



AtCor Medical Holdings Limited

ASX Half-year information – 31 December 2015

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2015 Annual Report.

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AtCor Medical Holdings Limited

Interim report for the half-year ended 31 December 2015

(Previous corresponding period:

Half-year ended 31 December 2014)

Results for Announcement to the Market

				\$
Revenue from ordinary activities	Down	41%	to	\$1,691,491
Net loss from ordinary activities after tax attributable to members	Down	\$2,339,397	to	\$2,297,946
Net loss for the period attributable to members	Down	\$2,339,397	to	\$2,297,946

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Commentary on Results:

See *Review of Operations in Directors' Report*.

Explanation of Dividends

No dividends have been declared.

AtCor Medical Holdings Limited

Interim report for the half-year ended 31 December 2015

(Previous corresponding period:

Half-year ended 31 December 2014)

Supplementary Appendix 4D Information

NTA Backing

	Dec 2015	Dec 2014
Net tangible asset backing per ordinary share	2.5 cents	2.3 cents

Controlled entities acquired or disposed of

Nil.

Additional dividend/distributions information

No dividends have been declared or paid during or subsequent to the half-year ended 31 December 2015.

Dividend/distribution reinvestment plans

The company has adopted but not implemented a dividend reinvestment plan.

Associates and Joint Venture entities

Not applicable.

Foreign Accounting standards

Not applicable.

Audit Alert

Not applicable.

AtCor Medical Holdings Limited ABN 81 113 252 234

Interim report

for the half-year ended 31 December 2015

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by AtCor Medical Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

AtCor Medical Holdings Limited and controlled entities Directors' report

Your directors present their report on the consolidated entity consisting of AtCor Medical Holdings Limited ('AtCor') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

The following persons were directors of AtCor Medical Holdings Limited during the whole of the half-year and up to the date of this report:

Donal O'Dwyer (Chairman)
Michael F O'Rourke
Duncan R Ross (Managing Director and CEO)
David L Brookes

The following persons were directors for part of the half-year:

Peter R Jenkins (retired 13 November 2015)
R King Nelson (appointed 13 November 2015)

Review of operations

Sales for the first half were \$1.7 million, at the upper end of guidance provided in January 2016. Sales were lower than company expectations due to delays in finalising a pharmaceutical sector contract with a new client, announced on 5 February 2016. The minimum value of this new 15-month contract is US\$0.6 million.

Regionally, sales in the Americas, which comprise both sales and services to the pharmaceutical industry and to researchers and clinicians, were significantly lower than the prior corresponding period (pcp). No new pharmaceutical sector contracts were written in the half, and sales to researchers and clinicians declined as research projects in 1H 2015, which included 3 one-off multi-system sales, were not repeated. In the EMEA region which is primarily a research market for AtCor, sales declined 23% versus pcp. However, Asia Pacific sales grew 22% driven by growth in Australia and New Zealand.

Gross margin was lower at 75%, primarily attributable to changes in product mix from reduced pharmaceutical services revenue. It is anticipated that margins will return to above 80% in future periods.

Expenses for the half rose 24%, largely reflecting currency costs as approximately 60% of AtCor's expenses are denominated in either USD or EUR. In constant currency terms expenses increased 10%. This follows investment in new sales and marketing personnel and consulting services to prepare for the launch of the new US CPT-1 code on 1 January 2016.

The 1H 2016 net loss was \$2.3 million. At 31 December 2015 AtCor held \$3.8 million and had no debt. This includes \$3.0 million from the issue of new shares. Net operating cash outflows were \$2.7 million. Subsequent to balance date AtCor has received \$0.2 million from payments by staff to exercise options; and expects a R&D tax refund of \$0.46 million this month.

New CPT 1 code takes effect

The most important event of the half was the publication of the code description and valuation for CPT category 1 reimbursement code 93050 by the Centers for Medicare and Medicaid Services (CMS), which covers the SphygmoCor test. CMS assigned a national average payment of US\$17.91 per test, in line with other reimbursed procedures requiring similar nursing and physician time and effort. This sets the fee that physicians can charge for the service in addition to the charge for the office visit. The code took effect from 1 January 2016, and AtCor is in the process of confirming the CMS regions that have listed the code allowing doctors to claim reimbursement. This removes a major impediment to adoption by physicians and, combined with increasing clinical evidence showing that central aortic waveform measurement and analysis is essential to understand the true status of a person's cardiovascular health, broader uptake of the SphygmoCor technology is expected.

In July 2015 the American Heart Association published a scientific statement in which the authors stated that the measures of arterial stiffness using carotid-femoral pulse wave velocity and central aortic pressure waveform analysis are established clinically, and can be used to independently predict cardiovascular risk.

In December, AtCor signed an exclusive multi-year distribution contract with A&D Company, enabling A&D to distribute SphygmoCor XCEL in Japan. This provides AtCor with access to the second largest medical device

market in the world. The Japanese Society of Hypertension Guidelines, released in 2014, identified central blood pressures as markers of advanced cardiac disease; and pulse wave velocity as a marker of end organ damage. SphygmoCor XCEL provides both measurements unlike other devices in Japan that only measure one parameter. A&D will promote the SphygmoCor XCEL device through their sales force which is dedicated to selling blood pressure devices to hospitals and doctors in Japan. A&D is a global manufacturer and marketer with deep relationships in the Japanese market.

Peter Jenkins, who served AtCor's board as a director for 16 years, advised he would not be seeking re-election at the 2015 AGM. He has been succeeded by Randall King Nelson, who brings a wealth of experience to your Board. He has over 30 years' experience in the medical device industry in positions of increasing responsibility, including as President of both Baxter Healthcare's Dade and Bentley divisions. King is currently CEO of Uptake Medical, his third early stage company, and he has successfully developed two previous companies through to commercialisation and sale. He is based in California, USA.

Looking ahead:

Key areas of focus for the next half include:

- AtCor is focusing sales resources and recruiting to drive the opportunity created by the US CPT-1 code covering the SphygmoCor test. This provides AtCor with access to the US\$800 million clinical practice market. We appointed a new VP of Sales, Americas, Scot MacDonell, who joined us from St. Jude Medical where he was Vice President of Strategy and Disease Management, responsible for building the sales and service team and leading the launch of the CardioMEMS Pulmonary Artery Pressure Sensor for heart failure. This assignment included launching CardioMEMS with the benefit of a new CPT-1 code.
- The US team is focused on confirming that payment by regional Medicare contract carriers is being made, which will be a catalyst for new sales to physicians. AtCor is working to expand coverage and reimbursement in the private payer market, and has engaged the US's top private health plans payment consultancy to assist. We look forward to updating shareholders on our progress.
- AtCor recently secured a new pharmaceutical sector client and while the pharmaceutical trials market has been impacted by slowdown in the development of new hypertension drugs, we continue to view this US\$100 million market as important to our prospects. AtCor has diversified the application of its technology to other disease states such as inflammatory disorders and heart failure. We believe that as SphygmoCor is taken up more broadly in clinical practice, pharmaceutical companies launching new drugs will need to explain central blood pressure and arterial stiffness impacts clearly before drugs enter clinical practice.
- AtCor is engaging with a number of corporations to explore technology partnerships, and discussions are continuing. This is consistent with one of our key value propositions of being a platform technology.
- Another area for development includes new applications for SphygmoCor in high-value disease states. In April 2014 we reported exciting results from a trial in heart failure with Mayo Clinic and the University of Arizona using SphygmoCor to manage patients. This randomised controlled trial showed that using central pressures to improve drug therapy could increase a patient's oxygen capacity by as much as 20%. Additional data is now being analysed which could lead to broader adoption of SphygmoCor in heart failure management.
- AtCor is the leader in physiological wave form acquisition and processing the data to provide easily understandable clinical information for decision making. We continue to build our IP portfolio and expect to announce new patents in the second half.
- With SunTech Medical, AtCor has developed a 24 hour ambulatory blood pressure device with central pressures – **Oscar2 with SphygmoCor inside** – which has received EU and Australian clearance, and FDA clearance is expected this half. This will allow the system to be sold in the USA, and initial sales in Australia, Asia and Europe are encouraging. This device enables AtCor to enter a new market segment and provides our sales staff and distributors with 'a larger basket' to sell.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of the directors.



D O'Dwyer
Chairman

Sydney
12 February 2016

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Auditor's Independence Declaration

As lead auditor for the review of AtCor Medical Holdings Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AtCor Medical Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S Prakash', with a horizontal line underneath.

S Prakash
Partner
PricewaterhouseCoopers

Sydney
12 February 2016

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AtCor Medical Holdings Limited and controlled entities
Consolidated statement of comprehensive income
For the half-year ended 31 December 2015

	Notes	Half year	
		31	31
		December 2015 \$	December 2014 \$
Revenue from sale of goods and services	4	1,688,653	2,858,404
Cost of sales of goods		(420,705)	(440,696)
Gross profit		1,267,948	2,417,708
Other revenue	4	2,838	434
Other income	4	797,561	1,162,487
Marketing and sales expense		(2,168,032)	(1,643,989)
Product development and regulatory expense		(780,365)	(659,260)
Occupancy expense		(99,876)	(84,900)
Administration and other expense		(1,318,020)	(1,151,029)
(Loss)/profit before income tax		(2,297,946)	41,451
Income tax expense		-	-
Net profit/(loss) for the period		(2,297,946)	41,451
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(253,366)	(503,513)
Other comprehensive (loss)/income for the period, net of tax		(253,366)	(503,513)
Total comprehensive (loss)/income for the period		(2,551,312)	(462,062)
Total comprehensive (loss)/profit attributable to owners of AtCor Medical Holdings Limited		(2,551,312)	(462,062)
Earnings per share			
Basic earnings per share	8	(1.17)	0.03
Diluted earnings per share	8	(1.17)	0.02

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

AtCor Medical Holdings Limited and controlled entities
Consolidated statement of financial position
As at 31 December 2015

	Notes	31 December 2015 \$	30 June 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,784,442	3,449,943
Trade and other receivables		1,558,016	1,548,908
Inventories		636,957	539,398
Other		69,364	163,862
Total current assets		6,048,779	5,702,111
Non-current assets			
Property, plant and equipment		238,933	251,485
Total non-current assets		238,933	251,485
Total assets		6,287,712	5,953,596
LIABILITIES			
Current liabilities			
Trade and other payables		1,209,141	1,454,345
Provisions		118,678	128,976
Total current liabilities		1,327,819	1,583,321
Non-current liabilities			
Provisions		59,123	36,282
Total non-current liabilities		59,123	36,282
Total liabilities		1,386,942	1,619,603
Net assets		4,900,770	4,333,993
EQUITY			
Contributed equity	5	38,839,885	35,830,567
Reserves		1,314,903	1,459,498
Accumulated losses		(35,254,018)	(32,956,072)
Total equity		4,900,770	4,333,993

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

AtCor Medical Pty Limited and controlled entities
Consolidated statement of changes in equity
As at 31 December 2015

	Contributed Equity \$	Reserves \$	Accumulated losses \$	Total Equity \$
Balance at 1 July 2014	32,850,570	1,949,272	(31,515,895)	3,283,947
Profit for the half year	-	-	41,451	41,451
Other comprehensive income	-	(503,513)	-	(503,513)
Total comprehensive profit/(loss) for the half-year	-	(503,513)	41,451	(462,062)
Transactions with equity holders in their capacity as equity holders:				
Shares issued	1,000,001	-	-	1,000,001
Share issue expenses	(12,000)	-	-	(12,000)
Employee share options expensed	-	101,750	-	101,750
	<u>988,001</u>	<u>101,750</u>	<u>-</u>	<u>1,089,751</u>
Balance at 31 December 2014	<u>33,838,571</u>	<u>1,547,509</u>	<u>(31,474,444)</u>	<u>3,911,636</u>
Balance at 1 July 2015	35,830,567	1,459,498	(32,956,072)	4,333,993
(Loss) for the half year	-	-	(2,297,946)	(2,297,946)
Other comprehensive income	-	(253,366)	-	(253,366)
Total comprehensive (loss) for the half-year	-	(253,366)	(2,297,946)	(2,551,312)
Transactions with equity holders in their capacity as equity holders:				
Shares issued	3,214,061	-	-	3,214,061
Share issue expenses	(204,743)	-	-	(204,743)
Employee share options expensed	-	108,771	-	108,771
	<u>3,009,318</u>	<u>108,771</u>	<u>-</u>	<u>3,118,089</u>
Balance at 31 December 2015	<u>38,839,885</u>	<u>1,314,903</u>	<u>(35,254,018)</u>	<u>4,900,770</u>

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

AtCor Medical Holdings Limited and controlled entities
Consolidated statement of cash flows
For the half-year ended 31 December 2015

	Half year	
	31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,186,300	3,082,728
Payments to suppliers and employees (inclusive of goods and services tax)	(4,884,512)	(3,912,431)
	(2,698,212)	(829,703)
Interest received	2,838	434
Income taxes paid	-	(1,741)
Net cash (outflow)/inflow from operating activities	(2,695,374)	(831,010)
Cash flows from investing activities		
Payments for property, plant and equipment	(21,449)	(28,660)
Net cash (outflow) from investing activities	(21,449)	(28,660)
Cash flows from financing activities		
Issue of shares	3,214,061	1,000,001
Cost of share issue	(204,743)	(12,000)
Net cash inflow from financing activities	3,009,318	988,001
Net increase in cash and cash equivalents	292,495	128,331
Cash and cash equivalents at the beginning of the half-year	3,449,943	2,168,156
Effects of exchange rate changes on cash and cash equivalents	42,004	221,905
Cash and cash equivalents at the end of the half-year	3,784,442	2,518,392

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

AtCor Medical Holdings Limited and controlled entities

Notes to the consolidated financial statements

For the half-year ended 31 December 2015

Note 1 Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by AtCor Medical Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Note 2 Segment information

Half-year 31 December 2015	Americas \$	Europe \$	Asia/ Pacific \$	Inter- segment eliminations/ unallocated \$	Consolidated \$
Sales to external customers	932,478	314,973	441,202	-	1,688,653
Intersegment sales	-	-	505,426	(505,426)	-
Revenue from sale of goods	932,478	314,973	946,628	(505,426)	1,688,653
Other revenue	-	-	461,916	-	461,916
Total segment revenue	932,478	314,973	1,408,544	(505,426)	2,150,569
Segment result	(1,528,763)	(36,021)	(1,071,645)	-	(2,636,429)
Unallocated revenue less unallocated expenses					338,483
Profit before income tax					(2,297,946)
Income tax expense					-
Net profit for the period					(2,297,946)
Half-year 31 December 2014					
Sales to external customers	2,110,786	389,814	357,804	-	2,858,404
Intersegment sales	-	-	514,597	(514,597)	-
Revenue from sale of goods	2,110,786	389,814	872,401	(514,597)	2,858,404
Other revenue	-	-	461,616	-	461,616
Total segment revenue	2,110,786	389,814	1,334,017	(514,597)	3,320,020
Segment result	197,823	(8,938)	(848,980)	-	(660,095)
Unallocated revenue less unallocated expenses					701,546
Loss before income tax					41,451
Income tax expense					-
Net loss for the period					41,451

AtCor Medical Holdings Limited and controlled entities

Notes to the consolidated financial statements

For the half-year ended 31 December 2014

(Continued)

Note 3 Dividends

No dividends were paid or declared since 30 June 2015 and the directors do not recommend the payment of a dividend.

Note 4 Revenue

From continuing operations	Half-year	
	2015	2014
	\$	\$
<i>Sales revenue</i>		
Sale of goods	1,516,680	2,350,413
Sales of services	171,973	507,991
	1,688,653	2,858,404
<i>Other revenue</i>		
Interest	2,838	434
	2,838	434
	1,691,491	2,858,838
<i>Other Income</i>		
R&D tax concession	461,916	461,182
Foreign Exchange gains	335,645	701,305
	797,561	1,162,487

Note 5 Equity securities issued

	2015	2014	2015	2014
	Shares	Shares	\$	\$
Issues of ordinary shares during the half-year				
Issue of new fully paid ordinary shares	17,943,393	10,752,700	3,214,061	1,000,001
Costs of issue			(204,743)	(12,000)
Net funds received			3,009,318	988,001

Note 6 Contingent liabilities

There are no contingent liabilities.

Note 7 Event occurring after reporting date

No matter or circumstance has arisen since 31 December 2015 that has significantly affected or may affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

AtCor Medical Holdings Limited and controlled entities

Notes to the consolidated financial statements

For the half-year ended 31 December 2014

(Continued)

Note 8 Earnings per share

	Half-year	
	2015 Cents	2014 Cents
Basic earnings per share	(1.17)	0.03
Diluted earnings per share	(1.17)	0.02
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	196,533,647	159,368,752
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	215,461,980	170,958,752

Options

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. As at 31 December 2015 there were 24,528,333 options outstanding (31 December 2014: 21,290,000) and 18,928,333 options were considered dilutive (31 December 2014: 11,590,000).

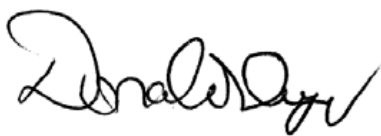
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AtCor Medical Holdings Limited and controlled entities
Directors' declaration
31 December 2015

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 12 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that AtCor Medical Holdings Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



D O'Dwyer
Director

Sydney
12 February 2016



Independent auditor's review report to the members of AtCor Medical Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AtCor Medical Holdings Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for AtCor Medical Holdings Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AtCor Medical Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AtCor Medical Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


PricewaterhouseCoopers

S Prakash
Partner

Sydney
12 February 2016

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