



30/05/2016

CHAIRMAN'S ADDRESS – Stephen Underwood

Two days prior to the 2015 Annual General Meeting the company advised NZX and shareholders of the preliminary results of the double-blind placebo controlled clinical trial undertaken by the Rheumatology Research Unit at Otago University.

As advised to NZX, and reported at the last AGM, these positive trial results provided the basis for the company to undertake a more aggressive advertising campaign, secure credible media coverage, and undertake a significant capital raising. The full results of the clinical trial were published in the international peer reviewed journal *Clinical Rheumatology*, in December 2015.

The positive outcome of the clinical trial lead the company to undertake a 6 for 10 cash issue to shareholders in November 2015, so that it could fund the increase in New Zealand Arthrem[®] advertising.

The 88% increase in sales in 2015 over 2014 was pleasing as it set the base for a more sustained advertising programme in 2016. The company is very pleased to see Arthrem[®] now playing a major role in helping people in New Zealand suffering from arthritis. In 2010, Arthritis cost the country over \$3.2 billion dollars in lost productivity and health-care cost.

The cash issue raised \$1.69 million and was a very time consuming exercise for both directors and management. In small companies the diversion of resources from operational matters to raise capital is significant and cannot be underestimated.

The directors thank those shareholders who supported the cash issue. The company welcomed a number of new shareholders who took up shares not subscribed for by existing shareholders. The return on new shares issued in the cash issue is now 100% after 6 months.

The launch of Arthrem[®] in the United States was delayed until early 2016 as beta testing of the ecommerce platform identified that further expenditure was required before a full launch could be

undertaken in that market. The website has been enhanced and by the end of 2016 will be the company's main ecommerce platform and will facilitate sales in any country.

The sum of \$69,000 was received by way of grants from Callaghan Innovation to support the company's research and development. The company added to its core staff the employment of Liam Harker in the position of research scientist. Liam has a Masters level science degree specializing in the commercialization of new bioscience technologies. Of the company's 3 person management team 2 of them are scientists.

The loss for the year was expected as the company set the base for its future activities, particularly the completion of the clinical trial and the building of the Arthrem® brand.

I thank my co-directors for their considerable personal commitment to the company during the year and to our management team for their continued commitment and achievement of key results, particularly concerning the clinical trial, increases in sales and the successful capital raising.

CEO's Report – Charles Daily

Good afternoon.

I am going to outline to you the activities of the company in 2016. At the time of the cash issue in October 2015 we sent shareholders a presentation of how the funds raised in the 6 for 10 cash issue would be spent. There were five uses for the funds raised.

The first was to increase advertising to grow the sales of Arthrem® from 1% to 5% of the New Zealand market by the end of 2017.

The current marketing plan is exceeding our initial forecasts and the sales generated well exceed the advertising spend. Another important outcome has been a significant growth in awareness of the Arthrem® brand. According to IRI research market group, Arthrem® is the fastest growing single product in dollar terms in New Zealand pharmacies in the last quarter.

We intend to maintain the current levels of advertising over the next few months. We also need to focus on marketing the scientific evidence that proves Arthrem® can reduce joint pain in people with osteoarthritis.

The second use of funds has been the development of an online strategy using search engine optimisation (SEO) to lift the Arthrem® brand to the first page of internet searches for specific key words relating to people searching for an alternative treatment for osteoarthritis. This work has been ongoing and we very pleased with progress to date. We will continue to promote Arthrem® via targeted media releases, especially as our ongoing research is updated or something newsworthy arises.

The third purpose is to fund our digital advertising for overseas markets. We continue to modify our automated marketing platform so that we promote Arthrem® in the most effective manner to potential US and Australian customers through a B to C digital format. A bonus outcome out of this strategy will be that in the next 3 months New Zealand customers will also be able to place their order through the US website, but will still be charged NZ prices. This consolidation will allow our automated marketing platform to communicate directly with current and future New Zealand customers.

An important element of our digital strategy has been to amend our terms of trade in New Zealand. Until recently many New Zealand pharmacies have been selling Arthrem® through their own ecommerce websites. Our new terms of trade now require this type of transaction to cease. We have stopped all but 7 New Zealand pharmacies from selling online and will be taking further action against those 7 remaining pharmacies. The reasons that we need to take this action are:

1. We must protect the bricks and mortar retailers here in New Zealand, as they are our biggest outlet.
2. We are continuing to invest in the scientific research that supports Arthrem®. It is important that anyone wanting information about Arthrem® online can obtain that information from one authoritative site.
3. We cannot have overseas buyers purchasing Arthrem® from NZ suppliers. The packaging for the US is different from New Zealand packaging due to FDA requirements. NZ packaged Arthrem® going

to the US could present major problems for us, especially when we are exporting larger quantities to the US.

4. We are unable to challenge 3rd party reviews of Arthrem® on other NZ pharmacy websites.

Sales in the US started well in 2016 but have not grown as quickly as we would like. The strategy has been modified to boost sales and also maintain the best return on investment. The infrastructure is in place in the US to meet demand.

The fourth application of the funds raised is the development of new products. The first is the canine arthritis treatment which is still under development. We have a formulation that is palatable to 70% of dogs, but we are trying to get closer to 100% palatability before launching the product. We do not want 30% of dogs refusing to eat the product. This product is a priority for 2016.

Another product has been formulated and is about to go into the clinical trial process.

The fifth and final focus for funds raised in the cash issue is the development of protectable IP. We continue to work with Callaghan Innovation and our research team in the ongoing development of this. New products and processes are one of the highest priorities for Promisia.

Before launching Arthrem® in Australia we will register Arthrem® as a complementary medicine. This registration process will require compliance with a number of Australian production requirements and this work is underway. It is planned to achieve registration as a listed complementary medicine in Australia in 2016. Registration will allow us to make greater therapeutic claims in Australia based on findings from both our clinical trial and long term extension safety trial.

Overall, the company is experiencing significant sales growth and we are focused on maintaining this momentum. We look forward to updating shareholders with our half year report.