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Trading Update for First Half 2016 and Record Technegas Order Received from China

Trading Update

Radiopharmaceutical company Cyclopharm Limited (ASX: CYC) is pleased to provide a trading update for H1 2016. This update is based on management results for January through to the end of May 2016 and Technegas orders received month to date, with half year financials subject to audit.

Half Year ended 30 June		Forecast H1 2016	Actual H1 2015	Inc/(Dec)	% Change
Sales Revenue	\$'000	6,148	5,078	1,070	21%
Gross Margin	\$'000	5,093	3,985	1,108	28%
Gross Margin	%	82.8%	78.5%	4.3%	
Profit before tax and finance costs	\$'000	824	298	526	177%

First Half 2016 revenues are expected to be up 21% versus pcp to just over \$6.1 million. These sales reflect an increase in both the number of proprietary Technegas generators sold (28 in the first half, up 7% versus pcp) and a 24% increase in the sales of consumable Patient Administration Sets (PAS) used in conjunction with the Technegas generators. Sales in the prior corresponding period (1H FY15) were adversely affected by a timing anomaly in order patterns from a major European customer.

PAS consumables are expected to account for around 83% of group sales in the First Half with Generator sales contributing around 12% of revenues. The remaining balance is attributed to service revenues.

Gross margins for First Half 2016 are expected to increase approximately 28% as compared to the same prior year period driven by higher sales volumes and a positive mix shift towards PAS consumables.

The Directors are pleased with the overall strength of the underlying Technegas business and the progress the company is making in delivering on its strategic growth objectives. CYC's strategic priorities are:

1. Continue to grow sales from Technegas and PAS consumables in the company's existing 55 countries
2. Increase sales of Technegas in new markets and applications including securing US FDA approval, China and COPD
3. Drive complementary sales of Ultralute, an ancillary proprietary product used to increase the production yield of Molybdenum-99 generators used in the production of Technetium 99, the most commonly utilised isotopes used in Nuclear Medicine procedures.

A further update on the progress of these objectives will be provided to the market at the time of the First Half results in August 2016.

Record Technegas Order Received

In line with the first and second strategic objectives, the Directors are delighted to announce that Cyclopharm has received the largest ever single order for its Technegas generators and associated consumables. The order, from its Chinese distributor, validates the company's strategy of growing its sales by supporting the development of nuclear medicine in China and other new markets.

Key details:

- **Largest ever single order received by Cyclopharm, approximate value AUD\$1.3 million.**
- **Chinese distributor has ordered 50 Technegas generators and 250 PAS (Patient Administration Sets)**
- **Order is a seeding initiative by Cyclopharm's Chinese distributor to expand the Technegas use in China. The initiative is expected to become the basis for further sales growth in that market**
- **Products to be invoiced and delivered in second half of 2016 ending 31 December**
- **Underscores the company's business strategy to grow Technegas sales by providing support to Chinese hospitals and physicians**

"We have been systematically building our presence in the Chinese market over the past five years. It is pleasing to see that the sales agreement demonstrates the traction we are achieving in this market," Mr McBrayer said.

"This single order for 50 Technegas generators nearly doubles our full year average Technegas generator demand seen in the past few years. These units will be manufactured and delivered progressively over the next six months with a substantial "upfront" payment required prior to initiating the build process."

"We anticipate our distributor will supply the 50 Technegas generators to Chinese clinics and hospitals throughout the course of 2017. We therefore expect this seeding initiative will provide the platform for a significant increase in PAS sales from 2018," Mr McBrayer said.

Technegas is widely recognised as the world leader in functional lung ventilation imaging and is cited by name as the agent of choice in the European Guidelines in the diagnosis of pulmonary embolism (PE). Cyclopharm has also been providing financial, technical and clinical support for trials of Technegas in China for the diagnosis and management of Chronic Obstructive Pulmonary Disease (COPD), a leading cause of death globally and a particular problem in China due to high smoking rates and air pollution. COPD is predicted to become the third leading cause of death worldwide by 2020.

"This order has been leveraged off our COPD trial in China and our ongoing education program across both Nuclear and Respiratory Medicine. We are very encouraged by the preliminary results of the COPD trial. The final results are expected to be available later this year," Mr McBrayer said.

Technegas is sold in 55 countries across Asia, Europe and North America, including China.

“We expect that this order will push group sales above \$13 million for FY16, delivering a third consecutive record year of revenue results for the company. With respect to our margins, Technegas generators yield lower margins than our PAS consumables. Based on the significant Technegas generator volumes in FY16, overall margin percentages are expected to contract between 3-5% as a consequence of this substantial order. Margins are expected to recover as PAS sales contribute a growing share of the overall sales mix,” Mr McBrayer said.

The company received positive preliminary results from its Chinese COPD trial in early 2016 showing that Technegas delivered outcomes superior to existing diagnostic methods. Final trial results are expected in the second half of 2016 and the findings are the subject of three scientific papers under development.

The company is also seeking USFDA approval for the sale of Technegas in the United States, home to half the world’s nuclear medicine departments. The company is targeting USFDA approval by mid-2018.

For more information, please contact:

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Cyclopharm Limited

Cyclopharm is an ASX Listed radiopharmaceutical company servicing the global medical community. The Company’s mission is to provide nuclear medicine and other clinicians with the ability to improve patient care outcomes.

Cyclopharm achieves this objective primarily through the provision of its core radiopharmaceutical product, Technegas used in functional lung ventilation imaging.

Technegas

The Technegas technology is a structured ultra-fine dispersion of radioactive labeled carbon, produced by using dried Technetium-99m in a carbon crucible, micro furnaced for a few seconds at around 2,700°C. The resultant gas like substance is inhaled by the patient (lung ventilation) via a breathing apparatus, which then allows multiple views and tomography imaging under a gamma or single photon emission computed tomography (SPECT) camera for the superior diagnosis of pulmonary emboli (blood clots in the lungs).