Interim Financial Report

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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

Embracing change to power our mission

On October 19, 2020 Volpara Solutions became Volpara Health. The name change reflects Volpara's mission to prevent advanced-stage cancer and unleash a revolution in breast health. Volpara's powerful technology combined with patient engagement initiatives will empower women to demand more participation in breast cancer prevention and care.

In keeping with its goal to speak to women in respectful, clear language and relevant imagery, Volpara will also undergo a brand transformation. Volpara Health creative director Alex McNiece chose a refined palette of cool aqua, green and bright blue—colours that allude to water. McNiece explains, "Water signifies life, strength, movement, transformation and continuity—metaphors for what inspires this purpose-driven company."

A new logo employs the Volpara "v" to form the spokes of a circle, a visual nod to both the community that powers Volpara and the suite of products that come together in our integrated Breast Health Platform—which will be relaunched and renamed over the next several months. Each aspect of this platform is powered by Volpara Science—a set a clinically validated algorithms for assessing breast tissue composition, patient risk and imaging quality—to personalise patient care.

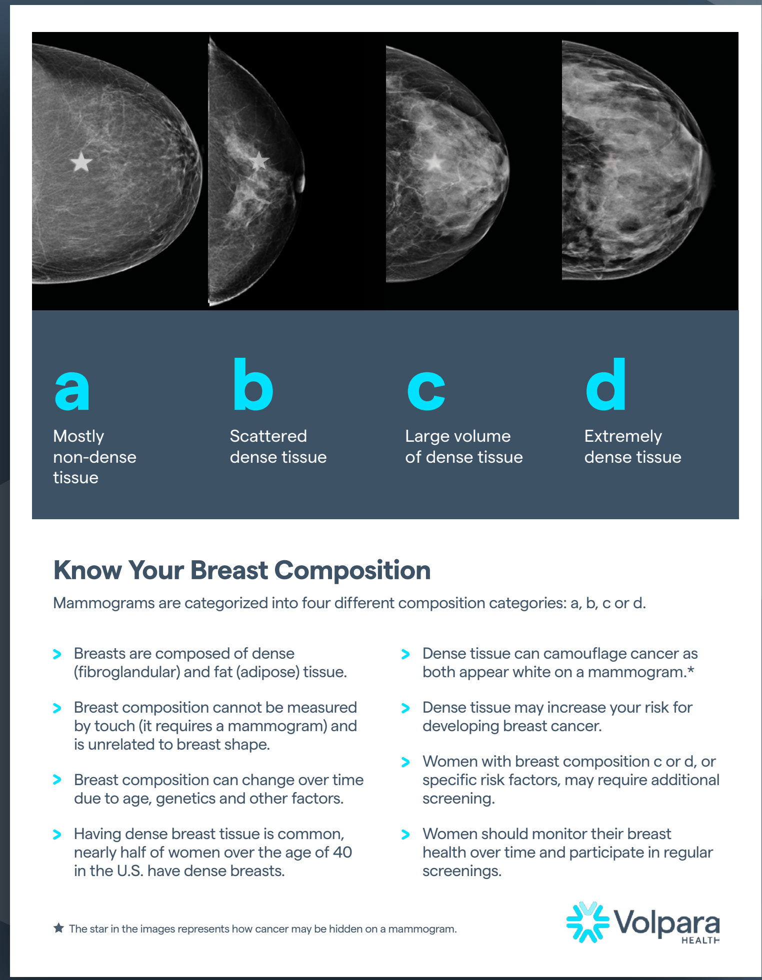
Along with the logo, the rebrand project will include a new website—coming soon—that puts women at the forefront of their care, providing information about the latest technology and educational resources at each step of their breast health journey. New Zealand, Volpara's worldwide headquarters, also has a starring role in the redesign, with its landscapes featured throughout the new site.

"This rebranding effort reflects our goal of providing clear information, fully supported by science, which empowers women to participate in their own breast health journey: what they should know, when they should get screened and how," explains Katherine Singson, CEO of the US subsidiary, Volpara Health, Inc.

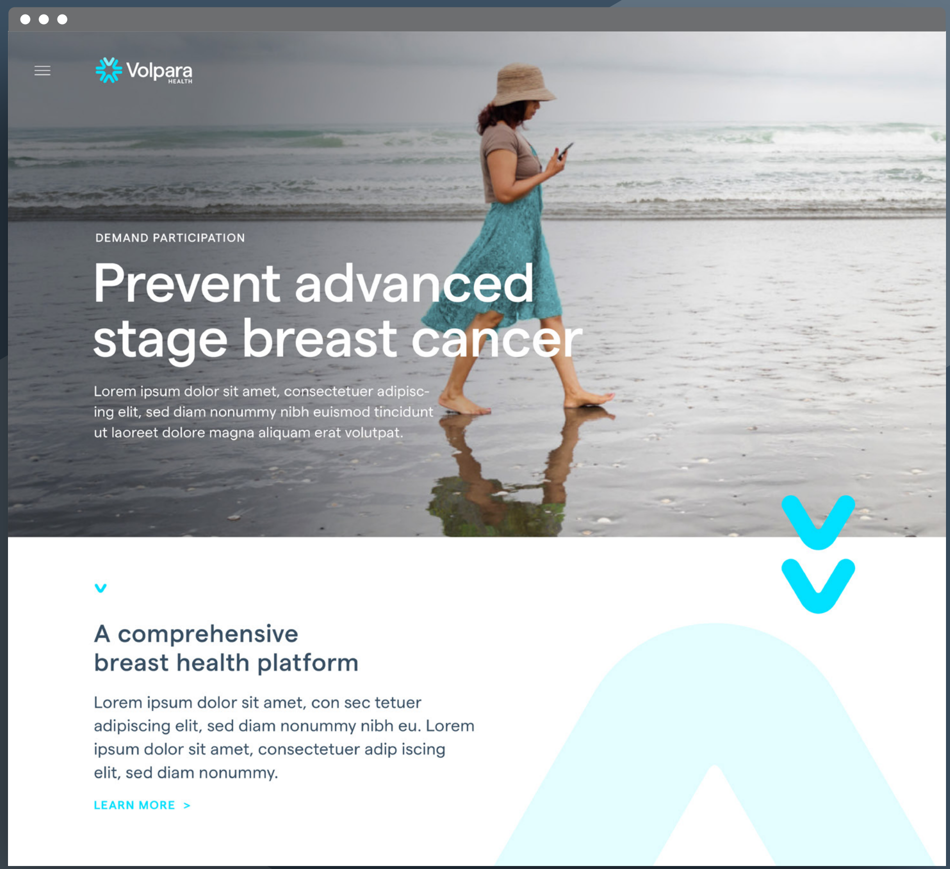
Volpara will continue to roll out new innovations for health care professionals and patients, so stay tuned—together we can prevent advanced-stage breast cancer.

SALES QUOTE COVER PAGE

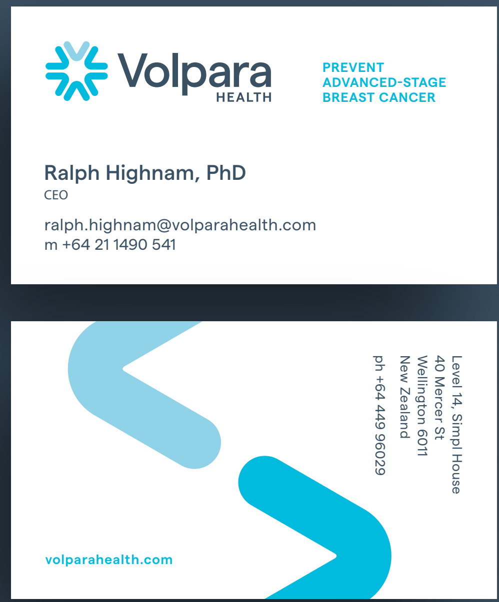
INFORMATION SHEET



NEW WEBSITE CONCEPT



BUSINESS CARD



$19.9m

ARR up from NZ$18m
from the year ending 31 March 2020

$9.5m

Revenue up 38%
compared to the prior corresponding period

$8.8m

Subscription revenue up 71%
compared to the prior corresponding period

92%

Gross Margin
up from 89% from the year ending 31 March 2020

29m+

Over 29 million deidentified images in our database

Interim Financial Report

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Directors' Report

The Directors are pleased to present their report in conjunction with the financial statements of Volpara Health Technologies Limited (Volpara or the Company) and its subsidiaries (together referred to as the Group) for the half-year (HY) ended 30 September 2020, and the auditor's report thereon. The financial statements have been reviewed by the Company's auditor and approved by the Directors on the recommendation of the Audit Committee.

Directors

The Directors of Volpara in office during the half-year and at the date of this report (unless otherwise stated) are as follows:

- Paul Reid (Chair)
- Dr Ralph Highnam (CEO)
- Roger Allen AM
- John Pavlidis
- John Diddams
- Dr Monica Saini
- Karin Lindgren

Results of operations

After an excellent finish to FY20, HY21 has brought with it many challenges, not least of which was the COVID-19 pandemic. However, Volpara has adapted quickly to the reality and uncertainties of a new world and has had a remarkably positive HY21, with an increase in Annual Recurring Revenue (ARR) of $1.9M to $19.9M (10.6 percent from FY20) and a corresponding increase in Accounting Revenues of $2.6M to $9.5M (38 percent up from $6.8M for HY20). The loss after tax for HY21 was $8.9M, but we remain in a solid financial position with $64.3M in the bank as at end September.

That strong financial position is in part due to the strategic decision we took at the start of the COVID-19 crisis. We initiated a capital raise, taking in A$37M in an oversubscribed funding round, for two reasons:

1. To strengthen the balance sheet so we can face the effects of COVID-19
2. To be ready for any M&A opportunities that might arise due to COVID-19

As per our various investor calls, we continue to work on M&A opportunities, but we will be very disciplined in this area. Any M&A move on our part requires the right deal at the right price and at the right time.

We also made multiple pivotal changes to the business during the HY to prepare for the new world. Those changes include moving to digital marketing so we are not reliant on trade shows and site visits for sales; moving towards marketing directly to women to have them demand our products; and welcoming Katherine Singson to the commercial team as CEO of our US subsidiary.

Part of Katherine's remit was to sharpen up all aspects of our branding. As we push more for keeping people healthy and own our position in the health tech space, we've changed the subsidiary name from Volpara Solutions, Inc., to Volpara Health, Inc. New branding, new product naming, and a new website, all accompanied by a more straightforward message, are in the works.

It was not just in sales and marketing that we made significant progress this HY. The Company completed a significant rework of the underlying product architecture to allow us to scale much more easily and cost-effectively as our footprint grows. This coincided with major new algorithm releases and the coming together of the Volpara Breast Health Platform, a full end-to-end solution for breast clinics with a focus on workflow and patient-first, risk-stratified screening.

Operating costs have increased year on year. However, HY20 included only three and a half months with MRS Systems, Inc. Therefore, on a run-rate basis, costs are running similarly to the prior period. With the above-mentioned restructuring and other cost-saving-initiatives, costs are running at or below those of the previous period.

Cash inflows is an important metric to track for a growing SaaS business as it shows we are progressing towards our goal of being a self-sustainable, cash flow–positive business. For HY21, Group cash receipts increased by over 33 percent to NZ$9.6M. Importantly, and as is valid for revenue from customers as well, the proportion relating to subscriptions increased 71 percent year on year, whereas capital receipts decreased by 48 percent. This is in line with our expectations as we transition to a fully subscription-based business.

The SaaS metrics have continued to show solid growth, with ARR increasing from NZ$18.0M to NZ$19.9M over the period. Average Revenue Per User (ARPU) also increased over the period, from US$1.04 to US$1.16, showing the fruits of the acquisition of MRS Systems, Inc., in HY20. Through the sale of the Volpara Breast Health Platform, we are seeing customers embrace Volpara's vision of bringing together best-of-breed products to provide clinics with an end-to-end solution for breast imaging.

Additional highlights of this HY include the following:

- Over NZ$64M cash on hand at the end of HY21, with NZ$2.6M of debt in the form of the US Government COVID-19 loan. Volpara recently applied for forgiveness but the application remains pending.
- Our largest-ever sale to a single customer with a Total Contract Value of more than US$1.6M over five years. Promisingly, the sale was to an existing Volpara®Enterprise™ customer, who has now purchased Volpara®Density™, Aspen Breast™, and Volpara®Risk™ software.
- The first complete Volpara Breast Health Platform sale, which includes VolparaDensity, VolparaEnterprise, Aspen Breast, VolparaRisk, and ScreenPoint's Transpara® software.
- Continued expansion of our APAC footprint, particularly in Australia with sales to Sonic Healthcare and Dr Jones & Partners, bringing our total number of customers in that country to 15.
- A steady increase in Aspen Lung™ customers, with now almost NZ$1M in ARR.

Outlook

As a rapidly growing SaaS company, Volpara will continue to drive toward the following goals for the next six months:

- The release of refreshed branding, product naming, website, etc., over the next period.
- Continued sales growth as the Volpara Breast Health Platform starts to resonate with customers and our world-leading product architecture makes software upgrades a simple process.
- Increase multiple product sales into our existing customer base.
- A razor-sharp focus on customer happiness and keeping churn rates as low as possible. Hospital budgets are under pressure due to COVID-19 and our job is to show customers the value our products bring.

We will also await the release of the FDA's breast density legislation, delayed due to COVID-19.

Dividends

No dividends have been paid or proposed.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Paul Reid
Chair

Ralph Highnam, PhD
Chief Executive Officer

Dated this 25th November 2020

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out below.

pwc

Auditor's Independence Declaration

As lead auditor for the review of Volpara Health Technologies Limited for the half-year ended 30 September 2020, 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 Volpara Health Technologies Limited and the entities it controlled during the period.

Kevin Brown
Partner
PricewaterhouseCoopers

Wellington
25 November 2020

Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Consolidated statement of profit or loss and other comprehensive income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	2020 Unaudited NZ$'000	2019 Unaudited NZ$'000
REVENUE			
Revenue from contracts with customers	4	9,465	6,844
Cost of revenue	5	(783)	(770)
Gross profit		**8,682**	**6,074**
Government grants and other operating income		1,001	500
Sales and marketing	5	(6,518)	(5,894)
Product research, development and engineering	5	(7,218)	(4,580)
General and administration	5	(5,523)	(4,924)
Foreign exchange (losses)/gains		(261)	468
Net loss for the period before interest and tax		**(9,837)**	**(8,356)**
Finance income		389	358
Finance expense		(92)	(30)
Net loss for the period before tax		**(9,540)**	**(8,028)**
Income tax benefit		675	20
Net loss for the period after tax		**(8,865)**	**(8,008)**
OTHER COMPREHENSIVE INCOME			
Net loss for the period		(8,865)	(8,008)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss (net of tax):			
Exchange differences on translation of foreign operations		(1,885)	90
Other comprehensive (expense)/income for the year (net of tax)		**(1,885)**	**90**
Total comprehensive loss for the year, net of tax		**(10,750)**	**(7,918)**
Basic and diluted loss per share (NZ$)	6	(0.04)	(0.04)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

AS AT 30 SEPTEMBER 2020

	Notes	As at 30 September 2020 Unaudited NZ$'000	As at 31 March 2020 Audited NZ$'000
ASSETS			
Non-current assets			
Fixed assets		838	1,029
Intangible assets	9	23,579	26,233
Right-of-use assets		3,055	3,519
Contract costs		1,516	1,593
Deferred tax assets		72	-
Total non-current assets		**29,060**	**32,374**
Current assets			
Cash and cash equivalents		9,919	3,673
Cash on deposit		54,374	27,705
Trade receivables		6,414	7,103
Contract assets		571	440
Prepayments and other receivables		1,612	1,186
Inventory		83	54
Contract costs		469	389
Total current assets		**73,442**	**40,550**
Total assets		**102,502**	**72,924**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	180,496	140,078
Share option reserve	7	3,174	3,326
Foreign currency translation reserve		(500)	1,385
Accumulated losses		(101,434)	(92,569)
Total equity		**81,736**	**52,220**
Non-current liabilities			
Lease liabilities		2,756	3,159
Borrowings	10	1,155	-
Deferred tax liabilities		949	1,641
Total non-current liabilities		**4,860**	**4,800**
Current liabilities			
Trade and other payables		3,447	4,530
Deferred revenue		10,457	10,769
Lease liabilities		538	605
Borrowings	10	1,464	-
Total current liabilities		**15,906**	**15,904**
Total liabilities		**20,766**	**20,704**
Total equity and liabilities		**102,502**	**72,924**

For and on behalf of the Board, who authorised the issue of these consolidated financial statements on 25 November 2020.

Ralph Highnam John Diddams

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

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	Share capital NZ$'000	Share option reserve NZ$'000	Foreign currency translation reserve NZ$'000	Accumulated losses NZ$'000	Total equity NZ$'000
Unaudited **Balance at 1 April 2020**		**140,078**	**3,326**	**1,385**	**(92,569)**	**52,220**
Net loss for the period after tax		-	-	-	(8,865)	(8,865)
Other comprehensive loss		-	-	(1,885)	-	(1,885)
Total comprehensive loss for the period, net of tax		**-**	**-**	**(1,885)**	**(8,865)**	**(10,750)**
Transactions with owners:						
Issue of share capital from placement and share purchase plan	6	39,499	-	-	-	39,499
Costs of placement and share purchase plan capital raise		(1,601)	-	-	-	(1,601)
Issue of share capital from exercise of share options		2,520	(885)	-	-	1,635
Forfeiture of share options	7	-	(423)	-	-	(423)
Recognition of share-based payments	7	-	1,156	-	-	1,156
Balance at 30 September 2020		**180,496**	**3,174**	**(500)**	**(101,434)**	**81,736**
Unaudited **Balance at 1 April 2019**		**84,129**	**2,374**	**(113)**	**(72,208)**	**14,182**
Net loss for the period after tax		-	-	-	(8,008)	(8,008)
Other comprehensive income		-	-	90	-	90
Total comprehensive loss for the period, net of tax		**-**	**-**	**90**	**(8,008)**	**(7,918)**
Transactions with owners:						
Issue of share capital from placement and accelerated non-renounceable entitlement offer (ANREO)		58,032	-	-	-	58,032
Costs of placement and ANREO		(3,118)	-	-	-	(3,118)
Issue of share capital from exercise of share options		795	(327)	-	-	468
Forfeiture of share options		-	(9)	-	6	(3)
Recognition of share-based payments	7	-	513	-	-	513
Balance at 30 September 2019		**139,838**	**2,551**	**(23)**	**(80,210)**	**62,156**

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

Consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	2020 Unaudited NZ$'000	2019 Restated Unaudited NZ$'000
OPERATING ACTIVITIES		
Receipts from customers	9,644	7,242
Payments to suppliers and employees	(18,595)	(14,980)
Other income received	932	460
Net interest received	908	174
Net taxes paid	(89)	(109)
Business integration and acquisition expenses[1]	(537)	(624)
Payment of low value asset leases	(48)	(25)
Net cash utilised in operating activities	**(7,785)**	**(7,862)**
INVESTING ACTIVITIES		
Purchases of property and equipment	(46)	(437)
Payments for intangible assets	(488)	(50)
Acquisition of subsidiary net of cash acquired	-	(22,003)
Payments into term deposits	(92,874)	(32,806)
Receipts from term deposits	65,815	10,468
Net cash utilised in investing activities	**(27,593)**	**(44,828)**
FINANCING ACTIVITIES		
Proceeds from issue of share capital from placement, share purchase plan and ANREO	39,499	58,032
Transaction costs of raising capital	(1,601)	(3,118)
Proceeds from exercise of share options	1,636	469
Proceeds from borrowings	2,822	-
Payment of principal portion of the lease liabilities	(279)	(102)
Net cash provided by financing activities	**42,077**	**55,281**
Net increase in cash and cash equivalents	**6,699**	**2,591**
Effects of currency translation on cash and cash equivalents	(453)	529
Cash and cash equivalents as at 1 April	3,673	4,112
Cash and cash equivalents at the end of the period[2]	**9,919**	**7,232**

1 Reclassed from investing activities to operating activites. Refer to note 2.5.
2 Cash and cash equivalents does not include cash on deposits totalling NZ$54m.
The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated interim financial statements (unaudited)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. CORPORATE INFORMATION

The consolidated interim financial statements of Volpara Health Technologies Limited (the Company or Volpara) and its subsidiaries (collectively, the Group) for the period ended 30 September 2020 were authorised for issue in accordance with a resolution of the Directors on 25 November 2020. The Directors have the power to amend and reissue the financial statements.

Volpara (the Company and the ultimate parent) is a limited liability company incorporated and domiciled in New Zealand and whose shares are publicly traded. Its principal place of business and registered office is Level 14, 40 Mercer Street, Wellington 6011, New Zealand.

Volpara is designated as a for-profit company incorporated under the Companies Act 1993 (NZCN: 2206998) and is listed on the Australian Securities Exchange. The Company is also registered in Australia (ARBN: 609 946 867). The Company's principal sales and services are in the medical device and practice management software industry.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation
The consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of New Zealand International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: Interim Financial Reporting.

2.2 New standards, interpretations and amendments adopted by the Group
The consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's annual report for the year ended 31 March 2020.

2.3 Functional and presentation currency
Items included in the consolidated interim financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated interim financial statements are presented in New Zealand Dollars ($) which is the Parent's functional currency and are rounded to the nearest thousand ($'000), except where explicitly stated.

2.4 Accounting estimates
Impairment of non-financial assets
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). This includes intangible assets such as patents and software and also includes goodwill acquired through business combinations.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount and an impairment loss is recognised immediately in the profit or loss.

2.5 Restatement of comparatives
To ensure consistency with the current period, comparative figures have been restated where appropriate.

An adjustment was made to the classification of business integration and acquisition expenses in the consolidated statement of cash flows. The $624k relating to costs associated with the acquistion of MRS Systems, Inc. were originally classified as an investing activity within the consolidated statement of cash flows. Upon further inspection of the applicable accounting standards, it was noted that this should be classified as an operating activity. This adjustment reflects this reclassification.

There is no impact to the consolidated statement of profit or loss or to the consolidated statement of financial position of the Company.

2.6 Going concern
The considered view of the Directors of the Group is that the going concern assumption is valid. This view has been reached after making due enquiry and having regard to the circumstances which the Directors consider will occur and are reasonably likely to affect the Group during the period of one year from the date these consolidated interim financial statements are approved.

The Group recorded a net loss of $8,865k for the half-year ended 30 September 2020 and is expected to make further losses for the remainder of financial year 2021.

The Group has prepared forecasts which indicate that cash on hand at the six month period end, combined with cash flow as a result of operations, will enable the Group to continue operating and satisfy its going concern requirements.

3. SEGMENT INFORMATION

The Board of Directors, assessed to be the Group's Chief Operating Decision Maker (CODM), receives financial reports for each region as defined by the four operating subsidiaries and head office (Corporate). The reporting to the CODM has been aggregated into four reporting segments based on region and separating out head office. This aggregation is based on products, customers, distribution methods and the regulatory environment being similar in each region.

No single customer contributes more than 10% of the Group's revenue.

The Group derives its revenue from the sale of clinical functions and patient tracking software. The clinical functions business is sold world-wide, whereas the patient tracking software to date has been sold predominantly in North America.

The CODM assesses the performance of the reportable segments based on net profit/(loss) after tax. The segment information provided to the Board of Directors for the half year ended 30 September 2020 is as follows:

2020

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
Revenue from Breast contracts:					
- SaaS	4,552	64	143	-	4,759
- SMA	3,391	4	12	-	3,407
- Capital	607	-	43	-	650
Revenue from Lung contracts	649	-	-	-	649
Total revenue	**9,199**	**68**	**198**	**-**	**9,465**
Cost of revenue	(714)	(30)	(39)	-	(783)
Gross profit	**8,485**	**38**	**159**	**-**	**8,682**
Government grants and other operating income	17	87	93	804	1,001
Sales and marketing	(5,694)	(240)	(450)	(134)	(6,518)
Product research, development and engineering	(2,526)	(227)	(5)	(4,460)	(7,218)
General and administration	(2,698)	(27)	(71)	(2,727)	(5,523)
Foreign exchange gains/(losses)	7	(1)	-	(267)	(261)
Net loss before interest and tax	**(2,409)**	**(370)**	**(274)**	**(6,784)**	**(9,837)**
Finance income	-	-	(2)	391	389
Finance expense	(46)	-	-	(46)	(92)
Net loss for the period before tax	**(2,455)**	**(370)**	**(276)**	**(6,439)**	**(9,540)**
Income tax benefit/(expense)	638	(2)	39	-	675
Net loss for the period after tax	**(1,817)**	**(372)**	**(237)**	**(6,439)**	**(8,865)**

3. SEGMENT INFORMATION (CONTINUED)

2019

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
Revenue from Breast contracts:					
- SaaS	2,706	67	153	-	2,926
- SMA	2,039	4	6	-	2,049
- Capital	1,529	-	125	-	1,654
Revenue from Lung contracts	215	-	-	-	215
Total revenue	**6,489**	**71**	**284**	**-**	**6,844**
Cost of revenue	(676)	(30)	(64)	-	(770)
Gross profit	**5,813**	**41**	**220**	**-**	**6,074**
Government grants and other operating income	-	-	-	500	500
Sales and marketing	(5,015)	(120)	(513)	(246)	(5,894)
Product research, development and engineering	(1,258)	(119)	(20)	(3,183)	(4,580)
General and administration	(1,148)	(56)	(8)	(3,712)	(4,924)
Foreign exchange gains	26	-	13	429	468
Net loss before interest and tax	**(1,582)**	**(254)**	**(308)**	**(6,212)**	**(8,356)**
Finance income	4	-	1	353	358
Finance expense	(17)	-	-	(13)	(30)
Net loss for the period before tax	**(1,595)**	**(254)**	**(307)**	**(5,872)**	**(8,028)**
Income tax benefit/(expense)	-	32	(12)	-	20
Net loss for the period after tax	**(1,595)**	**(222)**	**(319)**	**(5,872)**	**(8,008)**

Segment non-current assets

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
As at 30 September 2020	24,535	-	-	2,937	27,472
As at 31 March 2020	27,996	-	-	2,785	30,781

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognises revenue from goods and services provided under three main contract types:
- Capital sales contracts which involve the outright sale of software and associated items;
- Software Maintenance Agreements (SMAs) to support previous Capital sales;
- Software as a Service (SaaS) contracts which involve the sale of software on a subscription basis and where applicable, cloud based support (and associated items).

Disaggregation of revenue
The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major categories:

Unaudited
For the period ended 30 September 2020

	Capital sales NZ$'000	Software maintenance agreements NZ$'000	Software as a Service NZ$'000	Total NZ$'000
Timing of revenue recognition				
Goods or services transferred at a point in time	650	-	1,273	**1,923**
Services transferred over time	-	3,407	4,135	**7,542**
Total revenue from contracts with customers	**650**	**3,407**	**5,408**	**9,465**

Unaudited
For the period ended 30 September 2019

	Capital sales NZ$'000	Software maintenance agreements NZ$'000	Software as a Service NZ$'000	Total NZ$'000
Timing of revenue recognition				
Goods or services transferred at a point in time	1,654	-	609	**2,263**
Services transferred over time	-	2,049	2,532	**4,581**
Total revenue from contracts with customers	**1,654**	**2,049**	**3,141**	**6,844**

Where invoicing occurs in advance of the performance of the various performance obligations a corresponding deferred revenue obligation is recognised. This is then subsequently recognised as revenue as the obligations are met.

5. OPERATING EXPENSES AND COST OF REVENUE

Six months ended 30 September	2020 Unaudited NZ$'000	2019 Unaudited NZ$'000
Salaries and benefits	9,060	7,711
Research and development costs not capitalised	3,505	1,774
Superannuation contributions	1,193	791
Advertising and marketing	376	552
Travel	31	641
Consulting and subcontracting	727	622
Share-based payments expense	732	511
Customer cloud costs	466	436
Business integration and acquisition expenses	196	624
Impairment of right-of-use asset	-	163
Directors fees	182	195
Depreciation and amortisation	1,459	361
Movement in provision for expected credit losses	65	32
Review of interim financial statements - PwC	35	35
Callaghan grant review - 2020: PwC / 2019: Deloitte Limited	6	6
Bad debts written off	23	-
Low-value lease expenses	46	25
Other operating expenses	1,940	1,689
Total cost of revenues and operating expenses *	**20,042**	**16,168**

* This total excludes foreign exchange gains/(losses).

6. SHARE CAPITAL AND EARNINGS PER SHARE (EPS)

On 21 April 2020, the Group successfully completed an institutional placement of A$28M (NZ$29.8M). Then, on 13 May 2020, the Group competed its share purchase plan of A$9M (NZ$9.7M).

	As at 30 September 2020 Unaudited		As at 31 March 2020 Audited	
Fully Paid Ordinary Shares	NZ$'000	000's	NZ$'000	000's
In issue as at 1 April	140,078	218,480	84,129	179,350
Exercise of share options	2,520	3,878	1,042	2,466
Issue of share capital from placement	29,768	21,538	47,485	30,000
Issue of share capital from share purchase plan	9,731	6,923	10,547	6,664
Issue costs	(1,601)	-	(3,125)	-
Closing balance	**180,496**	**250,819**	**140,078**	**218,480**

Dividends
No dividends have been declared or paid for the six month period ended 30 September 2020 (2019: nil).

Earnings per share
Basic earnings per share is calculated by dividing net loss for the period after tax by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has potential ordinary shares in the form of share options however as these are anti-dilutive due to the Company being in a loss position, the earnings per share and diluted earnings per share are the same.

The following reflects the income and share data used in the basic and diluted EPS computations:

Six months ended 30 September	2020 Unaudited	2019 Unaudited
Net loss after tax attributable to the shareholders (NZ$'000)	(8,865)	(8,008)
Ordinary number of shares ('000's)	250,819	218,063
Weighted average number of shares on issue ('000's)	243,589	202,017
Basic and diluted (loss) per share	**(0.04)**	**(0.04)**

7. SHARE-BASED PAYMENTS

The Group operates two equity settled share-based incentive plans for Directors, Executives, senior management, employees, and others of the Company and its subsidiaries. The plans are designed to retain key personnel. There is a legacy share option plan (Legacy ESOP) that was in operation from 2009 until the Initial Public Offering (IPO). Since the IPO a new employee share option plan (New ESOP) has been in operation.

The value of the services rendered for the grant of the share options is recognised as an expense over the vesting period (which ranges from 0 to five years or upon meeting stipulated milestones). The amount is determined by reference to the fair value of the share options granted which is calculated using the Black-Scholes options model. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired, adjusted for the Group's best estimate of the number of equity instruments that will be forfeited. The expense or credit in profit or loss for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The share option reserve arises on recognition of the share-based payment expense. Amounts are transferred out of the reserve and into issued capital when the options are exercised, or into retained earnings when options lapse or are forfeited.

Legacy ESOP
There were no new options issued under this model for the six months ended 30 September 2020 (30 September 2019: nil).

New ESOP
The Group issued 1,944,100 options during the six month period. The fair value of options granted during the period was estimated on the grant date using the following assumptions:

	Six months ended 30 September 2020 Unaudited	Year ended 31 March 2020 Audited
Grant date share price	A$ 1.14 - 1.79	A$ 1.39 - 1.85
Exercise price	A$ 1.30 - 1.84	A$ 1.51 - 1.84
Expected volatility	50.00%	50.00%
Option life	7 years	7 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.63% - 0.81%	0.79% - 1.19%

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's principal financial instruments comprise receivables, payables, cash, cash on deposit and borrowings.

The Group classifies its financial assets at amortised cost.

The Group classifies its financial liabilities at amortised cost.

The carrying amounts of these assets and liabilities do not materially differ from their fair values.

There were no transfers between classes of financial instruments during the six month period.

Refer to the 31 March 2020 Annual Report for further details on the Group's financial risk management objectives.

9. INTANGIBLE ASSETS

	Goodwill NZ$'000	Software development NZ$'000	Patents, trademarks and copyrights NZ$'000	Customer Relationships NZ$'000	Total NZ$'000
COST					
Balance as at 1 April 2020	8,220	7,103	4,094	8,375	**27,792**
Additions	-	476	22	-	**498**
Disposals and write-offs	-	-	-	-	-
Foreign exchange differences	(707)	(568)	(318)	(723)	**(2,316)**
Balance as at 30 September 2020	**7,513**	**7,011**	**3,798**	**7,652**	**25,974**
Amortisation and Impairment					
Balance as at 1 April 2020	-	(569)	(655)	(335)	(1,559)
Amortisation	-	(420)	(373)	(197)	(990)
Disposals and write-offs	-	-	-	-	-
Foreign exchange differences	-	55	64	35	154
Balance as at 30 September 2020	**-**	(934)	(964)	(497)	(2,395)
Net book value	7,513	6,077	2,834	7,155	23,579

10. BORROWINGS

In May 2020, the Group received approximately US$1.7M (NZ$2.6M) as part of the US government's Paycheck Protection Program (PPP) loan scheme established in response to COVID-19. Under the terms of the loan, the loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period.

As of 30 September 2020, the Group has used the entire loan proceeds to fund its payroll and rent expenses. Applications for loan forgiveness opened in November 2020 and Volpara has applied for forgiveness but no decision has been received. The Group has assessed that reasonable assurance as to the forgiveness of the loan does not exist at period end. As a result, the loan has been, and will continue to be, classified as debt. Should the loan not be forgiven, Volpara would be required to repay the loan over an 18 month period from December 2020 at an interest rate of 1% per annum. If the loan is forgiven the proceeds will be reclassified as Other Income at that time.

11. RELATED PARTIES

Details of all related party relationships have been disclosed in the annual report for the year ended 31 March 2020. For the current six month interim period, no new transactions with directors occurred that would be considered a related party transaction. The value of outstanding balances payable to key management and Directors at balance date total $191,000 (31 March 2020: $128,000).

During the six month period ended 30 September 2020, 450,000 share options were issued to Karin Lindgren, 279,500 share options were issued to Mark Koeniguer, 402,200 share options were issued to Ralph Highnam, and 74,900 share options were issued to Craig Hadfield.

Certain Directors participated in the share purchase plan - John Diddams acquired 23,076 shares and Ralph Highnam acquired 23,076 shares.

12. CONTINGENCIES AND COMMITMENTS

The Group had no contingencies or commitments to purchase fixtures or equipment as at 30 September 2020 (30 September 2019: nil).

13. EVENTS AFTER THE BALANCE DATE

There were no significant events between balance date and the date these financial statements were authorised for issue.

14. IMPACT OF COVID-19

In the Annual Report it was noted that there had not been any clear, significant impact yet on our business as a result of COVID-19, but that any developments relating to COVID-19 would continue to be monitored closely.

The Directors considered the following facts and circumstances known at the date of this report, in assessing the potential impacts on the financial statements in light of COVID-19:

- Screening volumes, as seen through our real-time monitoring of all customers, have returned to pre-COVID levels and in fact have surpassed those recently by more than 50%. This provides greater clarity that the reduction in screening of 90% at the start of the COVID-19 pandemic was likely an anamoly with screening considered critical for keeping deaths from breast cancer down
- As noted in the Annual Report the Group's administrative functions operate globally and have been able to operate satisfactorily during the periods of restrictions. In particular our US office, based in Washington, has remained closed since early March.
- Cash receipts from customers have remained robust throughout the last 6-8 months with no material increase in customer credit risk noted. We do not expect any significant changes in credit risk going forward, but will continue to monitor closely as the second wave of COVID-19 impacts hospitals and clinics.
- Impairment testing has been performed over the Group's indefinite life intangible assets. Flex testing the valuations, which have significant headroom, provides the Directors with confidence that reasonable deviations from expected cash flows will not result in impairment.
- The Group has sufficient funds to enable it to meet its cash flow requirements.

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Independent review report

To the Shareholders of Volpara Health Technologies Limited

Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Volpara Health Technologies Limited (the Company) and its controlled entities (the Group), which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2020, and its financial performance and cash flows for the six-month period then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of a limited assurance review of the Group's Callaghan Grant return, security penetration testing, advisory services relating to IT security risks, and the provision of a market survey relating to executive remuneration levels. The provision of these other services has not impaired our independence.

Directors' responsibility for the interim financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the interim financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, PO Box 243, Wellington 6140, New Zealand
T: +64 4 462 7000, pwc.co.nz

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our review work has been undertaken so that we might state to the Company's Shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Kevin Brown.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
25 November 2020

Wellington

Corporate Directory

REGISTERED OFFICE
Volpara Health Technologies Limited
Level 14, 40 Mercer Street
Wellington Central
Wellington, 6011
New Zealand

BOARD OF DIRECTORS
Paul Reid - Chair, Non-Executive Independent
Dr Ralph Highnam - Chief Executive Officer

Roger Allen AM - Non-Executive
John Pavlidis - Non-Executive Independent
John Diddams - Non-Executive Independent
Dr Monica Saini - Chief Medical Officer
Karin Lindgren - Non-Executive Independent

COMPANY SECRETARY
Craig Hadfield

NEW ZEALAND INCORPORATION
The Company is registered under the laws of
New Zealand, company number 2206998

AUSTRALIAN REGISTERED BODY NUMBER (ARBN)
609 946 867

THE COMPANY'S REGISTERED OFFICE ADDRESS IN AUSTRALIA
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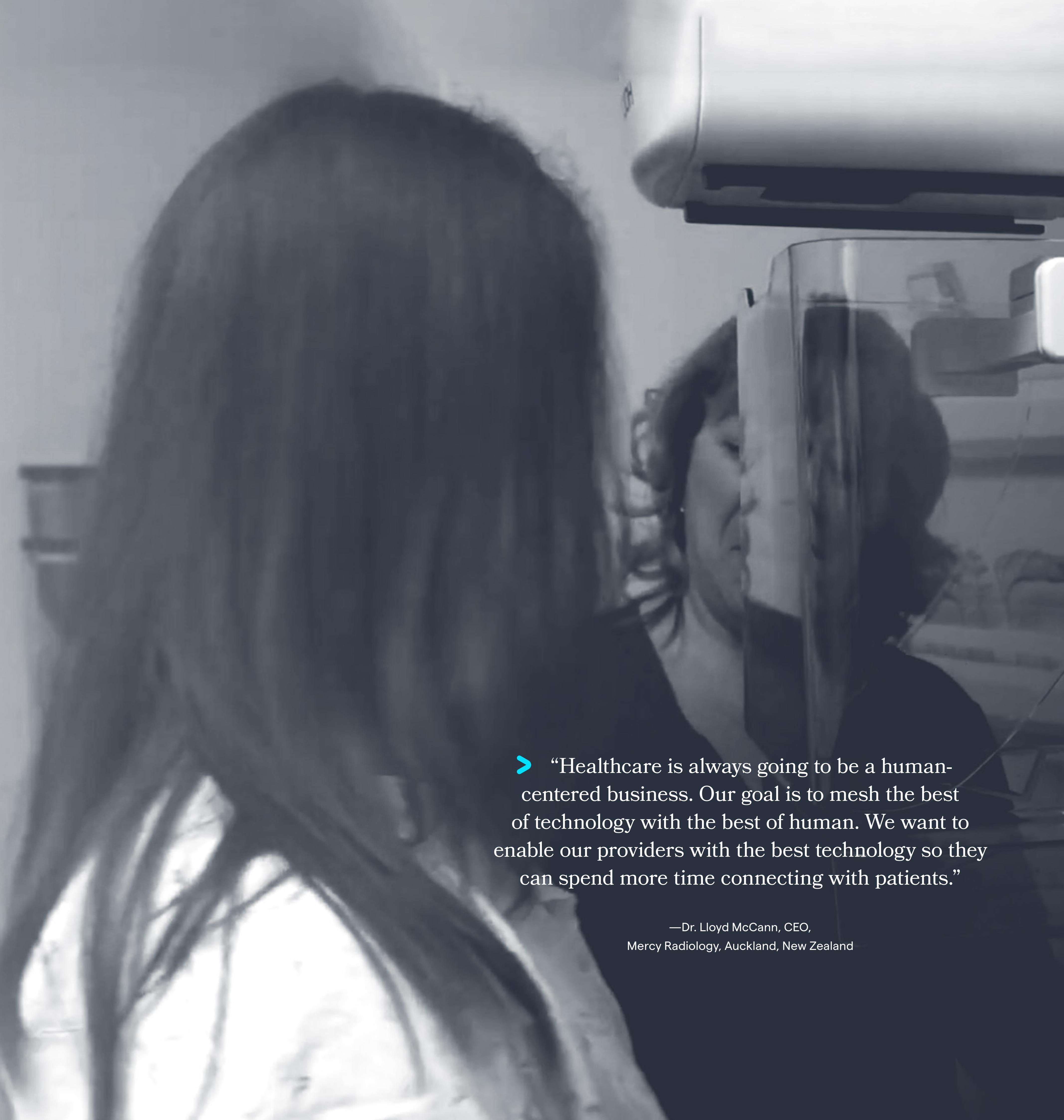
LEGAL ADVISERS
Davis Wright Tremaine LLP (USA)
Mills Oakley (Australia)
Simmonds Stewart (New Zealand)

BANKERS
1st Security Bank (USA)
Bank of America (USA)
Banner Bank (USA)
JPMorgan Chase Bank (USA)
Key Bank (USA)
Kiwibank (New Zealand)
Lloyds Bank (United Kingdom)
NAB (Australia)



> "Healthcare is always going to be a human-centered business. Our goal is to mesh the best of technology with the best of human. We want to enable our providers with the best technology so they can spend more time connecting with patients."

—Dr. Lloyd McCann, CEO,
Mercy Radiology, Auckland, New Zealand

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