

ASX Release: 30 April 2019

## Appendix 4C

### Quarterly cash flow report to 31 March 2019

*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 nine months ended 31 March 2019.

During the quarter to 31 March 2019, Adherium completed the reorganization initiated in December 2018, implementing a smaller, simpler, more dynamic operational structure.

The Company has also engaged 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 and delivering improved patient outcomes.

As part of this, development of additional commercial features and scalability in the Company's Hailie™ mobile apps and cloud platform is nearing completion. This will further support roll outs of the Hailie™ solution in the "direct to payer" channel (payers, providers and large self-insured employers) which are underway in the United States. The new developments are also designed to support adding new data-sets to Adherium's market-leading clinical database.

In technology sales, a further 6,700 sensors were delivered in the March 2019 quarter, predominantly to AstraZeneca, and further growth in deployment of Adherium's solution through Europe and the United States is expected through calendar 2019, rewarding the patience of shareholders as the Company continues to build the clinical and financial case for adoption of its medication adherence technology internationally.

#### Cash Flow Commentary

Receipts for the quarter totalled \$491,000, comprising \$405,000 in customer receipts, \$6,000 in interest and \$80,000 in government grants. The net cash used in the quarter was \$2,142,000 compared with a net use of \$4,004,000 in the previous quarter, excluding the return of cash from investments in term deposits. Of the net cash used in the 31 March quarter, approximately \$794,000 related to costs that will not recur following the reorganisation undertaken in December 2018, with \$715,000 of this related to staff costs.

Receipts from sales to customers for the quarter totalled \$405,000 compared with \$631,000 in the quarter to 31 December 2018. The reduction quarter on quarter related to:

- the previously noted sensor design change that was put into production at the Company's contract manufacturer at the end of the December quarter and that resulted in a deferment of production during that quarter; and
- the timing of milestone related billings on product design and engineering services.

Through the March quarter the Company has been clearing the production back log together with meeting monthly manufacturing commitments and will receive the production back log related receipts from customers by fiscal year end.

Payments for research and development were \$399,000 in the March quarter compared with \$781,000 in the previous quarter which saw the completion of certain sensor and software product development activities and the submission of regulatory clearance applications in the US. March quarter research and development activities related predominantly to commercial feature and capability development in the Company's Hailie™ mobile apps and cloud platform. Sales and marketing costs at \$77,000 were also lower in the March quarter compared with \$318,000 in the previous quarter, representing the reduced social media advertising and support costs related to the wind down of the direct to consumer channel in December. Staff costs also reduced quarter on quarter, from \$2,550,000 to \$1,386,000 in the March quarter due to the reorganisation undertaken in December 2018, and approximately \$715,000 of those March quarter staff costs are non-recurring. As noted in the cash flow report, cash outflows in the June 2019 quarter are expected to amount to \$2,579,000, 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 150,000 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**

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## 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 March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	405	2,183
1.2 Payments for		
(a) research and development	(399)	(2,192)
(b) product manufacturing and operating costs	(256)	(921)
(c) advertising and marketing	(77)	(1,037)
(d) leased assets	-	-
(e) staff costs	(1,341)	(6,867)
(f) administration and corporate costs	(526)	(2,228)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	78
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refunded (paid)	(2)	(13)
1.7 Government grants and tax incentives	80	337
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,110)</b>	<b>(10,660)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(49)	(284)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 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
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(49)</b>	<b>152</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	4,093	12,118
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,110)	(10,660)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(49)	152
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 (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	17	341
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,951</b>	<b>1,951</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	426	326
5.2	Call deposits	1,525	3,767
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>1,951</b>	<b>4,093</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>
52
-

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.		

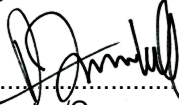
Not applicable

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	1,018
9.2 Product manufacturing and operating costs	408
9.3 Advertising and marketing	241
9.4 Leased assets	-
9.5 Staff costs	650
9.6 Administration and corporate costs	262
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>2,579</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: 30 April 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.