



ASX release

3 July 2014

Market update

AtCor Medical Holdings Limited (ASX:ACG), the developer and marketer of the SphygmoCor® system which noninvasively measures central aortic blood pressures and arterial stiffness, announced today that sales are below company expectations, driven by delays experienced in finalising pharmaceutical contracts which were expected to be signed during the second half of the financial year.

The pharmaceutical market is AtCor's largest market, and normally represents about 60% of AtCor's business. Market uncertainty experienced in the first half of FY2014 has continued and the company expects to report FY2014 revenue of approximately \$5.0million. AtCor anticipates a net loss in the range of \$2.2 million to \$2.6 million, subject to audit and completion of accounts. Cash balance at 30 June will finish at approximately \$2.2m. Projected cash outflow for 1H FY2015 will be substantially lower than 2H FY2014 based on AtCor's improved receivable balance, R&D tax credit due and budgeted expenses savings. AtCor does not anticipate a need to raise capital for operating purposes.

The delays in completing pharmaceutical contracts are attributable to sector consolidation and reorganisation, and extensions to current clinical trials slowing commencement of new study phases. AtCor retains a strong pipeline of potential new business which is currently valued at US\$16 million. Importantly, AtCor has not lost any pharmaceutical trial contracts to competitors. While the contracting process has lengthened, the need for pharmaceutical companies to complete clinical trials is unchanged as they are a necessary step to develop and validate the effectiveness of new drugs. As central aortic pressures are increasingly measured in clinical practice, there will be greater incentive for pharmaceutical companies to understand well in advance how their drugs impact central pressures.

Excluding its pharmaceutical clinical trials business, AtCor's sales in Asia Pacific, Europe and to clinical specialists in the Americas are growing. Sales to the US research market declined in FY2014 as a client's large one-off order for an US National Institutes of Health study in 2013 was not repeated.

AtCor achieved a number of milestones during the year. The strategic alliance with SunTech Medical led to the development and launch of the ambulatory blood pressure monitoring product – Oscar 2™ with SphygmoCor inside – at the European Society of Hypertension meeting in June. Subject to regulatory approval, Oscar 2 will be available for sale later in 2014 and marketed jointly by AtCor and SunTech. Following regulatory clearance in China, AtCor and its distributor, Angy China Medical, welcomed the first Chinese order for 11 SphygmoCor systems.

The US Renal Physicians Association is progressing its application to convert the current category 3 Current Procedural Terminology (CPT) code which covers physicians' reimbursement to a category 1 code. This will provide a simpler path to reimbursement for the SphygmoCor test. Should the application be immediately successful, the new code will take effect from 1 January 2016.

AtCor Medical chief executive officer, Duncan Ross, said: "While we are disappointed that pharmaceutical sector sales opportunities are taking more time than anticipated, we remain confident in the company's products and prospects in FY2015. AtCor's gross margins remain above 80% and we continue to maintain tight financial discipline. The Oscar 2 ambulatory blood pressure monitoring product that we will market jointly with SunTech takes AtCor into the ABPM market. This broadens AtCor's product range and brings the benefits of central blood pressure measurement to a new market segment which we envisage will also increase the market profile of SphygmoCor.

"SphygmoCor continues to be the industry 'gold standard' and the volume of clinical evidence supporting the advantages of central blood pressure for clinical use continues to grow. More than 3,500 SphygmoCor systems are used around the world today."

AtCor Medical will host an investor conference call on 4 July 2014 at 10:30am AEDT to review these preliminary results. Conference call access numbers are below:

- Australia: 1800 554 798
- International:
 - o USA: 1866 839 8029
 - o New Zealand: 0800 450 585
 - o Other: +61 2 8113 1400

The confirmation code for this call is **3770200**.

The company's results for FY2014 will be released to the Australian Securities Exchange on 28 August 2014.

About AtCor Medical

AtCor Medical develops and markets products for the early detection of cardiovascular risk and management of cardiovascular disease. Its technology allows researchers and clinicians to measure central aortic blood pressure non-invasively. The company's SphygmoCor[®] system visibly identifies the effects of reflected blood pressure in the central aortic pressure wave, effects which cannot be detected with standard blood pressure monitoring. More than 3,500 SphygmoCor[®] systems are currently in use worldwide at major medical institutions, research institutions and in various clinical trials with leading pharmaceutical companies. The company's technology has been featured in over 700 peer-reviewed studies published in leading medical journals. AtCor has operations in Australia, the United States, and Europe. For further information, please visit our web site at www.atcormedical.com.

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