

Clinuvel Pharmaceuticals

Reaching for the prize

In FY07, CUV posted NPAT in line with our forecast. In FY08, CUV hopes to further progress its lead compound, CUV1647, against a number of sun-related diseases, including PMLE. We believe cash flow from sales is likely sooner than most other biotechs. Buy.

Key forecasts

| | FY06A | FY07A | FY08F | FY09F | FY10F |
|---|--------|--------|---------|---------|----------|
| EBITDA (A\$m) | -10.3 | -10.6 | -14.4 ▼ | -12.3 ▼ | -2.49 |
| Reported net profit (A\$m) | -10.8 | -9.18 | -13.6 ▼ | -12.2 ▼ | -2.91 ▼ |
| Normalised net profit (A\$m) ¹ | -10.8 | -9.18 | -13.6 ▼ | -12.2 ▼ | -2.91 ▼ |
| Normalised EPS (c) ¹ | -6.87 | -3.70 | -4.52 ▼ | -4.05 ▼ | -0.96 ▼ |
| Normalised EPS growth (%) | -42.9 | -46.2 | 22.2 | -10.3 | -76.2 |
| Dividend per share (c) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend yield (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Normalised PE (x) | n/m | n/m | n/m | n/m | n/m |
| EV/EBITDA (x) | n/m | n/m | n/m | n/m | n/m |
| Price/net oper. CF (x) | -10.9 | -24.0 | -19.3 ▲ | -22.0 ▲ | -175.7 ▼ |
| ROIC (%) | -291.7 | -148.4 | -33.9 | -30.1 | -8.13 |

1. Pre-goodwill amortisation and exceptional items
Accounting Standard: IFRS

Source: Company data, ABN AMRO forecasts

year to Jun, fully diluted

FY07 result in line with forecasts

CUV posted NPAT of -\$9.2m for FY07, broadly in line with our forecast of -\$8.8m. The difference relates to lower-than-expected 'other' revenue. The net operating cash outflow was A\$8.2m, compared to our forecast outflow of A\$8.5m. Following the recent placement CUV is well cashed up (A\$A33.8m in FY07) to fund its clinical program. We have increased our rate of cash burn as CUV enters its clinical program phase, and this has boosted NPAT losses from A\$8.3m to A\$13.6m in FY08 and from A\$9.8m to A\$12.2m in FY09. We have made no changes to our assumptions in terms of take-up of CUV1647 in its major markets.

In FY08, CUV hopes to progress its lead compound CUV1647

CUV aims to show its lead compound, CUV1647, has efficacy against a number of sun-related diseases, including polymorphous light eruption (PMLE). CUV1647 is administered via an injection under the skin of a slow-release deposit of alpha-melanocyte-stimulating hormone (alpha-MSH) and induces melanogenesis, a process by which the skin's tanning cells (melanocytes) produce the skin's tanning pigment (melanin). Essentially, melanin has been shown to increase protection from the sun (photoprotection) and decrease the ageing effects of the sun (photoageing).

CUV's trials are relatively well advanced

CUV has two trials in Phase III. On an industry-wide basis, the chances of getting a product to market from the Phase III stage are in the order of 70%. We believe the odds that CUV will be able get CUV1647 to market are better than even. Hence, cash flow from sales is likely, and sooner than most other biotechnology companies.

Buy recommendation maintained, target price A\$1.15

For FY08, we have increased our rate of cash burn as CUV enters its clinical program phase. As a result of these changes, our DCF valuation and target price have decreased by 4.2% to A\$1.15 (from A\$1.20). Upside risks to our target price include faster-than-expected progression to production of CUV's photoprotective technology, while downside risks include any delay or failure to progress clinical trials.

Important disclosures and analyst certifications regarding companies can be found in the Disclosures Appendix.

Priced at close of business 29 August 2007. Use of ▲ ▼ indicates that the line item has changed by at least 5%.

ABN AMRO Equities Australia Ltd, ABN 84 002 768 701, AFS Licence 240530
Level 29, ABN AMRO Tower, 88 Phillip Street, Sydney NSW 2000, Australia

Buy

Absolute performance

n/a

Short term (0-60 days)

 Pharmaceuticals & Biotechnology
Australia

Price

A\$0.79

Target price

A\$1.15 (from A\$1.20)

Market capitalisation

A\$226.61m (US\$196.57m)

Avg (12mth) daily turnover

A\$0.37m (US\$0.30m)

Reuters

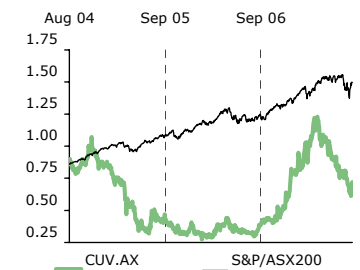
CUV.AX

Bloomberg

CUV AU

Price performance (1M) (3M) (12M)

| Price (A\$) | 0.8 | 0.9 | 0.3 |
|--------------|-----|-------|-------|
| Absolute % | 5.3 | -15.1 | 129.7 |
| Rel market % | 3.7 | -14.0 | 86.8 |
| Rel sector % | 2.0 | -15.5 | 115.5 |



Stock borrowing: Easy onshore,
Impossible offshore

Volatility (30-day): 63.15%

Volatility (6-month trend): ↑

52-week range: 1.40-0.34

S&P/ASX200: 6176.30

BBG AP Pharm & Biotech: 164.61

Source: ABN AMRO, Bloomberg

Analysts

Dr David Stanton

Zara Lyons

www.abnamroresearch.com

FY07 result

CUV posted NPAT of -A\$9.2m for FY07, broadly in line with our forecast of -A\$8.8m. The difference relates to lower-than-expected 'other' revenue. The net operating cash outflow was A\$8.2m, compared to our forecast outflow of A\$8.5m. Following the recent placement CUV is well cashed up (A\$A33.8m in FY07) to fund its clinical program. We have increased our rate of cash burn as CUV enters its clinical program phase and this has boosted NPAT losses from A\$8.3m to A\$13.6m in FY08, and from A\$9.8m to A\$12.2m in FY09. We have made no changes to our model assumptions in terms of take-up of CUV1647 in its major markets. The changes to our forecasts are shown below.

Table 1 : CUV – changes to forecasts

| | FY07A | | FY08F | | FY09F | |
|-------------------------|-------|--------|-------|-------|-------|-------|
| | Fcast | Actual | Prev | Rev | Prev | Rev |
| EBIT (A\$m) | -10.9 | -11.4 | -11.8 | -15.3 | -12.7 | -13.2 |
| NPAT (A\$m) | -8.8 | -9.2 | -8.3 | -13.6 | -9.8 | -12.2 |
| EPS (c) | -2.9 | -3.7 | -2.8 | -4.5 | -3.2 | -4.1 |
| DPS (c) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net op cash flow (A\$m) | -7.4 | -8.2 | -6.8 | -12.4 | -8.1 | -10.8 |

Source: ABN AMRO estimates, company data

What is CUV1647?

CUV aims to show its lead compound, CUV1647, has efficacy against a number of sun-related diseases, including polymorphous light eruption (PMLE). CUV1647 is administered via an injection under the skin of a slow-release deposit of alpha-melanocyte-stimulating hormone (alpha-MSH) and induces melanogenesis, a process by which the skin's tanning cells (melanocytes) produce the skin's tanning pigment (melanin). Essentially, melanin has been shown to increase protection from the sun (photoprotection) and decrease the ageing effects of the sun (photoageing).

CUV1647 is administered underneath the skin as an injectable, fully dissolvable implant, about the size of a grain of rice. The implant releases slowly over 10-15 days, releasing a supply of CUV1647 into the body. In the current implant, we believe that over a 10-day period a total of 16mg of CUV1647 is administered via the subcutaneous implant.

Key takeaways

- **CUV's trials are relatively advanced** – CUV has two trials in Phase III. On an industry-wide basis, the chances of getting a product to market from the Phase III stage are in the order of 70%. As a result, we believe the odds that CUV will be able to get CUV1647 to market are better than even. Hence, cash flow from sales is likely, and sooner than most other biotechnology companies.
- **Free potential upside from other clinical trials** – In developing our valuation for CUV, we have not included any valuation of CUV's development of a product to treat other sun-related disorders. CUV's CUV1647 has been shown to result in significant improvement in a number of sun-related disorders.
- **We don't value the potential off-label use of CUV1647** – Over the longer term, we believe there is a strong chance of an off-label cosmetic market being developed for CUV1647. This is because one of the effects of treatment is the development of a suntan without being in the sun. We believe a suntan is desirable among some sectors of the community, and is only increasing. For

instance, there has been a 319% increase in the number of Yellow Pages 'solarium' listings in Australian capital cities in the past decade.

- **Strong levels of cash** – CUV has a net cash position of A\$33.8m. We believe CUV has potentially valuable opportunities and believe it unlikely, given current levels of cash, that CUV will need to raise equity to progress its trials. In FY08, we forecast that cash burn will be cA\$1.2m per month (=A\$14.8m pa) as CUV enters clinical trials for its CUV1647 product.

Buy recommendation maintained, Price target A\$1.15

As a result of our changes, our DCF valuation and target price have decreased by 4.2% to A\$1.15 (from A\$1.20). Upside risks include the faster-than-expected progression to production of CUV's photoprotective technology, while downside risks include any delay or failure to progress clinical trials.

On an industry-wide basis, the chances of getting a product to market from the Phase III stage are in the order of 70%. As a result, we believe the odds that CUV will be able to get CUV1647 to market are better than even. CUV management will need to balance the use of funds to progress a number of projects through regulatory pathways against the increased cash flow that this would entail. Hence, we believe CUV is an investment opportunity for investors with a higher risk appetite.

Table 2 : Timeline and probability of CUV's opportunities for CUV1647

| Trial stage | Preclinical | Investigational New Drug application | Phase II trials | Clinical III trials |
|---|-------------|--------------------------------------|-----------------|---------------------|
| General time until cashflow | 7 years+ | 5-7 years | 3-5 years | 1-2 years |
| General probability of product getting to market | c10% | c20% | c30% | c70% |
| Cost of trials | cA\$1m | cA\$2-3m | cA\$10m | cA\$50m |
| MSB products - indications and stages of development | | | | |
| Polymorphous light eruption (PMLE) trial | | | | |
| Erythropoietic porphyria (EPP) trial | | | | |
| Skin cancer trial - all cancers apart from melanoma | | | | |
| Solar urticaria (SU) trial | | | | |
| Light sensitivity associated with cancer treatment | | | | |

Source: ABN AMRO estimates, company data

Changes to forecasts

We have made no changes to our model assumptions in terms of take-up of CUV1647 in its major markets.

- **Rate of cash burn** – We have increased our rate of cash burn as CUV enters its clinical program phase. In FY08, we forecast that cash burn will now be cA\$1.2m per month (=A\$14.8m per year), as CUV enters clinical trials for its CUV1647 product. This clinical program continues into FY09;
- **Forecast period** – We have rolled forward our 10-year forecast period; and
- **Net interest expense:** This has been adjusted for balances at the end of period.

Our market forecasts

- **Market size in FY10** – We forecast the potential population market size for PMLE will be 130m in FY10. Assuming a 1% penetration rate and wholesale price per implant of US\$350, we estimate the potential economic market size at US\$227m in FY10.
- **Probability of getting to market** – In FY07, we believe there is a 70% chance of CUV1647 getting to market. This probability is likely to increase as CUV progresses through Phase III clinical trials. We believe CUV is unlikely to begin realising revenue until FY10.
- **Royalty assumptions** – For its PMLE opportunity, we forecast CUV will decide to enter into an agreement with a larger pharmaceutical partner to carry out marketing and distribution. We expect CUV to agree to a royalty from sales of the finished product, including an up-front payment, and on that basis assume CUV will receive a 10% royalty rate on sales of CUV1647. This is in line with royalty rates that, from our research, have been negotiated recently between biotech

companies and global pharmaceutical companies. For its EPP opportunity, we believe initially CUV is likely to sell its product directly to patients, as the market opportunity is much smaller.

- **CUV market share** – Our analysis suggests CUV is likely to be the first player in this market for some time. Hence, we assume CUV's market share will be high initially, at 50% of the available market. We believe the major competition to CUV's product is likely to come from Magen BioSciences, a privately-owned biotechnology company focused on skin diseases. We cover possible competition in further detail later in the report.
- **Selling price** – We assume an initial selling price of US\$350 per implant and that this will decline by 2% pa. At present, the average reimbursement per depot injection is about US\$175 (not designed for skin cancer). However, these injections have been on the market for an average of six years, and therefore we believe CUV1647 will be able to command a price premium.
- **Gross profit margin assumptions** – In line with most pharmaceutical companies, we assume CUV achieves a steady-state gross profit margin of 70%.

CUV – financial summary

| Year to 30 Jun (A\$m) | AIFRS 2005A | AIFRS 2006A | AIFRS 2007F | AIFRS 2008F | AIFRS 2009F | Closing price (A\$) | 0.79 | Price target (A\$) | 1.15 | |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|------------------------------------|-----------|----------------------------|---------|--------|
| Income statement | | | | | | Valuation metrics | | | | |
| Divisional sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Preferred methodology | DCF | Val'n (A\$) | \$ 1.15 | |
| Total revenue | 0.1 | 0.8 | 0.3 | 0.4 | 0.5 | DCF valuation inputs | | | | |
| EBITDA | -11.6 | -10.3 | -10.6 | -14.4 | -12.3 | Rf | 5.75% | 10-year rate | 5.75% | |
| Associate income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Rm-Rf | 4.50% | Margin | 2.0% | |
| Depreciation | -0.8 | -0.9 | -0.8 | -0.9 | -0.9 | Beta | 1.50 | Kd | 7.75% | |
| EBITA | -12.4 | -11.2 | -11.4 | -15.3 | -13.2 | CAPM (Rf+Beta(Rm-Rf)) | 12.5% | Ke | 12.5% | |
| Amortisation/impairment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | E/EV*Ke+D/EV*Kd(1-t) | | NPV cash flow (A\$m) | 275.8 | |
| EBIT | -12.4 | -11.2 | -11.4 | -15.3 | -13.2 | Equity (E/EV) | 100.0% | Minority interest (A\$m) | 0.0 | |
| EBIT(Incl associate profit) | -12.4 | -11.2 | -11.4 | -15.3 | -13.2 | Debt (D/EV) | 0.0% | Net debt (A\$m) | -8.6 | |
| Net interest expense | 0.5 | 0.4 | 2.2 | 1.6 | 0.9 | Interest rate | 7.75% | Investments (A\$m) | 0.0 | |
| Pre-tax profit | -12.0 | -10.8 | -9.2 | -13.6 | -12.2 | Tax rate (t) | 30.0% | Equity market value (A\$m) | 284.4 | |
| Income tax expense | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | WACC | | | | |
| After-tax profit | -12.0 | -10.8 | -9.2 | -13.6 | -12.2 | DCF valuation (A\$) | | | | |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.15 | | | | |
| NPAT pre significant items | -12.0 | -10.8 | -9.2 | -13.6 | -12.2 | Multiples | | | | |
| Significant items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Enterprise value (A\$m) | 230.1 | 204.9 | 217.6 | 228.9 |
| Reported NPAT | -12.0 | -10.8 | -9.2 | -13.6 | -12.2 | EV/Sales (x) | | | | |
| Cash flow statement | | | | | | EV/EBITDA (x) | -22.3 | -19.3 | -15.1 | -18.7 |
| EBITDA | -11.6 | -10.3 | -10.6 | -14.4 | -12.3 | EV/EBIT (x) | -20.5 | -17.9 | -14.2 | -17.4 |
| Change in working capital | 0.0 | 0.0 | 0.0 | 0.4 | 0.5 | PE (normalised) (x) | -11.5 | -21.4 | -17.5 | -19.5 |
| Net interest (pd)/rec | 0.5 | 0.4 | 2.0 | 1.6 | 0.9 | PEG (normalised) (x) | | | | |
| Taxes paid | 0.5 | 0.5 | 0.4 | 0.0 | 0.0 | At target price | | | | |
| Other oper cash items | 1.4 | -2.0 | 0.0 | 0.0 | 0.0 | EV/EBITDA (x) | -32.9 | -29.6 | -22.6 | -27.5 |
| Cash flow from ops (1) | -9.2 | -11.4 | -8.2 | -12.4 | -10.8 | PE (normalised) (x) | -16.7 | -31.1 | -25.5 | -28.4 |
| Capex (2) | -0.2 | 0.0 | -0.2 | -0.1 | -0.2 | Comparable company data (x) | | | | |
| Disposals/(acquisitions) | -0.9 | -2.3 | -26.7 | -0.3 | -0.3 | Alchemia | EV/EBITDA | -10.0 | -10.5 | -185.4 |
| Other investing cash flow | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | Year to 30 Jun | EV/EBIT | -8.7 | -9.0 | -43.5 |
| Cash flow from invest (3) | -1.1 | -2.4 | -26.5 | -0.4 | -0.4 | | PE | -8.6 | -9.9 | -66.8 |
| Incr/(decr) in equity | 10.2 | 18.3 | 60.0 | 0.0 | 0.0 | | PEG | -2.5 | -2.8 | -19.1 |
| Incr/(decr) in debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Peplin | EV/EBITDA | -4.9 | -2.8 | -3.1 |
| Ordinary dividend paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Year to 30 Jun | EV/EBIT | -4.8 | -2.7 | -3.0 |
| Preferred dividends (4) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | PE | -6.1 | -5.8 | -5.1 |
| Other financing cash flow | -0.5 | -0.7 | 0.0 | 0.0 | 0.0 | Per share data | | | | |
| Cash flow from fin (5) | 9.6 | 17.6 | 60.0 | 0.0 | 0.0 | No. shares | 185.0 | 302.1 | 302.1 | 302.1 |
| Forex and disc ops (6) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | EPS (cps) | -6.9 | -3.7 | -4.5 | -4.1 |
| Inc/(decr) cash (1+3+5+6) | -0.7 | 3.8 | 25.4 | -12.8 | -11.2 | EPS (normalised) (c) | -6.9 | -3.7 | -4.5 | -4.1 |
| Equity FCF (1+2+4) | -9.4 | -11.4 | -8.4 | -12.5 | -11.0 | Dividend per share (c) | 0.0 | 0.0 | 0.0 | 0.0 |
| Balance sheet | | | | | | Dividend payout ratio (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash & deposits | 4.8 | 8.6 | 33.8 | 21.1 | 9.8 | Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade debtors | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | Growth ratios | | | | |
| Inventory | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 2006A | 2007F | 2008F | 2009F | |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Sales growth | na | na | na | na |
| Goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Operating cost growth | -11.3% | 2.8% | 36.2% | -15.0% |
| Other intangible assets | 4.6 | 2.9 | 2.2 | 1.6 | 1.1 | EBITDA growth | -11.3% | 2.8% | 36.2% | -15.0% |
| Fixed assets | 0.2 | 0.2 | 0.3 | 0.4 | 0.5 | EBITA growth | -9.8% | 1.8% | 34.0% | -13.9% |
| Other assets | 0.3 | 4.5 | 31.2 | 31.2 | 31.2 | EBIT growth | -9.8% | 1.8% | 34.0% | -13.9% |
| Total assets | 10.1 | 17.1 | 67.8 | 54.6 | 43.0 | Norm. NPAT growth (pre GW) | -10.0% | -14.8% | 48.7% | -10.3% |
| Short-term borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Norm. NPAT growth | -10.0% | -14.8% | 48.7% | -10.3% |
| Trade payables | 2.5 | 3.0 | 2.3 | 2.8 | 3.3 | Norm. EPS growth (pre GW) | -42.9% | -46.2% | 22.2% | -10.3% |
| Long-term borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Norm. EPS growth | -42.9% | -46.2% | 22.2% | -10.3% |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Operating performance | | | | |
| Other liabilities | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 2006A | 2007F | 2008F | 2009F | |
| Total liabilities | 2.6 | 3.1 | 2.4 | 2.9 | 3.5 | Asset turnover (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| Preference shares | | | | | | EBITDA margin (%) | na | na | na | na |
| Hybrid equity | | | | | | EBIT margin (%) | na | na | na | na |
| Share capital | 35.1 | 52.7 | 112.8 | 112.8 | 112.8 | Net profit margin (%) | na | na | na | na |
| Other reserves | 1.5 | 1.2 | 1.6 | 1.6 | 1.6 | Return on net assets (%) | -80.2 | -17.5 | -29.6 | -33.3 |
| Retained earnings | -29.2 | -39.9 | -49.1 | -62.7 | -75.0 | Net debt (A\$m) | -8.6 | -33.8 | -21.1 | -9.8 |
| Other equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Net debt/equity (%) | -61.5 | -51.8 | -40.7 | -24.9 |
| Total equity | 7.5 | 14.0 | 65.4 | 51.7 | 39.5 | Net interest/EBIT cover (x) | 25.1 | 5.1 | 9.3 | 14.2 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ROIC (%) | -291.7 | -148.4 | -33.9 | -30.1 |
| Total shareholders' equity | 7.5 | 14.0 | 65.4 | 51.7 | 39.5 | Internal liquidity | | | | |
| Total liabilities & SE | 10.1 | 17.1 | 67.8 | 54.6 | 43.0 | 2006A | 2007F | 2008F | 2009F | |
| | | | | | | Current ratio (x) | 4.5 | 26.9 | 18.2 | 12.0 |
| | | | | | | Receivables turnover (x) | na | 0.0 | 0.0 | 0.0 |
| | | | | | | Payables turnover (x) | na | 4.0 | 5.7 | 4.0 |

Source: Company data, ABN AMRO estimates

Recommendation structure

Absolute performance, short term (trading) recommendation: A Trading Buy recommendation implies upside of 5% or more and a Trading Sell indicates downside of 5% or more. The trading recommendation time horizon is 0-60 days. For Australian coverage, a Trading Buy recommendation implies upside of 5% or more from the suggested entry price range, and a Trading Sell recommendation implies downside of 5% or more from the suggested entry price range. The trading recommendation time horizon is 0-60 days.

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. For listed property trusts (LPT) or real estate investment trusts (REIT) the recommendation is based upon the target price plus the dividend yield, ie total return. A Buy implies a total return of 10% or more, a Hold 5-10% and a Sell less than 5%. This structure applies to research on Asian and European stocks published from 1 November 2005; on Australian stocks from 7 November 2006; on continental European small and mid cap stocks from 23 November 2006; and on Brazilian stocks from 18 June 2007. For UK small caps a Buy/Sell implies upside/downside of 10% or more, an Add/Reduce 5-10% and a Hold less than 5%.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Sector relative to market: The sector view relative to the market is the responsibility of the strategy team. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside.

Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Asset allocation: The asset allocation is the responsibility of the economics team. The recommended weight (Over, Neutral and Under) for equities, cash and bonds is based on a number of metrics and does not relate to a particular size change in one variable.

Stock borrowing rating: The stock borrowing rating is the subjective view and responsibility of the ABN AMRO equity finance team: Easy implies ready availability. Moderate implies some availability. Hard implies availability is tight. Impossible implies no availability.

Distribution of recommendations

The tables below show the distribution of ABN AMRO's recommendations (both long term and trading). The first column displays the distribution of recommendations globally and the second column shows the distribution for the region. Numbers in brackets show the percentage for each category where ABN AMRO has an investment banking relationship.

| Long Term recommendations (as at 29 Aug 2007) | | |
|---|--------------------|--------------------------|
| | Global total (IB%) | Asia Pacific total (IB%) |
| Buy | 672 (18) | 410 (2) |
| Add | 23 (57) | 1 (0) |
| Hold | 451 (20) | 259 (4) |
| Reduce | 2 (0) | 0 (0) |
| Sell | 96 (4) | 66 (0) |
| Total (IB%) | 1244 (18) | 736 (3) |

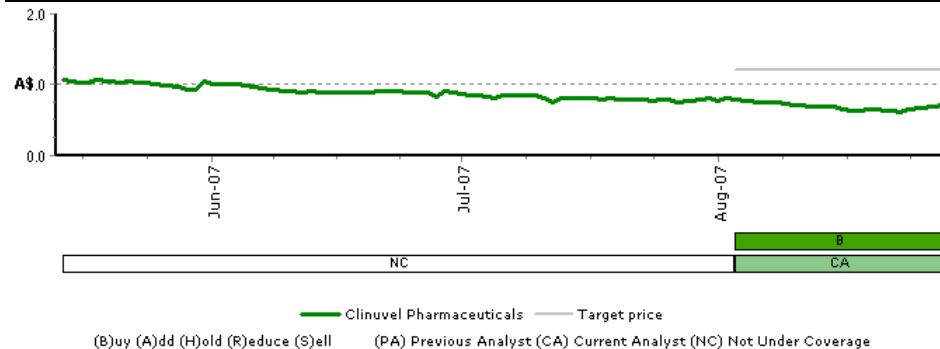
| Trading recommendations (as at 29 Aug 2007) | | |
|---|--------------------|--------------------------|
| | Global total (IB%) | Asia Pacific total (IB%) |
| Trading Buy | 12 (25) | 7 (0) |
| Trading Sell | 1 (0) | 0 (0) |
| Total (IB%) | 13 (23) | 7 (0) |

Valuation and risks to target price

Clinuvel Pharmaceuticals (RIC: CUV.AX, Rec: Buy, CP: A\$0.790, TP: A\$1.150): Our valuation of CUV is based on a discounted cash flow model, from which we derive our target price. Upside risks include the faster-than-expected progression to production of CUV's anti-skin allergy technology, while downside risks include any delay or failure to progress clinical trials.

Clinuvel Pharmaceuticals

Stock performance, recommendations and coverage (as at 28 Aug 2007)



Trading recommendation history (as at 29 Aug 2007)

| Date | Rec | Analyst |
|------|-----|---------|
| | n/a | |

Dr David Stanton started covering this stock on 2 Aug 07
New recommendation structure from 7 November 2005

Regulatory disclosures

Subject companies: **CUV.AX**

Global disclaimer

© Copyright 2007 ABN AMRO Bank N.V. and affiliated companies ("ABN AMRO"). All rights reserved.

This material was prepared by the ABN AMRO affiliate named on the cover or inside cover page. It is provided for informational purposes only and does not constitute an offer to sell or a solicitation to buy any security or other financial instrument. While based on information believed to be reliable, no guarantee is given that it is accurate or complete. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. The opinions, forecasts, assumptions, estimates, derived valuations and target price(s) contained in this material are as of the date indicated and are subject to change at any time without prior notice. The investments referred to may not be suitable for the specific investment objectives, financial situation or individual needs of recipients and should not be relied upon in substitution for the exercise of independent judgement. The stated price of any securities mentioned herein is as of the date indicated and is not a representation that any transaction can be effected at this price. Neither ABN AMRO nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without ABN AMRO's prior express consent. In any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

Australia: Any report referring to equity securities is distributed in Australia by ABN AMRO Equities Australia Ltd (ABN 84 002 768 701, AFS Licence 240530), a participant of the ASX Group. Any report referring to fixed income securities is distributed in Australia by ABN AMRO Bank NV (Australia Branch) (ABN 84 079 478 612, AFS Licence 238266). Australian investors should note that this document was prepared for wholesale investors only.

Brazil: ABN AMRO Corretora de Cambio e Valores Mobiliarios S.A. is responsible for the part of this report elaborated by research analysts registered at Comissao de Valores Mobiliarios - CVM, as indicated. Investors resident in Brazil who receives this report should rely only on research prepared by research analysts registered at CVM. In addition to other representations contained in this report, such research analysts state that the views expressed and attributed to them accurately reflect solely and exclusively their personal opinions about the subject securities and issuers and/or other subject matter as appropriate, having such opinion(s) been produced freely and independently from any party, including from ABN AMRO or any of its affiliates.

Canada: The securities mentioned in this material are available only in accordance with applicable securities laws and may not be eligible for sale in all jurisdictions. Persons in Canada requiring further information should contact ABN AMRO Incorporated.

Denmark: ABN AMRO Bank N.V. is authorised and regulated in the Netherlands by De Nederlandsche Bank. In addition, ABN AMRO Bank N.V., Copenhagen Branch is subject to local supervision by Finanstilsynet, the Danish Financial Supervisory Authority. ABN AMRO has adopted rules to ensure the integrity and independence of research analysts and the research function, as well as to identify, manage, avoid or make public actual or potential conflicts of interest relating to analysts or ABN AMRO. All analysts located in Denmark follow the recommendations from the Danish Securities Dealers Association.

Finland: ABN AMRO Bank N.V. is authorised and regulated in the Netherlands by De Nederlandsche Bank. In addition, ABN AMRO Bank N.V., Helsinki Branch is subject to local supervision by Rahoitustarkastus, the Finnish Financial Supervision Authority. ABN AMRO has adopted rules to ensure the integrity and independence of research analysts and the research function, as well as to identify, manage, avoid or make public actual or potential conflicts of interest relating to analysts or ABN AMRO.

Hong Kong: This document is being distributed in Hong Kong by, and is attributable to, ABN AMRO Asia Limited which is regulated by the Securities and Futures Commission of Hong Kong.

India: Shares traded on stock exchanges within the Republic of India may only be purchased by different categories of resident Indian investors, Foreign Institutional Investors registered with The Securities and Exchange Board of India ("SEBI") or individuals of Indian national origin resident outside India called Non Resident Indians ("NRIs") and Overseas Corporate Bodies ("OCBs"), predominantly owned by such persons or Persons of Indian Origin (PIO). Any recipient of this document wanting additional information or to effect any transaction in Indian securities or financial instrument mentioned herein must do so by contacting a representative of ABN AMRO Asia Equities (India) Limited.

Italy: Persons in Italy requiring further information should contact ABN AMRO Bank N.V. Milan Branch.

Japan: This report is being distributed in Japan by ABN AMRO Securities Japan Ltd to institutional investors only.

Malaysia: ABN AMRO research, except for economics and FX research, is not for distribution or transmission into Malaysia.

New Zealand: This document is distributed in New Zealand to institutional investors by ABN AMRO Securities NZ Limited, an NZX accredited firm, and to retail investors by ABN AMRO Craigs Limited, an NZX accredited firm. ABN AMRO Craigs Limited and/or its partners and employees may, from time to time, have a financial interest in respect of some or all of the matters discussed.

Russia: The Russian securities market is associated with several substantial risks, legal, economic and political, and high volatility. There is a relatively high measure of legal uncertainty concerning rights, duties and legal remedies in the Russian Federation. Russian laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Russian securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Russian securities may be affected by fluctuations in available currency rates and exchange control regulations.

Singapore: Any report referring to equity securities is distributed in Singapore by ABN AMRO Asia Securities (Singapore) Pte Limited (RCB Regn No. 198703346M) to clients who fall within the description of persons in Regulation 49 of the Securities and Futures (Licensing and Conduct of Business) Regulations and Regulations 34 and 35 of the Financial Advisers Regulations. Any report referring to non-equity securities is distributed in Singapore by ABN AMRO Bank NV (Singapore Branch) Limited to clients who fall within the description of persons in Regulations 34 and 35 of the Financial Advisers Regulations. Investors should note that this material was prepared for accredited investors only. Recipients who do not fall within the description of persons under Regulation 49 of the Securities and Futures (Licensing and Conduct of Business) Regulations or Regulations 34 and 35 of the Financial Advisers Regulations should seek the advice of their independent financial advisor prior to taking any investment decision based on this document or for any necessary explanation of its contents.

Sweden: ABN AMRO Bank N.V. is authorised and regulated in the Netherlands by De Nederlandsche Bank. In addition, ABN AMRO Bank N.V., Stockholm Branch is subject to local supervision by the Swedish Financial Supervisory Authority. ABN AMRO has adopted rules to ensure the integrity and independence of research analysts and the research function, as well as to identify, manage, avoid or make public actual or potential conflict of interests relating to analysts or ABN AMRO.

Thailand: Pursuant to an agreement with Asia Plus Securities Public Company Limited (APS), reports on Thai securities published out of Thailand are prepared by APS but distributed outside Thailand by ABN AMRO Bank NV and affiliated companies. Responsibility for the views and accuracy expressed in such documents belongs to APS.

United Kingdom: All research is distributed by ABN AMRO Bank NV, London Branch, which is authorised by De Nederlandsche Bank and by the Financial Services Authority; and regulated by the Financial Services Authority for the conduct of UK business. The investments and services contained herein are not available to private customers in the United Kingdom.

United States: Except for any documents relating to foreign exchange, FX or global FX, distribution of this document in the United States or to US persons is intended to be solely to major institutional investors as defined in Rule 15a-6(a)(2) under the US Securities Act of 1934. All US persons that receive this document by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities. Any US recipient of this document wanting additional information or to effect any transaction in any security or financial instrument mentioned herein, must do so by contacting a registered representative of ABN AMRO Incorporated, Park Avenue Plaza, 55 East 52nd Street, New York, N.Y. 10055, US, tel + 1 212 409 1000, fax +1 212 409 5222.

- Material means all research information contained in any form including but not limited to hard copy, electronic form, presentations, e-mail, SMS or WAP.

The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.

For a discussion of the valuation methodologies used to derive our price targets and the risks that could impede their achievement, please refer to our latest published research on those stocks at www.abnamroresearch.com.

Disclosures regarding companies covered by ABN AMRO group can be found on ABN AMRO's research website at www.abnamroresearch.com.

ABN AMRO's policy on managing research conflicts of interest can be found at <https://www.abnamroresearch.com/Disclosure/Disclosure.Aspx?MI=5>.

Should you require additional information please contact the relevant ABN AMRO research team or the author(s) of this report.