

ASX Release: 31 January 2019

## Appendix 4C

### Quarterly cash flow report to 31 December 2018

*All figures are stated in Australian dollars and are unaudited.*

Adherium Limited (ASX:ADR), a digital health company that improves medication adherence and patient outcomes, presents its Appendix 4C cash flow report for the quarter and six months ended 31 December 2018.

Through the quarter to 31 December 2018, Adherium continued to enhance its Hailie™ solution, implementing further customer and clinician focused features through updates to its mobile app and cloud platform, including Apple watch integrations. Applications for “over-the-counter” (OTC) regulatory clearance in the US were submitted for another two of Adherium’s Hailie™ range of sensors, for use with GSK’s Advair® Diskus®, Flovent Diskus®, Flixotide Accuhaler®, and Seretide Accuhaler®, and Boehringer Ingelheim’s Spiriva® Handihaler®. These clearances are expected to be received in the second half of fiscal 2019.

US FDA 510(k) OTC clearance for Adherium’s sensor for AstraZeneca’s Bevespi® medication was also received in the quarter to 31 December 2018, and has also been successfully transferred to production.

In early December the Board announced a reorganization to create a smaller, simpler, more dynamic operational structure, from which it will develop discrete programs with partners during 2019. The focus is on overseeing enterprise solutions development and supporting our current and new customers’ growth with smart inhalers and related software. Consistent with this, in addition to supporting AstraZeneca’s growth plans for 2019, Adherium continues to develop its “direct to payer” channel in the US, which encompasses payers, providers and large self-insured employers. The Company has also wound down its “direct to consumer” offering, significantly reducing customer acquisition and support costs in this channel.

With the reduction in workforce now substantially complete, the Company is now engaging with leading development houses to enhance its sensor development and platform capabilities to deliver the scalability and features in sensors and mobile and platform applications commercial customers are seeking in a total solution for managing populations with chronic respiratory disease.

To assist with implementing the Company’s shift in focus, the Board has appointed Jeremy Curnock Cook as interim Managing Director and Dr Bill Hunter as an executive director involved in business development. No additional remuneration will be awarded for these appointments. In addition, effective 1 January 2019, all Directors have also agreed to reduce director fee cash payments by 50%, the deferred balance of fees to be converted to shares in Adherium at a monthly average subject to approval of shareholders at the next general meeting.

#### Cash Flow Commentary

Receipts for the quarter totalled \$778,000, comprising \$631,000 in customer receipts, \$26,000 in interest and \$121,000 in government grants. The net cash used in the quarter was \$4,004,000 compared with a net use of \$4,457,000 in the previous quarter, excluding the return of cash from investments in term deposits.

Receipts from sales to customers for the quarter totalled \$631,000 compared with \$1,147,000 in the quarter to 30 September 2018. The reduction quarter on quarter related to the timing of delivery and billing of

product design and engineering services, which amounted to \$373,000 and \$743,000 in the December and September quarters respectively, together with a halt in production of one of the Company's sensors at its contract manufacturer at the end of the September quarter to implement a design change. Production of this sensor resumed by the end of the December quarter, and the production backlog is expected to be cleared by the end of February 2019, and the related receipts from customers will therefore be reported in the second half of fiscal 2019.

Receipts from grant income for the quarter were \$121,000 from the research and development focussed New Zealand Government Growth Grant, supporting New Zealand based research and development effort.

Payments for research and development were \$781,000 in the December quarter compared with \$1,012,000 in the previous quarter, reflecting the completion of certain sensor and software product development activities and the submission of regulatory clearance applications in the US in the December quarter. Sales and marketing costs were also lower in the December quarter at \$318,000 compared with \$642,000 in the previous quarter, the reduction due to reduced social media advertising and the wind down of the direct to consumer channel in December. Staff costs also reduced quarter on quarter, from \$2,976,000 to \$2,550,000 due to the inclusion in the September quarter of fiscal 2018 incentive compensation typically paid during the first quarter of the following financial year.

Cash at 31 December 2018 was \$4,093,000, compared with \$8,098,000 at 30 September (including cash term deposits). Following the reshaping of the Company's business announced in December 2018, committed cash outflows are expected to reduce significantly. At the end of January 2019, the reorganisation is largely complete, and while no significant reorganisation costs were incurred, most expenses incurred in the December quarter fall for payment in the following March quarter. In addition, staffing reductions have occurred across both December 2018 and January 2019. As noted in the cash flow report, cash outflows in the March 2019 quarter are expected to amount to \$3,444,000, and receipts from customers and other sources of income will further reduce the net cash use in the quarter.

## **About Adherium**

Adherium is a provider of digital health solutions and a global leader in connected respiratory medical devices, with over 135,000 sold globally. The Company develops, manufactures and supplies patients, pharmaceutical companies, healthcare providers and contract research organizations with the broadest range of connected medical devices for respiratory medications. The devices and accompanying technology address sub-optimal medication use and strive to improve health outcomes in chronic disease. Adherium operates globally from bases in the USA and Australasia. Learn more at [adherium.com](http://adherium.com) and [hailie.com](http://hailie.com).

## **Enquiries**

*Email:* [investors@adherium.com](mailto:investors@adherium.com)

*Web:* [www.adherium.com](http://www.adherium.com)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Adherium Limited

**ABN**

24 605 352 510

**Quarter ended ("current quarter")**

31 December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	631	1,778
1.2 Payments for		
(a) research and development	(781)	(1,793)
(b) product manufacturing and operating costs	(209)	(665)
(c) advertising and marketing	(318)	(960)
(d) leased assets	-	-
(e) staff costs	(2,550)	(5,526)
(f) administration and corporate costs	(953)	(1,702)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	26	72
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refunded (paid)	(5)	(11)
1.7 Government grants and tax incentives	121	257
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,038)</b>	<b>(8,550)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(136)	(235)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>		
- Cash deposits (maturities <3 months)	436	436
<b>2.6 Net cash from / (used in) investing activities</b>	<b>300</b>	<b>201</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	7,661	12,118
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(4,038)	(8,550)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	300	201
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	170	324
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,093</b>	<b>4,093</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	326	181
5.2	Call deposits	3,767	7,480
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,093</b>	<b>7,661</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
82
-

Payment of directors' fees.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

Not applicable

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

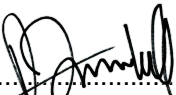
Not applicable

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	619
9.2 Product manufacturing and operating costs	414
9.3 Advertising and marketing	90
9.4 Leased assets	-
9.5 Staff costs	1,520
9.6 Administration and corporate costs	801
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>3,444</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	Not applicable	Not applicable
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  ..... Date: 31 January 2019 .....

(~~Director~~ Company secretary)

Print name: R M Turnbull .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.