

ASX RELEASE

STRONG SALES MOMENTUM SEES VOLPARA FINISH FY17 WITH GROWING ANNUAL RECURRING REVENUE AND PIPELINE—FULL-YEAR FINANCIAL RESULTS

Wellington, NZ, 29th May 2017: Volpara Health Technologies (“Volpara”; ASX:VHT), a digital health company focused on early detection of breast cancer by improving quality of screening, has today released its full-year results for the financial year ended 31 March 2017.

The company has delivered strong year-on-year growth, in terms of total contract value, and an expanding pipeline of subscription revenue to be recognised in future periods, following the launch of **VolparaEnterprise™** software, the company’s comprehensive cloud-based breast imaging analytics platform, and transition to a Software-as-a-Service (SaaS) model.

As of 31 March 2017, the company will begin FY18 with a starting annual recurring revenue (ARR) of NZ\$1.1m, up approximately 600 percent from the end of FY16 (NZ\$160,000). ARR is the contracted revenue expected to be booked over the next 12 months from current contracts alone. In FY18, the company expects strong annual recurring revenue growth in excess of 200 percent.

Total Contract Value (TCV), the total sum of capital sales, service maintenance agreements and SaaS contracts signed, was NZ\$4.1m in FY17, compared to NZ\$2.8m in FY16; representing year-on-year growth of 45 percent. Many of these contracts pay 12 months in advance.

During the year, Volpara signed **VolparaEnterprise™** software customers with annual fees typically ranging from US\$30k to US\$100k and contract periods ranging from 1 to 5 years. We are also seeing strong growth in average contract value.

“Volpara’s product offerings and business model have evolved substantially over this past year with the launch of **VolparaEnterprise™** software, which is now considered the leading option for breast screening centres wanting to objectively measure breast density, as well as improve quality, productivity and patient experience,” said Dr Ralph Highnam, CEO of Volpara Health Technologies.

“The move to a SaaS revenue model and the cloud has been well received by our customers and gives our investors a clearer view of potential future revenue and many advantages for future product development. Since our first sale of **VolparaEnterprise™** software less than a year ago, our customers have processed more than 530,000 images using our software, and we are seeing this number ramp up very significantly month-by-month.”

Actual revenue recognition under IFRS15 (which we’ve elected to adopt early) sees revenue lag contracted sales, FY17 recognised revenue and grant income was just over NZ\$2m, significantly less than total contract value signed, reflecting the significant amount of contracted revenue yet to be recognized under IFRS15.

Overall the company reported a loss of NZ\$9.6m, including non-cash expenses of NZ\$1m. Cash on hand was NZ\$12.9m. Product development expenditure increased due to investment in cloud infrastructure and development of VolparaEnterprise™ 2.0 software, which was released in April 2017.

“During FY17 we made essential investments in our product offering and team, which will provide the platform for future revenue growth,” Dr Highnam said. “While growing, we are still very much focused on preserving and improving shareholder value with prudent spending.”

About Volpara Health Technologies Limited (ASX: VHT)

Founded in 2009 from research originally conducted at Oxford University, VHT is based in Wellington, New Zealand, and facilitates the early detection of breast cancer through its digital health solutions to enable personalised, high-quality breast cancer screening based on objective measurements of breast density.

VHT has a number of patents and trademarks and regulatory clearances, including FDA and CE, supporting its technology and services. An ASX-listed company that raised A\$20M through an IPO and subsequent share placement and rights issue in 2016, VHT has customers and/or research projects in 35 countries.

www.volparasolutions.com

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Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

**Appendix 4E - Preliminary Final Report
for the year ending 31 March 2017**

Results for announcement to the market

Detail of Reporting Periods

Current: 1 April 2016 to 31 March 2017
Comparative: 1 April 2015 to 31 March 2016

Financial Results	Year Ending 31-Mar-17 NZ\$'000	Year Ending 31-Mar-16 NZ\$'000	Variance %
Revenue from ordinary activities	2,047	2,614	-22%
Net loss after tax	(9,571)	(4,415)	-117%
Earnings per share	(0.07)	(1.08)	94%
Cash and cash equivalents and cash on deposit	12,876	277	4,548%

Dividends

No dividends have been declared or paid for the year ended 31 March 2017 (2016: Nil).

Commentary on the Results

Please refer to our Results Presentation for commentary on the results.

Net Tangible Assets

	Year Ended 31-Mar-17	Year Ended 31-Mar-16
Net assets and net tangible assets (cents per share)	0.09	(1.33)

Preliminary Final Report

The preliminary final report for Volpara Health Technologies Limited is attached.

Audit Status

The report is based on accounts that have been audited. The independent audit report includes an emphasis of matter related to going concern, this is consistent with that reported in the Interim Financial Statements from 30 September 2016.

Ralph Highnam
Chief Executive Officer

Craig Hadfield
Chief Financial Officer

29 May 2017

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2017

	Notes	2017 NZ\$'000	2016 NZ\$'000
Revenue			
Sales	3, 16	1,839	2,518
Grants	3	208	96
Total revenue		2,047	2,614
 Cost of sales	 4	 (680)	 (620)
Gross profit		1,367	1,994
 Operating expenses			
Sales and marketing	4	(5,223)	(2,534)
Product research and development	4	(2,302)	(1,941)
General and administration	4	(3,337)	(2,014)
Total operating expenses		(10,862)	(6,489)
 Foreign exchange gains/(losses)		 (344)	 80
Operating deficit		(9,839)	(4,415)
 Finance income		 271	 65
Finance expense	8	(3)	(1,392)
Loss on fair value revaluation of convertible preference shares	17	-	(24,617)
Net loss before tax		(9,571)	(30,359)
 Income tax expense	 5	 -	 -
Net loss after tax for the year		(9,571)	(30,359)
 Statement of comprehensive income			
Net loss after tax for the year		(9,571)	(30,359)
Other comprehensive income/(expense)			
Translation of international subsidiaries		(0)	(35)
Total items that may be reclassified to profit and loss		(0)	(35)
Other comprehensive (loss) for the period		(0)	(35)
 Total comprehensive loss for the period		(9,571)	(30,394)
 Earnings per share			
Basic and diluted loss (cents per share)	12	(0.07)	(1.08)

The accompanying notes form part of these financial statements.

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Consolidated Statement of Financial Position
As at 31 March 2017

	Notes	2017 NZ\$'000	2016 NZ\$'000
Non-current assets			
Fixtures and equipment		50	49
Patents and trademarks		28	2
Trade receivables	7	76	-
Total non-current assets		154	51
Current assets			
Cash and cash equivalents	6	1,276	277
Cash on deposit	6	11,600	-
Trade and other receivables	7	1,192	1,170
Inventory		14	-
Total current assets		14,082	1,447
Total assets		14,236	1,498
Equity			
Share capital	11	62,644	744
Share option reserve	14	1,858	1,534
Accumulated losses		(51,774)	(42,203)
Foreign currency translation reserve		(154)	(106)
Total equity		12,574	(40,031)
Non-current liabilities			
Deferred revenue	10	19	36
Total non-current liabilities		19	36
Current liabilities			
Convertible preference shares	17	-	40,111
Trade and other payables	9	1,107	1,274
Deferred revenue	10	536	108
Total current liabilities		1,643	41,493
Total liabilities		1,662	41,529
Total equity and liabilities		14,236	1,498

The accompanying notes form part of these financial statements.

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Consolidated Statement of Changes in Equity
For the year ended 31 March 2017

	Notes	Share capital NZ\$'000	Share option reserve NZ\$'000	Foreign currency translation reserve NZ\$'000	Accumulated losses NZ\$'000	Total equity NZ\$'000
Balance at 1 April 2016		744	1,534	(106)	(42,203)	(40,031)
Net loss after tax for the year		-	-	-	(9,571)	(9,571)
Other comprehensive loss		-	-	(48)	-	(48)
Total comprehensive loss for the year, net of tax		-	-	(48)	(9,571)	(9,619)
<i>Transactions with owners:</i>						
Conversion of convertible preference shares to ordinary shares	11	40,111	-	-	-	40,111
Issue of share capital at initial public offering (IPO)	11	11,198	-	-	-	11,198
Costs of capital raising	11	(774)	-	-	-	(774)
Issue of share capital from exercise of share options	11, 14	716	(682)	-	-	34
Recognition of share based payments	14	-	1,006	-	-	1,006
Issue of share capital from placement and entitlement of offer	11	11,232	-	-	-	11,232
Costs of capital raising	11	(583)	-	-	-	(583)
Balance at 31 March 2017		62,644	1,858	(154)	(51,774)	12,574
Balance at 1 April 2015		504	1,281	(71)	(11,844)	(10,130)
Net loss after tax for the year		-	-	-	(30,359)	(30,359)
Other comprehensive loss		-	-	(35)	-	(35)
Total comprehensive loss for the year, net of tax		-	-	(35)	(30,359)	(30,394)
<i>Transactions with owners:</i>						
Issue of share capital from exercise of share options	11, 14	240	(233)	-	-	7
Recognition of share based payments	14	-	486	-	-	486
Balance at 31 March 2016		744	1,534	(106)	(42,203)	(40,031)

The accompanying notes form part of these financial statements.

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Consolidated Statement of Cash Flows
For the year ended 31 March 2017

	Notes	2017 NZ\$'000	2016 NZ\$'000
Cash flow from operating activities			
Receipts from customers		2,270	2,409
Payments to suppliers and employees		(10,837)	(5,880)
Other income received		177	-
Net interest received		135	62
Net taxes received/(paid)		5	(21)
Net cash used in operating activities	13	(8,250)	(3,430)
Cash flows from investing activities			
Purchases of fixtures and equipment		(30)	(24)
Payments for intangible assets		(28)	-
Payments into term deposits		(25,602)	-
Receipts from term deposits		14,002	-
Net cash used in investing activities		(11,658)	(24)
Cash flows from financing activities			
Issue of share capital at initial public offering (IPO)		11,198	-
Issue of share capital from placement and entitlement offer		11,232	-
Costs of capital raising		(1,155)	-
Exercising of share options		34	7
Short term loan advances		81	5
Short term loan repayments		(85)	-
Net cash provided from financing activities		21,305	12
Net increase/(decrease) in cash and cash equivalents		1,397	(3,442)
Effects of currency translation on cash and cash equivalents		(398)	-
Cash and cash equivalents as at 1 April		277	3,719
Cash and cash equivalents at the end of the year *	6	1,276	277

*Cash and cash equivalents does not include *cash on deposits* totalling NZ\$11.6M. Refer to note 6 for further details.

The accompanying notes form part of these financial statements.

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Notes to the consolidated financial statements
for the year ended 31 March 2017

1 Dividends

No dividends have been declared or paid for the year ended 31 March 2017 (2016: Nil).

2 Net assets per share

As at 31 March 2017

	2017	2016
	NZ\$'000	NZ\$'000
Net assets	12,574	(40,031)
Ordinary number of shares	142,644,785	30,056,572
Net assets per share	0.09	(1.33)

Net tangible assets per share

As at 31 March 2017

	2017	2016
	NZ\$'000	NZ\$'000
Net tangible assets	12,546	(40,033)
Ordinary number of shares	142,644,785	30,056,572
Net tangible assets per share	0.09	(1.33)

3 Revenue

	2017	2016
	NZ\$'000	NZ\$'000
Sales	1,839	2,518
Grants	208	96
Total revenue	2,047	2,614

4 Loss for the year

Net loss before tax includes the following specific expenses:

	2017	2016
	NZ\$'000	NZ\$'000
Salaries and benefits	4,183	2,973
Consulting and subcontracting	1,312	882
Advertising and marketing	1,068	431
Share based payments expense	1,006	486
	7,569	4,771

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Notes to the consolidated financial statements
for the year ended 31 March 2017

5 Income and deferred taxes

	2017	2016
	NZ\$'000	NZ\$'000
Current tax		
Income tax payable/(refundable)	7	7
Reconciliation of effective tax rate		
loss before income tax	(9,571)	(30,359)
Prima facie taxation at 28% (2016: 28%)	(2,680)	(8,501)
less tax effect		
permanent differences	389	7,282
	(2,291)	(1,219)
	2,291	1,219
Deferred tax not recognised		
Tax expense	-	-
Represented by		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
Accumulated tax losses		
Balance at beginning of period	11,975	8,244
Tax loss for period	6,253	3,731
Balance at end of period	18,228	11,975

The Group has unrecognised deferred tax assets of NZ\$5,341,000.

6 Cash and cash equivalents, and cash on deposit

	2017	2016
	NZ\$'000	NZ\$'000
Cash at bank and on hand	526	273
Short term deposits	750	4
Cash on deposit	11,600	-
Total cash and cash equivalents, and cash on deposit	12,876	277

* Cash on deposit is in the form of term deposits that require between 180 to 183 days notice period to access.

7 Trade and other receivables

	2017	2016
	NZ\$'000	NZ\$'000
Trade receivables	1,117	952
Provision for doubtful receivables	(8)	(6)
Net trade receivables	1,109	946
Prepaid expenses	112	224
Other	47	-
Total trade and other receivables	1,268	1,170

8 Finance expenses

	2017	2016
	NZ\$'000	NZ\$'000
Interest expense	(3)	(3)
Quasi-dividend entitlements (QDE's) on convertible preference shares	-	(1,389)
Total finance expenses	(3)	(1,392)

The QDE's were settled through the issue of additional ordinary shares, upon IPO, on 31 March 2016.

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Notes to the consolidated financial statements
for the year ended 31 March 2017

9 Trade and other payables

	2017	2016
	NZ\$'000	NZ\$'000
Trade payables	381	856
Accrued expenses	70	166
Employee entitlements	656	252
Trade and other payables	1,107	1,274

10 Deferred revenue

	2017	2016
	NZ\$'000	NZ\$'000
Opening balance as at 1 April	144	-
Amount recognised in revenue	(312)	(99)
Contracts entered into in current year	723	243
Closing balance as at 31 March	555	144

11 Share capital

	2017	No. of Shares	2016	No. of Shares
	NZ\$'000	000's	NZ\$'000	000's
Fully Paid Ordinary Shares				
On issue as at 1 April	744	30,057	504	9,252
Conversion of convertible preference shares	40,111	72,411	-	-
Issue of share capital at initial public offering	10,424	20,000	-	-
Exercise of share options	716	2,363	240	767
Issue of share capital from placement	6,983	11,600	-	-
Issue of share capital from entitlement offer	3,666	6,214	-	-
Effect of 3:1 share split	-	-	-	20,038
In issue at 31 March	62,644	142,645	744	30,057

12 Earnings per share

As at 31 March 2017

	2017	2016
	NZ\$'000	NZ\$'000
Net loss after tax attributable to the shareholders	(9,571)	(30,359)
Ordinary number of shares	142,644,785	30,056,572
Weighted average number of shares on issue	128,016,483	28,170,931
Basic and diluted (loss) per share	(0.07)	(1.08)

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Notes to the consolidated financial statements
for the year ended 31 March 2017

13 Cash flow information

For the year ended 31 March 2017

	2017 NZ\$'000	2016 NZ\$'000
Net loss after tax for the year	(9,571)	(30,359)
Non-cash and non-operating items:		
Depreciation and amortisation	27	18
(Gains)/losses on foreign exchange transactions	360	(40)
QDE's on convertible preference shares	-	1,389
Share based payments	1,006	486
Capital raising costs / listing expenses	(202)	-
Loss on fair value revaluation of convertible preference shares	-	24,617
Changes in working capital:		
(Increase) in trade and other receivables	(82)	(573)
(Increase) in inventory	(14)	-
Increase/(decrease) in trade and other payables	(184)	888
Increase in deferred revenue	410	144
Net cash used in operating activities	(8,250)	(3,430)

14 Share Options

Legacy ESOP

	Number of options 2017 000's	Weighted- average exercise price 2017 NZ\$	Number of options 2016 000's	Weighted- average exercise price 2016 NZ\$
Outstanding at 1 April	10,627	0.19	10,587	0.11
Granted during the period	-	-	3,120	0.29
Exercised during the period	(2,363)	0.01	(2,300)	0.00
Forfeited during the period	-	-	(780)	0.46
Outstanding as at 31 March	8,264	0.20	10,627	0.19
Vested as at 31 March	6,638		7,231	

New ESOP

	Number of options 2017 000's	Weighted- average exercise price 2017 A\$	Number of options 2016 000's	Weighted- average exercise price 2016 A\$
Outstanding as at 1 April	5,236	0.50	-	-
Granted during the year	705	0.51	5,236	0.50
Exercised during the year	-	-	-	-
Forfeited during the year	(120)	0.50	-	-
Outstanding 31 March	5,821	0.50	5,236	0.50
Vested as at 31 March	-		-	

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)

Notes to the consolidated financial statements
for the year ended 31 March 2017

15 Interests in subsidiaries

Name of entity	Country of Incorporation	2017 Ownership	2016 Ownership
Volpara Solutions Europe Ltd. (Formerly Matakina UK Ltd.)	United Kingdom	100%	100%
Volpara Solutions Ltd.	New Zealand	100%	100%
Volpara Solutions Inc.	United States	100%	100%
Volpara Solutions Australia Pty Ltd.	Australia	100%	N/A

16 Segment information

For the year ended 31 March 2017

Capital sales

	2017 NZ\$'000	2016 NZ\$'000
North America	1,226	2,224
EMEA	52	88
APAC	249	107
Capital sales total	1,527	2,419

Service maintenance agreements

North America	210	87
EMEA	-	-
APAC	9	12
Service maintenance agreements total	219	99

Software-as-a-service

North America	79	-
EMEA	4	-
APAC	10	-
Software-as-a-service total	93	-
Total revenue from contracts with customers	1,839	2,518

17 Convertible preference shares (CPS's)

As at 31 March 2017

	2017 NZ\$'000	No. of CPS's 000's	2016 NZ\$'000	No. of CPS's 000's
Outstanding as at 1 April	40,111	72,411	14,105	17,491
Issue of CPS's in the form of QDE's	-	-	1,389	6,646
Loss on fair value revaluation	-	-	24,617	-
Conversion to ordinary shares	(40,111)	(72,411)	-	-
Effect of 3:1 share split	-	-	-	48,274
Outstanding as at 31 March	-	-	40,111	72,411

Volpara Health Technologies Limited
(NZ Company no. 2206998 / ARBN 609 946 867)
Notes to the consolidated financial statements
for the year ended 31 March 2017

18 Contingent assets and contingent liabilities

Capital commitments

The Group has no capital expenditure commitments at balance date (2016: Nil)

Operating lease commitments – Group as lessee

	2017	2016
	NZ\$'000	NZ\$'000
Less than one year	45	92
Between one and five years	-	49
	45	141

Contingent liabilities

As at 31 March 2017 the Group had no contingent liabilities or assets (2016: Nil).

19 Events after the end of the period

The Company entered into a lease agreement on 3 April 2017 for a new premises, to be occupied upon expiry of the existing lease.

20 Company details

The registered office and principal place of business is:

Volpara Health Technologies Limited
Level 12, 86 Victoria Street
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Wellington, 6011
New Zealand