



CLINUVEL

30 October 2019

Letter to CLINUVEL Shareholders

Dearest Shareholders,

As the incoming Chair of the Company, in short letters I will try to provide you with updates and inform you about our business.

During the past week I have received some questions about the idea behind the proposed grant of Performance Rights to our Managing Director which the Board have proposed in the Notice of Annual General Meeting as a resolution for voting on 20 November in Melbourne.

As reported in the last two Annual Reports, the success of CLINUVEL totally relies on management and staff taking ownership of a detailed strategic plan which sets very high targets, and they put in long hours to meet these expectations. They have a sense of ownership at a level much higher than I see in most corporates and they go further than one could expect from them.

The Board and I wish to see continuation of management, and for this we have proposed to issue Performance Rights with the most ambitious Performance targets to be implemented in 2019 – noted by some external experts as “making the hurdles for management immensely hard to achieve”. But we want real intent from managers and staff to take the Company into the proposed direction and perform at an extraordinary level for four years. Under this plan, if all eight conditions are achieved in this period, the successes of the Company would continue and be enormous. With an explicit target to reach A\$7.5B in market cap, it would mark a five-fold increase on today’s value, and a 250 fold increase compared to when this management team initially took up the challenge. This would be an extraordinary performance, not only for Australia but on an international scale. We are aware that a targeted market cap as a performance condition is not always controlled by managers, but we have seen from the past deliverables the team is able to create substantial value for shareholders.


CLINUVEL does not have an annual equity incentive plan for its staff, but instead has proposed a plan vesting over four years for conditional Performance Rights to be awarded on achievement of corporate targets. As goes for most incentive plans, if only a fraction of the conditions is achieved, all shareholders would benefit for years to come. The great majority of CLINUVEL’s shareholders have already done very well on the Company’s performance. The converse is also true, if the Company does not fulfil its business ambitions as laid out in the description of performance conditions in Resolution 4 to the Notice of Annual General Meeting, then the team would miss out on the performance awards.

The grant of Performance Rights to the Managing Director is proposed under Resolution 4, and all eight conditions would be aligned with those for our staff and managers, whereby the overall quantity of conditional performance rights for them would be adjusted according to rank, tenure and seniority.

I understand that CLINUVEL has had all resolutions at shareholder meetings pass during the past 14 years, and we see owners of a public company like voters in a democracy: if the constituents voting no longer support the strategy of the Company put to them on the day then it may signal that the business should not be taken in that direction under the leadership of the management.

This is a hard self-assessment but shareholders have rights and obligations to speak out on a given direction, and despite the great successes of CLINUVEL under current management, we consider all shareholders’ views no matter how different these are sometimes.

As a shareholder and Director, I wholeheartedly support the direction and conditions put forward to shareholders for our CEO and management team to continue their extraordinary performance. I hope you will too.



Willem Blijdorp

Chair of the Remuneration Committee, CLINUVEL PHARMACEUTICALS LTD

- End -

About CLINUVEL PHARMACEUTICALS LIMITED

CLINUVEL PHARMACEUTICALS LTD (ASX: CUV; NASDAQ INTERNATIONAL DESIGNATION ADR: CLVLY; XETRA-DAX: UR9) is a global biopharmaceutical company focused on developing and delivering treatments for patients with a range of severe genetic and skin disorders. As pioneers in photomedicine and understanding the interaction of light and human biology, CLINUVEL's research and development has led to innovative treatments for patient populations with a clinical need for photoprotection and repigmentation. These patient groups range in size from 5,000 to 45 million worldwide. CLINUVEL's lead compound, SCENESSE® (afamelanotide 16mg), was approved by the European Commission in 2014 and the US Food and Drug Administration in 2019 for the prevention of phototoxicity (anaphylactoid reactions and burns) in adult patients with erythropoietic protoporphyria (EPP). More information on EPP can be found at <http://www.epp.care>. Headquartered in Melbourne, Australia, CLINUVEL has operations in Europe, Singapore and the USA. For more information please go to <http://www.clinuvel.com>.

SCENESSE® is a registered trademark of CLINUVEL PHARMACEUTICALS LTD.

Head of Investor Relations

Mr Malcolm Bull, CLINUVEL PHARMACEUTICALS LTD

Investor enquiries

<https://www.clinuvel.com/investors/contact-us>

Forward-Looking Statements

This release contains forward-looking statements, which reflect the current beliefs and expectations of CLINUVEL's management. Statements may involve a number of known and unknown risks that could cause our future results, performance or achievements to differ significantly from those expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include risks relating to: our ability to develop and commercialise pharmaceutical products, including our ability to develop, manufacture, market and sell biopharmaceutical products; competition for our products, especially SCENESSE® (afamelanotide 16mg); our ability to achieve expected safety and efficacy results through our innovative R&D efforts; the effectiveness of our patents and other protections for innovative products, particularly in view of national and regional variations in patent laws; our potential exposure to product liability claims to the extent not covered by insurance; increased government scrutiny in either Australia, the U.S., Europe and Japan of our agreements with third parties and suppliers; our exposure to currency fluctuations and restrictions as well as credit risks; the effects of reforms in healthcare regulation and pharmaceutical pricing and reimbursement; that the Company may incur unexpected delays in the outsourced manufacturing of SCENESSE® which may lead to it being unable to supply its commercial markets and/or clinical trial programs; any failures to comply with any government payment system (i.e. Medicare) reporting and payment obligations; uncertainties surrounding the legislative and regulatory pathways for the registration and approval of biotechnology based products; decisions by regulatory authorities regarding approval of our products as well as their decisions regarding label claims; any failure to retain or attract key personnel and managerial talent; the impact of broader change within the pharmaceutical industry and related industries; potential changes to tax liabilities or legislation; environmental risks; and other factors that have been discussed in our 2019 Annual Report. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation, outside of those required under applicable laws or relevant listing rules of the Australian Securities Exchange, to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. More information on the forecasts and estimates is available on request. Past performance is not an indicator of future performance.

www.clinuvel.com

Level 11
535 Bourke Street
Melbourne
Victoria, Australia, 3000

T +61 3 9660 4900
F +61 3 9660 4999