



8 May 2020

Fellow shareholders,

In my [March letter](#) I wished all good health during uncertain times. It is now clear the extent of damage COVID-19 has caused and will cause for many years in the future. I want to again share my thoughts on the long-term view of CLINUVEL, and how the business was set up to navigate through current and future markets. As Chair I work with management to achieve a set of objectives and, unless external factors force us to change, we continue with strong minds.

### **Financial Management**

Last week our CFO, Mr Keamy, announced the latest cashflow statement for CLINUVEL with figures (unaudited) showing that the business is on track to continue its growth. Those who follow the business will, by now, recognise how we manage our finances, how we stay away from debt and keep our heads down while many tech and pharma companies need to raise money at up to 50% discount. In my business contacts, I often speak about loan to value ratios and debt to equity ratios; I don't have that problem with CLINUVEL as we sail away from a leveraged business and long repayments and restructure of debt. Also, we do not want the headache of dealing with constant dilution of shareholders, here I agree with our management team. I balance my years on the Board and see how the company has grown its value and balance sheet assets by 300% the last four years, and I want to see this course continue. The returns on the initial investments are slowly coming. I am looking with management and the Board of Directors for the next steps to increase the assets of CLINUVEL.

I believe that reinvestment in R&D for tomorrow is necessary to innovate, but it needs to be done slowly and only when there is a sufficient cushion to receive economic shocks. I am asked how much we should be investing in future products, and in pharma I see it is anywhere between 5-20% of yearly profits. I believe for CLINUVEL this number should be higher since we have proven that one pharmaceutical innovation can be used for many targets and generate high value. I have the vision that one day our company has many self-developed products creating a multiple in value. I have explained this at last year's AGM and again I believe that we are only just seeing the beginning of CLINUVEL's potential.

In my own company and family office we build cash reserves like many of the investors in the world and this gives you options when the world is down. I want CLINUVEL to do the same. It needs to have reserves for a minimum of two years of running costs to be safe from any crisis. I could not have predicted this virus spreading across the world. But I do predict that the markets cannot always keep going up and for the times one needs to survive, cash is king. I see a lean operation in CLINUVEL and that helps enormously.

The right mindset and smart financial management gives the Company a strong position to invest, expand and come through this crisis. It is part of our overall strategy; the people in charge have that mindset.

A couple of weeks ago I was asked about my thinking on the short selling in CLINUVEL. The simple answer is that I know like nobody else what this team can do, and as long as they are in good health they will succeed.

### **Business during times of uncertainty**

The majority of our shareholders understand CLINUVEL's strategy very well. A few still do not, and I show little admiration for shareholders who constantly complain. In today's world some shareholders enjoy complaining to Board and management but then they do not sell their stock, they hold on and sometimes buy even more.

CLINUVEL PHARMACEUTICALS LTD  
VALLAURIX PTE LTD  
CLINUVEL, INC.  
CLINUVEL EUROPE LTD  
CLINUVEL AG  
CLINUVEL (UK) LTD  
[www.clinuvel.com](http://www.clinuvel.com)

Level 11, 535 Bourke Street, Melbourne, Victoria 3000, Australia  
51 Science Park Road, the Aries, #04-14, Singapore 117586  
1350 Old Bayshore Hwy, Suite 520, Burlingame, CA 94010 USA  
10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland  
Zugerstrasse 76a, 6340 Baar, Switzerland  
Wesley House, Bull Hill, Leatherhead, Surrey, KT22 7AH, United Kingdom

Our strategy has played out very well and if it were not for my current team, CLINUVEL would have diluted its shareholders enormously like many other companies forced to raise money in this crisis.

Thanks to all other shareholders who make up 95% of our register, CLINUVEL has been able to come through this present economic crisis since the Board continues the same goals. If the resolutions had been voted down in November, certainly this team would not have stayed and the Company would not exist in its current condition. Therefore, for all to understand how we build CLINUVEL, let me summarise my views of how the Company needs to operate in the next years and in other future crises.

Since, I am aware that millions of people have lost their jobs, this Board wants to see:

- A. guaranteed continuation of CLINUVEL's overall strategy;
- B. same team persisting on technological development;
- C. continuation of CLINUVEL's financial management; and
- D. strong persisting executive management.

### **Digitalisation: processes and systems**

I am a great believer in automation and putting processes in place for companies to be ready for growth. Digital-led solutions, expanding capacity of IT, and automation of man-made processes is what I want to see in CLINUVEL. Here management will need to invest in the coming years.

I have read and spoken to senior managers in healthcare and, as in my own global business, I come to the conclusion that digitalisation is the only way to improve efficient running of businesses. This will also apply to us for continued growth. We have also changed our ways of communication, whereby all managers, all staff, now need to be on camera, leaving the old telephone behind. We do the same with all our suppliers and business partners. And last, for us to reach a wider audience, we are implementing social media and digital outreach platforms. The new channels will be revealed in the next few weeks as we contract a provider.

### **Business growth**

In the first place, the Company is growing its products. From our first product, several others can be developed. I oversee a number of projects which are now coming to a commercial phase. Second, we need to expand our markets, USA, EU, Australia and China and possibly more. It is a natural process to increase the footprint of the company, not too fast and not too slow. In the third place, we expand the audiences, from physicians to patients and soon to consumers who benefit from our new products and research knowhow. And last, we rely on management to come up with new ideas and surprise us, as happens in any business.

People make choices and work far outside a business plan, it is the cream on the cake. The Chinese venture with Winhealth to distribute SCENESSE® (afamelanotide 16mg) into China is one example how our management works and then only gives us the news when the idea becomes reality.<sup>1</sup> That is how it should be: first certainty, then speaking about it.

Our CFO and CEO have said that when the right opportunity is there, they will look for an acquisition which fits for CLINUVEL. If one is open-minded opportunities present automatically, it will come in the future.

With brand new laboratories in Singapore being built, and the support of the state government, we will put more and more funds in R&D and more products will come out, no doubts.

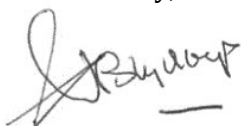
Last, the tax structure of the Group needs to be optimal for the expansion to work well.

### **People**

The people are central in our business and ensuring their continued health and productivity has been very important. For some weeks now our managers have operated from home and this required much adaptation.

As we grow, the majority of people will stay with us, but also new managers will need to arrive to refresh the ideas and output, a natural process in any business. CLINUVEL has managed the crisis and has not put any of the staff out of work.

Yours sincerely,



Willem Blijdorp  
Chair, CLINUVEL PHARMACEUTICALS LTD

<sup>1</sup> SCENESSE® (afamelanotide 16mg) is approved in the European Union as an orphan medicinal product for the prevention of phototoxicity in adult patients with erythropoietic protoporphyria (EPP). SCENESSE® is approved in the USA to increase pain free light exposure in adult EPP patients with a history of phototoxicity. Information on the product can be found on CLINUVEL's website at [www.clinuvel.com](http://www.clinuvel.com).

Authorised for ASX release by the Board of Directors of CLINUVEL PHARMACEUTICALS LTD

#### **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, the COVID-19 pandemic affecting the supply chain for a protracted period of time, 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, China 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](http://www.clinuvel.com)

Level 11                      T +61 3 9660 4900  
535 Bourke Street        F +61 3 9660 4999  
Melbourne  
Victoria, Australia, 3000