13 January 2025

NEW YEAR LETTER TO INVESTORS

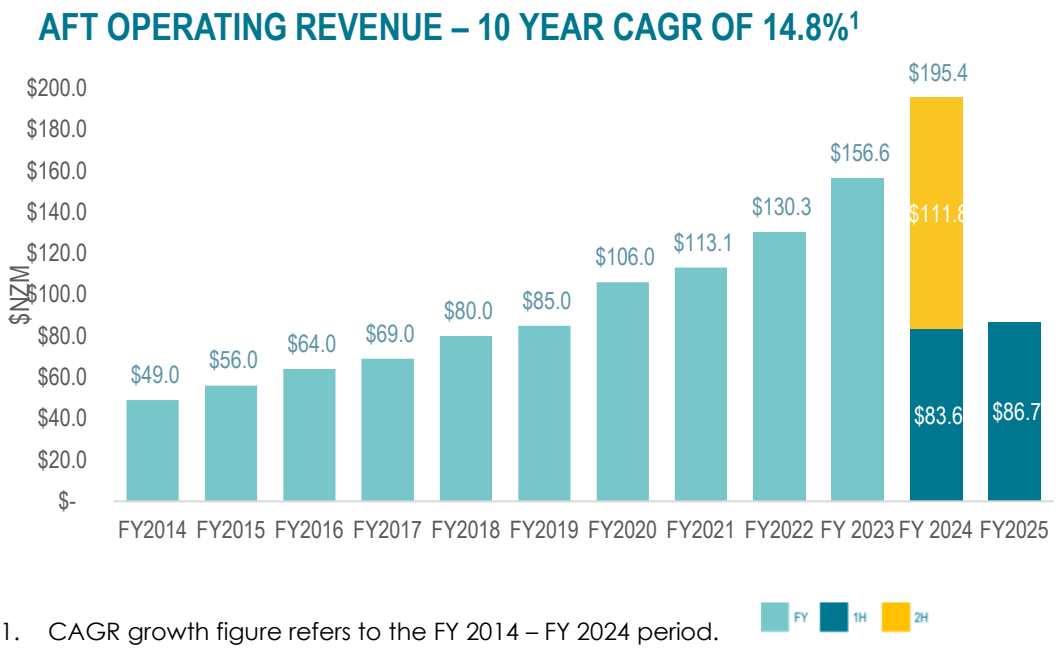
AFT putting building blocks in place for long-term growth

Dear shareholders,

As the new year commences, AFT Pharmaceuticals is looking forward to building on the foundations we have put in place for international expansion.

Despite the sales disruptions we reported in our 1H FY25 results in November, we expect to achieve record sales of more than $200M in FY25 which would be a significant increase from $56M and $106M turnovers in the FY15 and FY20 financial years respectively. We meanwhile remain firmly focussed on our target of achieving $300M turnover (on a rolling annual basis) by the close of the FY27 financial year.

Figure 1: Our long-term growth record



1. CAGR growth figure refers to the FY 2014 – FY 2024 period.

We are putting in place the building blocks for future growth in a number of key areas:

1. Increasing our local Australia and New Zealand portfolios with new launches and building out our product pipeline in these markets.
2. Getting the right people employed and product pipelines in place for our new businesses in the USA, Canada, and South Africa
3. Bedding down the significant new product launches in Europe and China to grow our international and Asia businesses.
4. Broadening our current international and Asia product portfolio and
5. Strengthening and advancing our R&D pipeline.

The importance of these strategic initiatives, which are also targeted at increasing the geographic diversity of AFT's revenue, was highlighted by the one-off sales disruptions that weighed on the results for 1H FY25. As we signalled, the investment required to support these initiatives will weigh on short term earnings, but we believe it will deliver the returns shareholders expect over the longer term.

Our record in Australia and New Zealand demonstrates our capability to successfully invest for long term growth and deliver for shareholders. In the six months to the end of September 2024, we grew revenue in these markets by 19% and 14% respectively compared to the same period in the prior year, despite lukewarm economies in both regions. Most of this growth came from existing products (launched 3 or more years ago), but we expect new products once established to make a significant contribution in the future.

International

Extending the reach of AFT-developed medicines

We have launched Combogesic® IV (Maxigesic® IV) and are about to launch the tablet form Combogesic Rapid in the US, the world's largest market for pain relief[2]. Additionally, we continue to build out the number of countries where Maxigesic/Combogesic IV is sold with positive progress for new launches especially in South Africa and Eastern Europe.

Sales in some territories, such as the USA and UK, where the inclusion of our medicines in hospital formularies is pivotal, will take time to build as we progress the necessary applications and approvals.

We are meanwhile progressing regulatory approvals for the Maxigesic family in several new markets including those in the MENA region such as Saudi Arabia, Egypt, and Morocco.

Launches in territories where the medicines have already been licensed and where we have regulatory approval as well as growth in territories where the medicine has already been launched, will also contribute significantly to the international business over time. In addition to the Maxigesic portfolio, we are progressing

commercialization of existing product developments: Crystaderm®, Capsaicin cream and Micolette® Microenema.

New business hubs

We are committed to building the international infrastructure that we discussed in the last two year's newsletters.

We now have a team of four staff, including an experienced CEO, in our UK office in London. We have also recruited experienced country heads for our USA, Canada and South Africa businesses and have set clear growth targets in each of these markets.

In the USA we are focussed on supporting our existing licensees and distributors and finding additional distributors for specific market segments for drugs like Combogesic Rapid. Additionally, we are strengthening our distribution of targeted OTC products currently sold on Amazon to widen distribution into physical retail stores.

In Canada we will launch Combogesic IV ourselves and are building a pipeline of products for this market. In South Africa we will primarily target the private hospital market and have acquired a company with access to several product registrations to accelerate this program. The private hospital market in South Africa is of a similar size to the Australian hospital market, so offers a significant opportunity. Canada and the UK meanwhile offer opportunities that are proportionately much larger than our current ANZ businesses.

Our European office based in Ireland has been strengthened with the acquisition of four products. One of these, as we flagged last year is a specialty niche intravenous product discontinued by a large multinational. The remaining products were acquired from a German company in receivership that was unable to capitalize on the potential we see for them. These opportunities take about 18-24 months to then get to market with distribution agreements reached during 2024 and launches planned during the 2025 calendar year. The acquisition costs would then be expected to be recouped within 12 months post launch.

In Asia, we are focussed on expanding our business in China, the world's second largest pharma market. Our licensee, Hainan Hayao will shortly launch our antiseptic cream Crystaderm. At the end of last year we struck a further out-license agreement with Hainan for a further four OTC products.

Initial sales for the four products are planned to be in the Lecheng free trade zone. Sales in mainland China for three of the products are expected in 2025 calendar year and the remaining product in 2026.

Australia and New Zealand

We are pleased with the results of the investments we have made for growth in our Australasian markets, including the establishment of a new doctor-focussed sales force in Australia and additional marketing investment in both Australia and New Zealand. Sales grew by 19% and 14% respectively in 1H 25 with much of this growth flowing directly from these programmes. Going forward we will focus on growth whilst

maintaining control over promotional investment to improve profitability from these markets and secure operating leverage.

Our active in-licensing program continues to provide interesting opportunities. For example, in late 2024 we secured ANZ distribution rights for a patented novel eye drop for the treatment of presbyopia (the age-related reduction in the ability to focus on nearby objects). The medicine can minimize or avoid the requirement for reading glasses and we believe it will significantly add to our existing eye care franchise. In-licensed products require some investment in licensing fees and promotional activity, but we believe the programme is important for the ongoing growth of the ANZ business.

We have several other interesting specific local developments in addition to our R&D pipeline which together with in-licensed projects will continue to bolster our business in ANZ. Where possible and appropriate, we will also look to add additional territories to our ANZ licenses for regions such as Canada, the UK, Singapore and Hong Kong to further leverage our international expansion.

E-Commerce

We discussed last year our first major e-commerce project in international markets was the Cross Border E-Commerce (CBEC) site via Tmall China. It is progressing satisfactorily, and sales are around double the prior year.

The Amazon sites in the USA, UK and Australia are progressing and we will add Canada as well in 2025. A key project for 2025 is to build physical sales presence in addition to the E-commerce sales in all these markets.

Research and Development

Our research and development programme as discussed last year remains the most complex part of our business, both to undertake and to explain to investors.

Presently we are pursuing opportunities to out-license developed or in-development R&D products with some seventeen deals under discussion with interested parties in various geographies around the globe. These deals follow on the successful conclusion of the four drug out-licensing deal with Hainan Hayao mentioned above. Licensing and milestone fees that are expected to flow from these agreements will also help to offset drug development costs.

In last year's update we featured projects BT (Micolette Microenema), ST (Crystaderm) and KW (Kiwisoothe tablet) as being in our R&D development pipeline and all of these are now moving to the commercialisation stage.

AFT's profitability means we are well positioned to fund R&D from our existing cashflows which is very unusual for a small pharma company. The challenge with the R&D pipeline is achieving commercialization as rapidly as possible and with a tightly controlled spend. We have decided with our latest activities to now primarily focus on execution of at least part of the existing pipeline prior to seeking new R&D projects.

In 2024 we added three new projects to our R&D pipeline:

- a topical treatment for vaginal lichen sclerosis (VLS) to be co-developed with Hyloris Pharmaceuticals;
- a topical treatment for keloid scars licensed from New Zealand's Massey Ventures; and
- a late-stage injectable New Chemical Entity (NCE) in an attractive growing market category to be co-developed with presently unnamed EU partners contingent upon a successful meeting with US FDA and EMA to confirm the final development study(ies) required.

We have also initiated an extensive development project with a manufacturing partner based in China to develop a portfolio of 24 hospital injectables primarily for our new business hubs in Australia, Canada, Hong Kong, New Zealand, Singapore, South Africa and the United Kingdom.

We estimate this portfolio of medicines opens a potential market for AFT of US$450M. We see this partnership and the investment required to support it as important to expand our pipeline for hospital injectables in our own markets. Additionally, we can out-license these medicines to Europe and some other selected target markets.

We continue to advance our Pascomer dermatology project. As previously signalled, we are progressing a pilot study to investigate the potential efficacy of the medicine in the treatment of Port Wine Stains after laser treatment, a significant non orphan indication.

We are aiming in the 2025 calendar year to initiate pivotal clinical studies for our eye drop for drug resistant eye infections the late stage injectable NCE and Pascomer for Port Wine Stains.

For some of these projects such as the late stage injectable NCE we have licensing interest even at this development stage. Additionally regulatory filings and out-licensing will commence for the twenty-four drug injectables pipeline. All of these are important to maintain a balanced approach to our expansion and R&D pipeline.

The pipeline remains significant being in order of potential commercialization timelines: (1) 24 drug hospital injectable portfolio; (2) Eye drop for drug resistant eye infections; (3) Novel NCE IV; (4) Pascomer PWS; (5) Topical Strawberry Birthmarks Product; (6) Burning Mouth Syndrome Product; (7) VLS Topical Product (8) Keloid Scar Topical Treatment; (9) NasoSURF.

The financial upside from these projects is interesting and looking at the first 3 projects: (1) the 24 drug hospital injectable portfolio spans some US$450M across just our own territories; (2) the second project, the eye drop, we estimate potential in-market global sales of around US$750M,provided the development program is successful; (3) for the 3rd project, the Novel NCE, it is currently targeted at a US$3 billion market which is forecast to grow to in excess of US$7 billion by 2030.

Financial outlook

We continue to focus on financials in parallel to our investments in geographic expansion and the R&D pipeline. This is consistent with our approach over the years where we originally boot-strapped but significantly grew our business with a start-up capital of only $50K.

We are reducing our stock holdings post pandemic and maintain a careful management of our cash position. However, it should be noted that the company also does have extra borrowing capacity if needed for expansion.

Introducing more products in our markets, especially our new countries, is an important element to offset the current investment spend prior to income being generated. We believe that we are approaching an inflection point and remain focussed on driving business toward the $300M per annum sales target.

With our best wishes for the year ahead.

Kind regards

David Flacks
Chair

Dr Hartley Atkinson
Managing Director

For and on behalf of AFT Pharmaceuticals Limited by Malcolm Tubby, Chief Financial Officer.

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About AFT Pharmaceuticals

AFT is a growing New Zealand based multinational pharmaceutical company that develops, markets, and distributes a broad portfolio of pharmaceutical products across a wide range of therapeutic categories which are distributed across all major pharmaceutical distribution channels: over the counter (OTC), prescription and hospital. Our product portfolio comprises both proprietary and in-licensed products,

and includes patented, branded, and generic drugs[1]. Our business model is to develop and in-license products for in our markets of Australia, New Zealand, Singapore, Malaysia, Hong Kong, USA, Canada, EU ex Ireland and UK, and to out-license our products to local licensees and distributors to over 125 countries around the world.
For more information about the company, visit our website www.aftpharm.com.

Note: AFT UK, AFT South Africa and AFT Canada are 70% owned by AFT with Edge Pharmaceuticals owning 30%