

# ANTARIA

an advanced materials world

## REPORT FOR FOURTH QUARTER FY10

Antaria (ANO.ASX) is a specialist manufacturer of advanced materials used by the cosmetic and industrial sectors.

Antaria was originally formed in 1997 to pursue the commercialisation of advanced materials developed at the University of Western Australia. The Company has since graduated from the University R&D environment and is now marketing and manufacturing advanced materials products based on proprietary technologies offering unique solutions in cosmetic and industrial products.

At present, Antaria's two primary commercialised products include a transparent, zinc oxide based broad spectrum UV absorber for use in the sun care and cosmetics sector (ZinClear®) and an aluminium oxide pigment with applications in cosmetics products (Alusion®).

Based in Perth, Western Australia, Antaria services the international market via a global network of product distributors including lead partners Dow Chemical Company and Merck KGaA. The Company operates two sites: a product development and quality laboratory, and a manufacturing plant.

### Highlights

- **Overall customer sales up 22% for FY10, growing from \$3.6 million to \$4.4 million (unaudited).**
- **Key ZinClear® product line sales up 37% from \$2.9 million to \$3.9 million.**
- **Successful ramp up for anticipated high-volume product launch by a Top 10 global sun care manufacturer in North America.**
- **Expansion of market opportunities for existing product range and new product development continues.**

### Quarterly Overview

Antaria has entered FY2011 in a strong sales position, recording sustained sales growth for FY2010 of its key ZinClear® product range.

Customer sales of \$4.4 million (unaudited) for the financial year 2010 are up 22% compared to \$3.6 million for the financial year 2009. Antaria's ZinClear® mineral-based sun protection technology recorded full year sales of \$3.9 million, an increase of 37% compared to the 2009 total of \$2.9 million. Orders on hand for ZinClear® products currently stand at approximately \$1.1 million.

Over the past year, Antaria has implemented a series of production capacity upgrades aimed at ensuring its ongoing ability to service increasing customer demand. Antaria looks forward to FY2011 with increasing ZinClear® order flows out of the USA expected, driven by an anticipated high-volume product launch by a Top 10 global sun care manufacturer.

Antaria's Executive Chairman, Mr Bruce Cameron, said that the decisions taken by the Company to focus on developing and supporting sales of ZinClear® were now coming to fruition.

"We now have in place the necessary distribution platform to support high-volume commitments for our ZinClear® products, thanks to the steps taken by the Company to secure strong global partners," said Mr Cameron.

“Most importantly, we have made the necessary investments in production capacity to ensure we can deliver high-volume sales, with minimal ramp up time and modest capital required to further increase capacity” continued Mr Cameron.

“Antaria enters the year ahead in an enviable position, with an anticipated high-volume commitment from a Top 10 global sun care manufacturer. This launch will underpin our sales growth for the future year, leveraging off our already installed capacity.”

“The Company has also recognised the strategic need to begin investing in and growing the next wave of products, with additional work now underway towards commercialising products outside the personal care sector, as well as building upon sales growth in that area.”

“I am particularly excited by the possibilities of our technology when applied to provide UV protection for plastic wraps and films, with applications in the fresh food and agricultural sectors.”

“Our existing strong relationships with both Merck and Dow will stand us in good stead as we look to bring other successful products to market.”

## **Future Outlook**

Antaria has a strong order book on hand for both the ZinClear® and the Alusion® line of products, underpinning expected sales growth in FY2011.

Sales in North America have grown significantly in 2010, driven by the arrangements in place with Dow Chemical, Antaria’s North American distributor. Industry leading brands such as Estee Lauder and Victoria’s Secret have recently launched product lines incorporating ZinClear-IM®. Strong sales growth in North America for 2011 is expected to continue.

Investments made in anticipation of FY2011 sales growth have impacted margins in FY2010, with higher fixed costs being recorded. These investments have positioned Antaria to enjoy improved margins with increasing sales volume.

## **Growth Initiatives**

Antaria has a number of growth initiatives underway, to support both ongoing sales volume growth, and continued development of new products ready for market.

Antaria has a number of opportunities outside the personal care sector, in both plastics/films and ceramics. Additional resources are being placed into developing these products, with product testing underway for UV resistant plastic films. These films are expected to have significant uses in the fresh food (enhancing shelf life for plastic wrapped products) and agricultural sectors.

New appointments have been made to the Antaria team, to support expected future growth. This includes a new R&D Projects Manager, allowing Chief Operating Officer Dr John Robinson to focus on new product opportunities, and also a Process Engineer to support ongoing volume growth.

Antaria's capacity expansion remains on track, with the main infrastructure works now completed. Mechanical and electrical works for the final stage are now in progress with the new capacity expected to come online in the September quarter.

Antaria has also committed a further \$180k investment for its patent portfolio in July, expanding the global patent base for its ZinClear® product line.

## Cash Report

Antaria's cash balance at the end of the quarter was \$2.13 million (unaudited), a net decrease of approx. \$350k compared to the March 2010 balance of \$2.48 million.

Important contributors to the cash movement for the quarter were:

- Cash receipts from customers of \$542k for the quarter were down compared with the \$2 million received during the March 2010 quarter. The previous quarter included approx. \$630k of advance payments for product shipped in April and June 2010. At the end of the current quarter, Antaria had approximately \$577k in outstanding trade debtors;
- Other working capital payments totalled \$587k down from the March 2010 quarter total of \$1.3 million. The June 2010 quarter included payments for raw materials totalling approximately \$225k (March 2010 quarter approximately \$525k); and
- Payments for fixed assets totalling \$132k (previous quarter \$232k) in relation to Antaria's ongoing capacity expansion program.

## Energenics Placement

Antaria has obtained a judgment against Energenics with damages to be assessed. The judgment was served on Energenics on 29 July and the process for assessment of damages has commenced. This matter will continue to be diligently pursued by the Board.

### **For further information, please contact:**

Deana Cesari - *Chief Financial Officer*

Phone: +61 (8) 6253 5300

Email: [deana.cesari@antaria.com](mailto:deana.cesari@antaria.com)