

ASX Release: January 31, 2018

Appendix 4C

Quarterly cash flow report to December 31, 2017

All figures are stated in Australian dollars and are subject to completion of the half year audit review.

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 December 31st, 2017.

Receipts for the quarter totalled \$651,000, comprising \$552,000 in sales receipts and \$99,000 in interest. The net cash used in the quarter was \$3,620,000 compared with a net use of \$4,224,000 in the previous quarter.

Receipts from sales to customers for the quarter totalled \$552,000, largely for the continuing global commercial rollout of Adherium's technology by the Company's principal customer, AstraZeneca. Device sale volumes continued to grow, with over 14,700 delivered across all customers in the six months to December 31, 2017 compared with 11,000 in the six months to June 30, 2017 and 7,000 in the six months to December 31, 2016.

This volume growth together with the delivery of innovative product design and engineering services of approximately \$1.6 million saw revenue increase to \$2,661,000 in the six months to December 31, 2017. Due to the timing of delivery and payment terms, approximately \$1.9 million was receivable from customers at quarter end and will be included in cash receipts in the quarter ended March 31, 2018.

No receipts from grant income were made in the quarter while the Company's application to Callaghan Innovation to extend the New Zealand Government Growth Grant was considered. Approval of a three-year extension was received in January 2018 and reimbursement of a proportion of the Company's qualifying research and development activities will recommence in the coming quarter.

Cash at December 31st, 2017 was \$14,935,000, compared with \$18,555,000 at September 30th, 2017 - a use of \$3,620,000 for the quarter. This included:

- Preparation of an application to extend the U.S. Food and Drug Administration's (FDA) 510(K) clearance of Adherium's SmartTouch for Symbicort[®] inhaler monitoring device to include over-the-counter (OTC) sales;
- Ongoing development of next-generation mobile apps and cloud platform software, in particular to support the Company's online direct-to-consumer strategy; and
- Continued expansion of the US based commercial team with the appointment of Vik Panda as Vice President of Marketing.

Additional details and analysis will be provided with the release of the Appendix 4D Half Year Financial Report on Thursday February 8, 2018 (AEDT). Following the release of the Interim Consolidated Financial Report, Adherium will be holding an investor teleconference with details of the call to be provided separately.

About Adherium

Adherium is a provider of digital health solutions. The Company develops, manufactures and supplies patients, pharmaceutical companies, healthcare providers and contract research organizations with the broadest range of adherence monitoring sensors for respiratory medications to address sub-optimal medication use and improve health outcomes in chronic disease.

Adherium is headquartered in the USA and operates globally from offices in Europe and Australasia.

Inquiries

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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 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	552	1,174
1.2 Payments for		
(a) research and development	(312)	(854)
(b) product manufacturing and operating costs	(385)	(632)
(c) advertising and marketing	(254)	(506)
(d) leased assets	-	-
(e) staff costs	(2,158)	(4,411)
(f) administration and corporate costs	(1,053)	(2,616)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	99	159
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refunded (paid)	-	21
1.7 Government grants and tax incentives	-	160
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,511)	(7,505)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(68)	(118)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	(77)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(68)	(195)

3. Cash flows from financing activities		
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)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	18,555	22,779
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,511)	(7,505)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(68)	(195)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(41)	(144)
4.6	Cash and cash equivalents at end of quarter	14,935	14,935

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	65	146
5.2	Call deposits	14,870	18,409
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	14,935	18,555

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

Current quarter \$A'000
(35)
-

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

Current quarter \$A'000
-
-

Not applicable

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

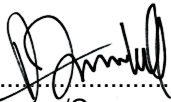
Not applicable

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	447
9.2 Product manufacturing and operating costs	268
9.3 Advertising and marketing	691
9.4 Leased assets	-
9.5 Staff costs	1,747
9.6 Administration and corporate costs	747
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	3,900

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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: January 31, 2018

(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.