



Adherium Limited
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Dear Shareholder

In recent months Adherium has taken a series of significant steps in its global growth and commercialization strategy, with a new, globally recognized, management team implementing a revised and more focused strategy of commercialization, tapping into new reimbursement pathways to payment in the US, with a longer-term focus on data monetization.

To begin the roll-out of this strategy, Adherium has initiated a fundraising through a Non-renounceable Rights Issue to Australian and New Zealand resident shareholders to raise up to \$5.4 million before costs (the "Offer").

Adherium believes it is in a strong position to realize the potential of its connected device technology and data management capabilities in the globally important respiratory space, bringing to market the capabilities the Company's founder envisaged when looking to solve issues in managing his own asthma.

Key changes came recently in the United States, when the Centers for Medicare & Medicaid Services (CMS) introduced three Current Procedural Terminology (CPT) codes applying to digital Remote Patient Monitoring (RPM) services. This opened the path to payment for digital connected care services that enable physicians to manage, monitor and co-ordinate patient care remotely through connected devices where a physiological measure is captured.

Additionally, US healthcare payers (such as insurers) are looking to reduce their costs with 'value-based healthcare', a delivery model in which hospitals and physicians are paid on patient health outcomes. Risk-share contracts are being agreed with partners who can manage or monitor their patient populations, splitting the savings with the partner, or paying a per-member, per-month fee. In addition to the physician incentive of the CPT RPM code payment of up to US\$1,400 per patient per annum, in some cases, payers impose penalties for hospital readmissions, which are avoidable with remote monitoring technology (such as Adherium's).

Our strategy intends to take advantage of this change in the US. We are also looking to the UK, Canada and Australia to complete our pricing and reimbursement strategy. Germany also recently announced that it will bring forward proposals where there will be specific reimbursement money available for our type of connected solution. In essence the changes in reimbursement in key markets and application of Adherium's Hailie® digital sensors for asthma and

COPD inhalers are opening up important business growth opportunities for the Company.

We are also exploring opportunities in China and Japan, as we believe our technology will translate well into those territories.

Early effort in China and Japan with our pharmaceutical partner, AstraZeneca, has allowed us to conduct regulatory, reimbursement and technical assessment of requirements; including compatibility of the Hailie® sensors and cloud platform with WeChat and YaDoc, the popular social media platforms for patients in these countries. We have a good understanding of what is required, and the reassurance on technical delivery.

AstraZeneca remains an important strategic partner. We continue to work closely under the Master Supply and Development Agreement that was signed in 2015, and to develop deeper relationships with the commercial leadership team to ensure the commercial link with our ongoing joint development work.

In the US we can access very large groups of patients through partners who have compelling reasons to adopt the solution we are offering. To complement our payer strategy, we are developing supply partnerships which will optimise our market penetration. Such a partnership is with Trudell Medical International, the Canadian specialist respiratory device and technology company who approached us to partner in making their market leading Aero Chamber Spacer inhaler compatible with our sensor technology. Trudell Medical further cemented our relationship investing \$1.1 million in Adherium through secured debt notes in November 2019. Trudell's strategy is to support innovative technologies that improve patient outcomes. The relationship with Trudell gives Adherium an option to access their sales and marketing capabilities not just in North America, but also within targeted markets in the EU, specifically Germany and the UK.

Also, within the UK, we are looking to leverage our relationships and commercial activities in 12 major pediatric asthma centers to create a direct presence in the market; The Royal Brompton Hospital in London is one of our most significant customers there.

Beyond direct patient health management Adherium is focused on “big data” management as an integral part of its new business strategy. Adherium intends to advance from being simply a supplier of sensors to be a leader in connected devices at the heart of data collection and management for patients, physicians and payers. To further this goal, in August 2019 Adherium formed a strategic partnership with Summatix, a Melbourne based medical informatics company commercialising an open and scalable medical data platform, capable of integrating connected implanted and/or external medical devices.

“Big Data” is changing the way that healthcare is provided, and we believe Adherium is positioned to benefit from this profound industry shift. This would place Adherium as a peer of potential partners whose focus is using data to support

healthcare innovation, insulating it from a “race to the bottom” as solely a device maker.

In summary, Adherium believes its market opportunity is to leverage its strong market portfolio and data platform to build continued leadership in connected devices and data management within the large and important global markets of asthma and COPD, especially now where Adherium’s Hailie solution is thought to be one of the very few ways for physicians to gain access to the new US CPT payment codes.

Globally, we believe that the healthcare environment is moving toward Adherium’s strengths, with the path to payment and incentives for patients, payers and physicians aligning. Adherium’s new management is driving a more focused and informed commercial strategy based on this market shift. Adherium is well-positioned to be the premier opportunity within the data-driven connected medicine sector. The funds raised in the Offer will support this objective.

Thank you for your continued support. I hope you will continue to consider Adherium as a good opportunity and support our new strategy and focus. As laid out in the Offer documentation, the Offer is open until 10 January 2020, and provides Eligible Shareholders with the opportunity to apply for additional shares beyond their entitlement (“Top-up Facility”). If you have any questions relating to the Offer, please contact us at investors@adherium.com.

Peter Stratford
Chief Executive Officer

The release of this announcement was authorised by the Chief Executive Officer.