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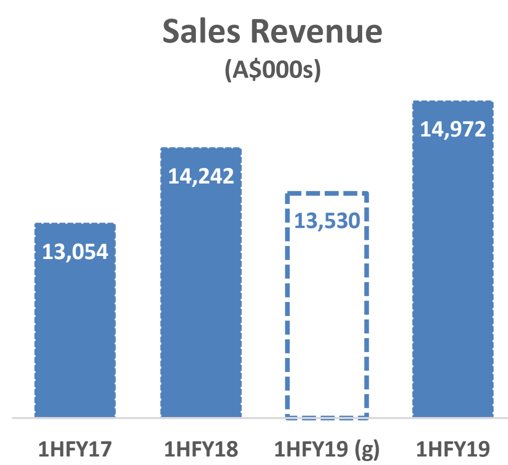
ASX Release

Strong Underlying Performance in Challenging Trading Environment

- **Sales revenue up 10.7% on November guidance despite difficult conditions**
- **Reported NPAT loss of $0.47 million**
- **Normalised NPAT profit of $0.26 million shows strength of underlying operations**
- **Continuing strong order book supports future revenue growth**
- **Inventory growth of $1.1 million (18%) positions the business to fulfil its growing order book**
- **Cash on hand as at 31 December 2018 was $2.01 million**

Azure Healthcare Limited **(ASX: AZV)** announces sales revenue of $14.97 million, outperforming the November guidance by 10.7%. In November 2018, the board also updated the market on the impact of the US administration's trade policy. The 1HFY19 revenue result represents an increase of 5.1% over the previous corresponding period.

The business experienced higher than expected sales revenue, in spite of the continued difficulties arising from the USA tariff issues and their impact on our supply chain. Growth in software revenue was consistent with the overall growth in sales revenue, remaining at 11% of total sales revenue.



NPAT for the first half was a loss of $0.47 million compared with a profit of $0.44 million in the previous corresponding period, a variance of $0.91 million. Of this variance, one-off management restructuring costs of $0.54 million, and a $0.18 million write-down of project expenses were incurred.

Adding back these costs, normalises NPAT to $0.26 million, reflecting the fundamental soundness of the business during a time of significant tension and uncertainty in the international marketplace.

Normalised Profit

A$000s	1HFY19	Add back One-Off Costs	1HFY19 (normalised)
Gross Profit	6,662	(181)	6,843
Overhead	(7,111)	(544)	(6,567)
NPBT	(449)	-	276
NPAT	(465)	-	260

Overheads totaled $7.11 million with normalised overhead of $6.57 million broadly consistent with the previous corresponding period of $6.4 million.

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The cost of goods has increased as a result of businesses placing significantly large orders with China-based components suppliers to avoid the expected new imposts. Similarly, inventory increased by 18% over the half from $6.05 million to $7.17 million to meet the requirements of a strong and growing order book, and it is anticipated that a further increase will be necessary in the second half to fulfil these orders.

The business continues to generate sound cashflow from operations with a 48.9% increase to $0.68 million in the half over $0.45 million in 1HFY18. Total debt was reduced by a further $0.24 million to $0.41 million. Net cash flow for the half was negative $0.26 million and cash on hand at 31 December was $2.01 million.

The business invested $1.68 million in research and development over the half, consistent with $1.72 million during the previous corresponding period. In 1HFY19, $0.8 million of the development expense was capitalised in line with the board's revised policy as outlined in the FY18 results. At the global HIMSS19 health technology conference our hardware exhibited its continued superiority over the competition, with the industry showing great interest in our software offering. It is expected that recurring revenue from software will continue to grow in the second half.

Chief Executive Officer, Clayton Astles, said, "The board remains committed to further development of our software capability, providing the business with a high margin, annuity-based revenue stream.

"We are continuing to experience strong demand across all our geographic segments with a suite of products which maintains our market leading position. This result is in spite of the uncertainty of the international environment and testimony to the strength of our underlying business," said Mr Astles.

"The fundamentals of the turnaround activity remain embedded in the operations and we are cautiously optimistic, with our order book continuing to be at unprecedented levels, that our second half of revenue will be at or slightly above the 1HFY19 level, irrespective of our supply chain constraints," he said.

Further Information

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About Azure Healthcare Limited (ASXCode – AZV)

Azure Healthcare Limited is an international provider of healthcare communication and clinical workflow management solutions. Headquartered in Australia, the company has subsidiaries in six countries and supports healthcare facilities through its global reseller network which includes growing markets in health, aged care and acute care. Azure Healthcare services markets including Australia, New Zealand, Canada, UK, USA, Asia and the Middle East. For further information please refer to the Company's website www.azurehealthcare.com.au