Interim Financial Report

For the six months ended 30 September 2021

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

Volpara HEALTH

Interim Financial Report

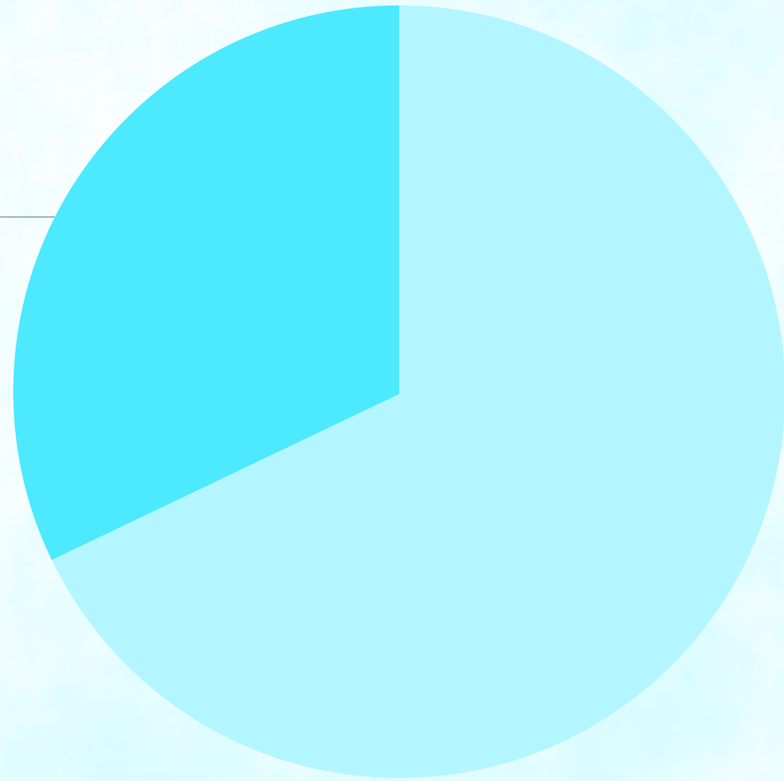
for the six months ended 30 September 2021

Key figures

MARKET SHARE OF NORTH AMERICA*

34% +2%

Compared to the period ended 31 March 2021



REVENUE

$12.3 m +30%

Compared to the prior corresponding period

DATABASE IMAGES

49.2 m +25%

Compared to the period ended 31 March 2021

ARR (US$)

$20.4 m +10%

Compared to the period ended 31 March 2021

GROSS MARGIN

91.4%

Compared with 91.7% in the prior corresponding period

*Of US and Canadian women screened for breast cancer, approx. 34% had at least one Volpara product analyse their data and/or images

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 2021, 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 (retired 18 August 2021)
- Karin Lindgren
- Ann Custin (appointed 1 September 2021)

Impact

While clearly indicating an incredibly busy commercial HY, we also recognize that a focus for many of our employees and investors is impact. With coverage now of over 13.4M US women with at least one of our products, it is clear we are helping many women get safer, more comfortable, and more accurate breast cancer screenings. Results from studies like the DENSE trial show that such screenings lead to significant increases in the numbers of cancers caught early. Furthermore, we continue to work with researchers around the world to help them understand what optimal breast cancer screening might look like for their populations. To reach and educate women directly, we launched a consumer-facing breast density website and customised patient density notification letters.

Results of operations

After an excellent finish to FY21, Volpara has focused on accelerating out of COVID-19. Adapting quickly last year to a new, digital way of working, the Company has maintained its momentum and posted its best-ever half-year result in terms of new business won. Annual Recurring Revenue (ARR) increased by over US$1.8M to US$20.4M+ (up almost 10% from end FY21) with a corresponding increase in Accounting Revenues of NZ$2.9M to NZ$12.3M (up 30% from $9.5M for HY21, or 38% constant currency). The net loss for HY22 was NZ$8.5M, an improvement of 4% from NZ$8.9M in the prior period. Similarly, Normalised non-GAAP EBITDA[1] has improved 4% from NZ$6.6M to NZ$6.4M.

We also made some key changes to the business during the HY. Jill Spear was brought on as Executive Vice President of Sales and Marketing for the US region; we also hired Kristin Bravo as Director of Product Marketing and Innovation and MaryAnne Molter as Director of Clinical and Consumer Marketing. All three have had a tremendous early impact on the business, delivering on a number of key initiatives with more well underway.

We said farewell to some longstanding employees. In September, Mark Morris retired after serving for over 22 years first as CEO of MRS Systems, Inc., and then as Executive Vice-President of Customer Success for Volpara since the acquisition. We thank Mark for his contribution and wish him well in his retirement.

[1] **Reconciliation to Normalised non-GAAP EBITDA**	**HY21**	**HY22**	**Change**
IFRS Net Loss Before Interest and Tax	(9,837)	(8,969)	-9%
Business acquisition- and merger-related expenses	196	33	-83%
Share-based payments expense	732	534	-27%
Depreciation and amortisation	1,459	2,245	54%
(Gains)/losses on foreign exchange transactions	261	(432)	-262%
Revenue adjustment	522	171	-67%
Retention plan costs	-	2,540	100%
PPP loan forgiveness	-	(2,478)	-100%
Bad debts written off	23	(3)	-113%
Non-GAAP earnings before tax, depreciation, amortisation, impairment, one-off items, and non-cash items	**(6,644)**	**(6,350)**	**-4%**

We also said farewell to Dr Monica Saini, who stepped down from her position as director, begun in 2018, to pursue her new venture, Breast Institute of New Zealand—the first clinic in Volpara's backyard to use Volpara® Scorecard™ software to inform women of their density. We thank Monica for her contribution. We also welcome a new addition to the board, Ann Custin, former CFO and board director of Siemens Medical Solutions.

We continue to integrate CRA Health, LLC, into the wider Volpara family. As we did with the MRS acquisition, we are taking a very careful and considered approach to the integration to ensure we are setting up the Company for long-term success.

Last year at this time, Volpara completed a major reworking of the underlying on-site product architecture to allow it to scale much more easily and cost-effectively as the Company's footprint grows. This year, that focus on scalability has come to fruition with the worldwide September 2021 release of the significantly upgraded version 3.0 of Volpara's key cloud product, Volpara® Analytics™. This roll-out is due to be completed at about the time this report is published. The upgrade includes significantly enhanced user interface (UI) and user experience (UX) features, among other updates. Importantly, it also includes a number of back-end changes that allow for vastly improved scalability and a materially reduced cost to serve. This release has been an all-Company effort and places our market-leading product in good stead as we continue to innovate in this space.

Operating costs have increased year on year, largely because of the acquisition of CRA and a number on non-cash costs that result from acquisitions (e.g., amortisation). After accounting for CRA's addition to the Group's costs base, Volpara's costs, on a constant currency basis, have reduced slightly (approx. 4%) when compared with the prior period, showing the underlying scalability of the existing cost base.

Cash receipts have remained strong with both Q1 and Q2 delivering consecutive record growth as we accelerate out of COVID. For HY22, Group cash receipts increased by over 40% to NZ$13.5M (or 48% in constant currency) compared with NZ$9.6M in the prior period. As we continue the transition to Software as a Service (SaaS), cash receipts from subscriptions increased approx. 50% to NZ$13.1M compared with NZ$8.6M in the prior period; whereas receipts from Capital sales decreased approx. 55% to NZ$0.5M compared with NZ$1.1M in the prior period. With $25M in the bank, no debt, a strong sales pipeline and access to capital markets, we remain in a good financial position.

The SaaS metrics have continued to show solid growth, with ARR increasing from US$18.6M to over US$20.4M since the end of FY21. Average Revenue Per User (ARPU) continued to increase steadily over the period, from US$1.40 to over US$1.46 (an increase of over 4%). US market share has also increased from a little over 32% at end FY21 to over 34% at the end of H1FY22. This shows growth not only from within our existing customer base but also from new customers. Importantly, these results have been driven not by any single product, but by a mix of products across the entire portfolio. Platform sales have also contributed, including various product configurations, allowing us to meet our customers' needs while providing the business with upsell opportunities in future as our customers grow with us.

Additional highlights of this HY include the following:

- The Company made an initial investment into RevealDx, a lung AI company based in Seattle, and signed a collaboration agreement with Riverain Technologies, also US based, positioning Volpara for lung market expansion.
- Volpara entered into collaboration agreements with Natera and Invitae, both leaders in the genetic testing market. This adds to the Company's existing agreements with Ambry and Myriad and allows Volpara customers a choice of service provider.
- BreastScreen South Australia, after almost two years of COVID-related delays, have announced a breast density research project using Volpara for the public screening programme in that state. This is set to launch in early February 2022. Once established, every breast imaging site in both public and private screening in South Australia will be using Volpara.
- Volpara reached the milestone of 200 peer-reviewed articles. This is an outstanding achievement and clearly sets the Company apart from the competition. It demonstrates Volpara's commitment to providing the most clinically validated breast density software available and the continual investment in research and development of core IP.
- The Company successfully piloted "Project Thumb", which is a move towards empowering women with breast density information by including their images directly into their letters. In conjunction with that we also launched a consumer facing breast density website.
- The Company achieved a new SOC certification for CRA, confirmation that its control set meets the SOC 2 Security Criteria standard for the six-month period evaluated.
- Volpara achieved MDSAP and ISO27001 certification. These key audits validate the Company's commitment to regulatory and security standards.

Outlook

Volpara is focused on delivering the revenue guidance given at the start of this financial year, namely NZ$25–26M.

However, we are also continuing to build out key strategic initiatives, including, amongst others, the following:

- **Analytics in Action™**. This client-centred service, exclusively for customers of Volpara Analytics, is designed to help breast imaging facilities develop a culture of continuous performance improvement and recognise technologists that meet quality benchmarks as objectively measured by Analytics, the leading software for providing automated and objective assessment of image quality on every mammogram. The program provides personalised, hands-on training delivered by positioning experts Mammography Educators, further differentiating the Analytics product while potentially increasing staff engagement, customer retention, and ARPU. Analytics in Action is set to begin a pilot program with several customers and in late November will be a highlight of Volpara's at RSNA, the world's largest radiology conference, in Chicago.
- **Volpara Club™.** The goal of Volpara Club is to provide customers with an integrated, relevant, and engaging digital experience that leads to their long-term success—clinical, financial, and operational—and results in retainment, expansion, and advocacy. The desired outcome is to ensure churn remains low, generate upsell and expansion opportunities, and nurture advocates to support new customer acquisition. Delivered via a branded online platform, the Volpara Club community will allow customers to obtain expert support from customer coaches, provide product feedback, access tools for marketing their services to patients and primary care physicians, participate in focus groups and user forums, and more.
- **Expanding the Electronic Health Record (EHR) sales channel.** Volpara Strategic Advisor Teri Thomas, previously an Epic executive, is leading the effort to strengthen this channel and leverage CRA Health's expertise in EHR.
- **Building out Volpara's data platform.** With over 49M images in the cloud, we have one of the world's biggest data sets of breast x-rays. We continue to bring commercial value to the Company by using this data set, and continually look to expand its scientific value beyond images that match up with the data collected by our whole platform. The data set is the key to our efforts to change the paradigm of screening from detection to prevention.

We also continue to await the release of the FDA's breast density legislation, delayed due to COVID, US elections, and the subsequent change of administration. The latest news we have (25 October 2021) is that the FDA is working diligently in this area. We also note that a new FDA Commissioner has now been nominated.

We have an incredibly busy and exciting few months ahead of us as we head to Chicago for RSNA, and then look to complete Q3 and Q4, which are traditionally our biggest quarters.

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 23rd November 2021

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.

Auditor's Independence Declaration

As lead auditor for the review of Volpara Health Technologies Limited for the half-year ended 30 September 2021, 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
23 November 2021

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

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 September 2021

	Notes	2021 Unaudited NZ$'000	2020 Unaudited NZ$'000
REVENUE			
Revenue from contracts with customers	4	12,323	9,465
Cost of revenue	5	(1,059)	(783)
Gross profit		**11,264**	**8,682**
Government grants and other operating income	11	2,506	1,001
Sales and marketing	5	(6,652)	(6,518)
Product research, development, and engineering	5	(7,702)	(7,218)
General and administration	5	(8,808)	(5,523)
Foreign exchange gains/(losses)		423	(261)
Net loss for the period before interest and tax		**(8,969)**	**(9,837)**
Finance income		87	389
Finance expense		(76)	(92)
Net loss for the period before tax		**(8,958)**	**(9,540)**
Income tax benefit		448	675
Net loss for the period after tax		**(8,510)**	**(8,865)**
OTHER COMPREHENSIVE INCOME			
Net loss for the period		(8,510)	(8,865)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss (net of tax):			
Exchange differences on translation of foreign operations		108	(1,885)
Other comprehensive (expense)/income for the period (net of tax)		**108**	**(1,885)**
Total comprehensive loss for the period, net of tax		**(8,402)**	**(10,750)**
Basic and diluted loss per share (NZ$)	6	(0.03)	(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 2021

	Notes	As at 30 September 2021 Unaudited NZ$'000	As at 31 March 2021 Audited NZ$'000
ASSETS			
Non-current assets			
Fixed assets		629	720
Intangible assets	9	46,543	46,426
Right-of-use assets		2,536	2,686
Contract costs		2,284	1,753
Deferred tax assets		266	80
Investments	10	362	-
Total non-current assets		**52,620**	**51,665**
Current assets			
Cash and cash equivalents		12,269	7,873
Cash on deposit		12,761	24,357
Trade receivables		8,499	7,754
Contract assets		795	862
Prepayments and other receivables		1,949	1,608
Inventory		53	53
Contract costs		627	442
Total current assets		**36,953**	**42,949**
Total assets		**89,573**	**94,614**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	181,066	180,678
Share option reserve	7	4,132	3,759
Foreign currency translation reserve		(1,475)	(1,583)
Accumulated losses		(118,567)	(110,057)
Total equity		**65,156**	**72,797**
Non-current liabilities			
Employee entitlements		-	856
Lease liabilities		2,208	2,416
Borrowings	11	-	486
Deferred tax liabilities		7	281
Total non-current liabilities		**2,215**	**4,039**
Current liabilities			
Trade and other payables		7,855	3,872
Deferred revenue		13,788	11,434
Lease liabilities		559	483
Borrowings	11	-	1,989
Total current liabilities		**22,202**	**17,778**
Total liabilities		**24,417**	**21,817**
Total equity and liabilities		**89,573**	**94,614**

For and on behalf of the Board, who authorised the issue of these consolidated interim financial statements on 23 November 2021.

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 2021

	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 2021		**180,678**	**3,759**	**(1,583)**	**(110,057)**	**72,797**
Net loss for the period after tax		-	-	-	(8,510)	(8,510)
Other comprehensive income		-	-	108	-	108
Total comprehensive income/(loss) for the period, net of tax		**-**	**-**	**108**	**(8,510)**	**(8,402)**
Transactions with owners:						
Issue of share capital from exercise of share options		388	(161)	-	-	227
Forfeiture of share options	7	-	(247)	-	-	(247)
Recognition of share-based payments	7	-	781	-	-	781
Balance at 30 September 2021		**181,066**	**4,132**	**(1,475)**	**(118,567)**	**65,156**
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 income		-	-	(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	6	(1,601)	-	-	-	(1,601)
Issue of share capital from exercise of share options		2,520	(885)	-	-	1,635
Forfeiture of share options		-	(423)	-	-	(423)
Recognition of share-based payments		-	1,156	-	-	1,156
Balance at 30 September 2020		**180,496**	**3,174**	**(500)**	**(101,434)**	**81,736**

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 2021

	Notes	2021 Unaudited NZ$'000	2020 Unaudited NZ$'000
OPERATING ACTIVITIES			
Receipts from customers		13,542	9,644
Payments to suppliers and employees		(19,383)	(18,595)
Other income received		389	932
Net interest received		32	908
Net taxes received/(paid)		5	(89)
Business integration and acquisition expenses		(16)	(537)
Payment of low-value asset leases		(50)	(48)
Net cash utilised in operating activities		**(5,481)**	**(7,785)**
INVESTING ACTIVITIES			
Purchases of property and equipment		(4)	(46)
Payments for intangible assets		(1,475)	(488)
Payments for investments		(357)	-
Payments into term deposits		(12,254)	(92,874)
Receipts from term deposits		23,871	65,815
Net cash provided from/(utilised in) investing activities		**9,781**	**(27,593)**
FINANCING ACTIVITIES			
Proceeds from issue of share capital from placement and share purchase plan		-	39,499
Transaction costs of raising capital		-	(1,601)
Proceeds from exercise of share options		227	1,636
Proceeds from borrowings		-	2,822
Payment of principal portion of the lease liabilities		(237)	(279)
Net cash (utilised in)/provided from financing activities		**(10)**	**42,077**
Net increase in cash and cash equivalents		**4,290**	**6,699**
Effects of currency translation on cash and cash equivalents		107	(453)
Cash and cash equivalents as at 1 April		7,872	3,673
Cash and cash equivalents at the end of the period[1]		**12,269**	**9,919**

1. Cash and cash equivalents does not include cash on deposits totalling NZ$12.8m.

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 2021

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 2021 were authorised for issue in accordance with a resolution of the Directors on 23 November 2021. 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 2021 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 2021.

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 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. While there is some uncertainty around when current cash reserves will be fully utilised, Volpara is confident in its ability to raise further capital if and when required at the appropriate time in order to continue current operations.

Additionally, the Group's cash flow forecast assumes a level of growth and investment within its operations and capabilities. The Group has some ability to control the extent and timing of these investments without materially impacting the forecast revenue receipts. As a result, the Group can prolong the period over which existing cash reserves are utilised, if required.

The Group recorded a net loss of $8.5m for the half-year ended 30 September 2021 and is expected to make further losses for the remainder of financial year 2022.

The Group has prepared forecasts which indicate that cash on hand at the six month period end, combined with cash flows as a result of operations, without additional capital funding, will enable the Group to continue operating and satisfy its going concern requirements for a period of 12 months from signing these interim financial statements.

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:

- North America
- Europe, Middle East, and Africa (EMEA)
- Asia Pacific (APAC)
- Corporate

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 2021 is as follows:

2021

	North America NZ$'000	EMEA NZ$'000	APAC NZ$'000	Corporate NZ$'000	Reconciled to Group NZ$'000
Revenue from breast contracts					
• SaaS	7,906	24	391	-	8,321
• SMA	3,017	10	14	-	3,041
• Capital	399	21	-	-	420
Revenue from lung contracts	483	-	-	-	483
Other	58	-	-	-	58
Total revenue	**11,863**	**55**	**405**	**-**	**12,323**
Cost of revenue	(962)	(27)	(70)	-	(1,059)
Gross profit	**10,901**	**28**	**335**	**-**	**11,264**
Government grants and other operating income	2,506	-	-	-	2,506
Sales and marketing	(5,970)	(70)	(499)	(113)	(6,652)
Product research, development, and engineering	(2,432)	(120)	(4)	(5,146)	(7,702)
General and administration	(5,689)	(66)	(5)	(3,048)	(8,808)
Foreign exchange gains/(losses)	-	(3)	(1)	427	423
Net loss before interest and tax	**(684)**	**(231)**	**(174)**	**(7,880)**	**(8,969)**
Finance income	2	-	-	85	87
Finance expense	(37)	-	-	(39)	(76)
Net loss for the year before tax	**(719)**	**(231)**	**(174)**	**(7,834)**	**(8,958)**
Income tax benefit/(expense)	532	-	(84)	-	488
Net loss for the year after tax	**(187)**	**(231)**	**(258)**	**(7,834)**	**(8,510)**

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)**

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 2021	46,383	-	2	3,323	49,708
As at 31 March 2021	48,725	4	123	2,813	51,665

4. Revenue from contracts with customers

The Group recognises revenue from goods and services provided under three main contract types:

1. 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);
2. Software Maintenance Agreements (SMAs) to support previous Capital sales;
3. Capital sales contracts which involve the outright sale of software 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:

For the period ended 30 September 2021
Unaudited

	Software as a service NZ$'000	Software maintenance agreements NZ$'000	Capital sales NZ$'000	Other NZ$'000	Total NZ$'000
Timing of revenue recognition					
Goods or services transferred at a point in time	1,036	-	420	58	1,514
Services transferred over time	7,768	3,041	-	-	10,809
Total revenue from contracts with customers	**8,804**	**3,041**	**420**	**58**	**12,323**

For the period ended 30 September 2020
Unaudited

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

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

For the six months ended 30 September	Notes	2021 Unaudited NZ$'000	2020 Unaudited NZ$'000
Salaries and benefits		9,405	9,060
Research, development, and other product engineering costs not capitalised		4,186	3,505
Retention plan costs[1]		2,540	-
Depreciation and amortisation		2,245	1,459
Superannuation contributions		1,115	1,193
Consulting and subcontracting		593	727
Share-based payments expense		534	732
Customer cloud costs		637	466
Advertising and marketing		519	376
Directors' fees		222	182
Review of interim financial statements - PwC		35	35
Low-value lease expenses		49	46
Travel		56	31
Business integration and acquisition expenses		33	196
Movement in provision for expected credit losses		7	65
Callaghan grant review - PwC		-	6
Bad debts written off		(3)	23
Other operating expenses		2,048	1,940
Total cost of revenue and operating expenses[2]		**24,221**	**20,042**

1. As part of the acquisition of CRA, Volpara entered into a retention plan agreement with key employees of CRA. This retention plan involves two US$2M payouts which are to be made if CRA achieves certain ARR performance and staff-retention targets by 31 December 2021 and 30 June 2022. These retention payments are related to employee remuneration and are not treated as consideration for the purchase of the business. The fair value of the payments has been accrued in line with services performed from the employees on a straight-line basis based on the probability of achieving the targets. The Directors have considered the likelihood of achievement of the ARR performance targets as probable. Additionally, the Directors have assumed that all employees will meet the service conditions.
2. This total excludes foreign exchange gains/(losses).

6. Share capital and EPS

Ordinary shares issued and fully paid	Notes	As at 30 September 2021 Unaudited NZ$'000	As at 30 September 2021 Unaudited 000's	As at 31 March 2021 Unaudited NZ$'000	As at 31 March 2021 Unaudited 000's
In issue as at 1 April		180,678	251,019	140,078	218,480
Exercise of share options		388	334	2,702	4,078
Issue of share capital from placement		-	-	29,768	21,538
Issue of share capital from share purchase plan		-	-	9,731	6,923
Issue costs		-	-	(1,601)	-
Closing balance		**181,066**	**251,353**	**180,678**	**251,019**

Dividends

No dividends have been declared or paid for the six month period ended 30 September 2021 (2020: 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	2021 Unaudited	2020 Unaudited
Net loss after tax attributable to the shareholders (NZ$'000)	(8,510)	(8,865)
Ordinary number of shares ('000's)	251,353	250,819
Weighted average number of shares on issue ('000's)	251,222	243,589
Basic and diluted (loss) per share (NZ$)	**(0.03)**	**(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 2021 (30 September 2020: nil).

New ESOP
The Group issued 1,400,000 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:

Option series	Six months ended 30 September 2021 Unaudited	Year ended 31 March 2021 Audited
Grant date share price	A$ 1.12 - 1.33	A$ 1.14 - 1.79
Exercise price	A$ 1.33 - 1.49	A$ 1.30 - 1.84
Expected volatility	50.00%	50.00%
Option life	5.23 years	7 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	1.21% - 1.26%	0.51% - 0.81%
Estimated forfeiture rate	15.95%	0.00%

The New ESOP scheme has now been operational for five years. The Company now has enough data to calculate an accurate option life and estimated forfeiture rate. Assumptions have been updated to reflect this.

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 2021 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 2021	19,255	10,734	4,399	15,560	**49,948**
Additions	-	1,401	86	-	**1,487**
Disposals and write-offs	-	-	-	-	**-**
Foreign exchange differences	240	119	49	193	**601**
Balance as at 30 September 2021	**19,495**	**12,254**	**4,534**	**15,753**	**52,036**
AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2021	-	(1,475)	(1,295)	(752)	**(3,522)**
Amortisation	-	(906)	(467)	(520)	**(1,893)**
Disposals and write-offs	-	-	-	-	**-**
Foreign exchange differences	-	(30)	(26)	(22)	**(78)**
Balance as at 30 September 2021	**-**	**(2,411)**	**(1,788)**	**(1,294)**	**(5,493)**
Opening net book value	**19,255**	**9,259**	**3,104**	**14,808**	**46,426**
Closing net book value	**19,495**	**9,843**	**2,746**	**14,459**	**46,543**

10. Investments

In September 2021, the Company invested US$250,000 into Precision Medical Ventures (PMV), trading as RevealDx, in the form of a convertible promissory note. RevealDx, is a Seattle-based software company focused on dramatically improving lung cancer outcomes by delivering the most advanced, radiomics and AI-enabled, lung cancer decision-support software to drive the optimal clinical pathway for each patient based on automated analytics of each lung nodule. A distribution agreement has also been signed which gives Volpara exclusive distribution rights in Australia and New Zealand for 3 years and non-exclusive rights to sell in the US.

The investment in PMV is measured at fair value through profit or loss.

11. Borrowings

In May 2020, the Company received approximately US$1.7M 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.

On 27 September 2021, the Company received confirmation that the loan and any accrued interest had been forgiven and all obligations have been met. As a result, NZ$2.5M has now been recognised as other operating income and the corresponding liability has been extinguished.

12. Related Parties

Details of all related party relationships have been disclosed in the annual report for the year ended 31 March 2021. 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 totaled $3,000 (31 March 2021: $114,000).

During the six month period ended 30 September 2021, 150,000 share options were issued to Roger Allen.

13. Contingencies and commitments

The Group had no contingencies or commitments to purchase fixtures or equipment as at 30 September 2021 (30 September 2020: nil).

14. Events after the balance date

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

Independent review report

pwc

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 2021, and the consolidated statement of profit or loss and 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 financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2021, 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 responsibility is further described in the *Auditor's responsibility 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 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.

Director's responsibility for the 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 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

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

pwc

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.

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
23 November 2021

Wellington

Corporate directory

Registered Office
Volpara Health Technologies Limited
Level 14–15, 40 Mercer Street
Wellington Central
Wellington 6011
NZ

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
Karin Lindgren - Non-Executive Independent
Ann Custin - 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
Suite 9, Level 1, 357 Military Road
Mosman
Sydney
NSW 2088
AUS

Share Register
Boardroom Pty Limited
Grosvenor Place
Level 12, 225 George Street
Sydney
NSW 2000
AUS

Auditor
PwC
10 Waterloo Quay
Wellington 6011
NZ

Legal Advisers
Davis Wright Tremaine LLP (USA)
Stoel Rives (USA)
Mills Oakley (AUS)
Simmonds Stewart (NZ)

Bankers
1st Security Bank (USA)
Bank of America (USA)
JPMorgan Chase Bank (USA)
Needham Bank (USA)
TD Bank (USA)
Kiwibank (NZ)
Lloyds Bank (UK)
NAB (AUS)

Volpara HEALTH

volparahealth.com