which is not prepared in accordance with IFRS being:
  - Operating EBITDA: calculated by adding back (or deducting) finance expense/(income), taxation expense, depreciation, amortization, acquisition related expenses, transaction integration services, agricultural area trialing expenses, inventory impairments, losses from discontinued operations, losses on disposal of non-core plant and equipment, and deducting other income, to net profit/(loss) after tax.
- The Group believes that this non-GAAP financial measure provides useful information to readers to assist in the understanding of the Group's financial performance, financial position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS.
- Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

TPI