

B. BTC Shareholder update

February 2023



Dear Shareholder,

Since our last update in August, BTC health's investee companies have successfully progressed two new agencies licensed, Alteco LPS Adsorber® and EasyReach™. EasyReach has been launched in 2023 with our first sale recognised in February. Alteco LPS Adsorber is in the process of being registered and when launched is expected to be a critical product to treat sepsis or septic shock in patients with suspected or confirmed septicaemia caused by gram-negative bacteria.

We share the healthcare sector's optimistic outlook and anticipate the number of surgeries will increase, driven by the availability of essential hospital labour. We continue to work with both public and private hospitals to ensure our products are readily available to treat patients across Australia and New Zealand.

I am pleased to provide you with a detailed update on BTC health's investments, along with an operational update of BTC's wholly owned investee companies, BioImpact Pty Ltd (BioImpact) and BTC Speciality Health Pty Ltd (BTC Speciality Health) (collectively 'BTC').

Products in development



Neola® is a device enabling life-changing decisions to be made for preterm infants through non-invasive continuous lung monitoring and real-time alerts of life-threatening complications. Neola Medical received ISO-13485 certification late 2022, which is a significant milestone towards achieving Conformité Européenne (CE) regulatory approval and progressing to commercialisation. ISO-13485 certification demonstrates that the company has a well-reviewed and comprehensive quality management system for the development, manufacture, sale and fulfillment of medical devices to the global market.

The University of Cork College (UCC) completed a large clinical study of 100 newborns at the University Hospital in Ireland in 2022 with positive subgroup results reported from the study. It is expected the results will be published in scientific journals and be presented at conferences. Neola Medical will progress further technical verification studies, usability studies and clinical validation studies during 2023 to support its regulatory application.

Once CE approval is granted, BTC will apply to the Therapeutic Goods Association (TGA) for product approval in Australia and MedSafe for product approval in New Zealand.



Alteco LPS Adsorber®

Alteco LPS Adsorber® is an innovative, safe, single-use medical product, used to treat sepsis or septic shock in patients with suspected or confirmed septicaemia caused by gram-negative bacteria. Sepsis is a time-critical medical emergency that arises when the body's response to an infection damages its own tissues and organs leading to failure of multiple organs, and death if not recognised and not treated promptly. The Alteco LPS Adsorber® is used as an extracorporeal filter, typically in the ICU environment where a critically ill patient has been placed on haemoperfusion. The unique matrix design, optimised surface area and proprietary components of the LPS Adsorber actively bind circulating endotoxins, removing them from the patient's bloodstream. A new sterile filter is used for each treatment which lasts approximately 2 hours.

Since licensing the distribution rights to LPS Adsorber, BTC has developed a comprehensive commercialisation plan and commenced product registration with the TGA. BTC expects to launch the product mid-2023, following TGA approval.

B. BTC Shareholder update

February 2023



The Australian Sepsis Network reports that almost 5,000 of an estimated 18,000 Australians treated in an intensive care unit die each year as a result of sepsis. Sepsis imposes significant economic burdens on the healthcare system and individuals with an estimated cost per case of \$39,300.

New Products Integrated

EasyReach™



Designed by Professor Oliver Pearce (UK) and Dr. Parminder Singh (Melbourne), EasyReach™ is a range of post-surgical garments for patients recovering from hip surgery, hip replacement, back and other forms of orthopaedic surgery where patient mobility is limited. EasyReach™ post-surgical garments support patient recovery, relieving pain through cooling of the surgical site. The response from the clinical trial undertaken by Prof. Pearce and Dr. Singh in 2021 was extremely positive, with patients complimenting the ease of use, whilst restoring dignity and supporting pain management.

EasyReach was launched into the market late 2022, generating its first sale in early 2023.

Agency pipeline

BTC health seeks to further expand its investments in medical devices and speciality pharmaceutical assets including orphan drugs. Several opportunities are being actively considered by BiolImpact, which if concluded may allow for these novel products to be made available to Australian patients under the Special Access Scheme (SAS), in advance of BTC health making a full marketing application to the TGA. We are pleased to be using the strength and reach of our global network to identify and source novel drug therapies, which although registered in other

jurisdictions around the world, have yet to be made available to patients in Australia and New Zealand.

Government reforms

The Department of Health and Aged Care (DOH) continues to work through a series of reforms in relation to the funding pathways for the Pharmaceutical Benefit Scheme (PBS) and the Prostheses List (PL). These schemes regulate the funding of pharmaceuticals and medical devices in Australia. A large proportion of sales from BTC health's investee companies are from products which are reimbursed either through the PBS or via the PL.

Over the last 6 months, BTC has been granted ministerial discretion from the DOH to preserve pricing of Bronchitol, a PBS listed product to treat patients suffering cystic fibrosis. Bronchitol was originally slated by the DOH to reduce price by 5% in April 2023, however ministerial discretion has been exercised by the health minister, retaining the current PBS price for Bronchitol.

An alternative funding pathway is being developed for some 500 items (including infusion pumps) listed under the General Miscellaneous category on the PL. It is expected the new funding arrangement will be in place on 1 July 2023 when these items are slated for removal from the PL. On 1 July and again on 1 March, a number of products listed on the PL have been subject to considerable price reductions. BTC is pleased to confirm there have been nil price reductions imposed on ambIT infusion pumps. BTC looks forward to continuing its productive relationship with its customers and the DOH to provide specialised healthcare to all Australians and New Zealanders.

BTC will provide further reform updates as details become available.

B. BTC Shareholder update

February 2023



Financial update

BTC is an investment entity and therefore does not consolidate the operating results of its investments. Statutory accounts are reported on a standalone basis and can be accessed via the ASX or via BTC's website btchealth.com.au. With a view to providing shareholders with a greater insight into the operating results of BTC's underlying investments, a consolidated, unaudited, financial view of BTC and its wholly owned subsidiaries is provided below.

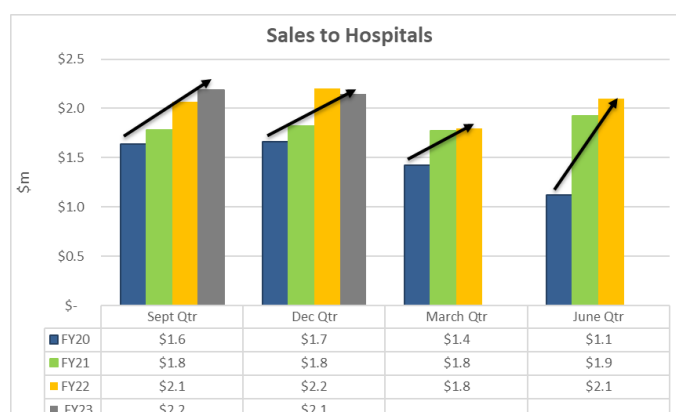
	31-Dec-22	31-Dec-21	Var \$	Var %
Income (excluding i/co revenue)	4,750,711	4,313,453	437,258	10%
EBITDA (excluding cost of options, i/co revenue)	46,731	(131,465)	178,196	136%
Depreciation, Amortisation, Options	(163,880)	(230,986)	67,106	n/a
Net Profit Before Tax (NPAT) (excluding i/co revenue)	(117,149)	(362,450)	245,302	68%
	(2.5%)	(8.4%)		
<i>Income by segment (excluding i/co revenue)</i>				
Listed entity (BTC health Limited)	5,783	70,378	(64,595)	(92%)
Underlying business	4,744,927	4,243,075	501,853	12%
<i>EBITDA Profit/(Loss) by segment (excluding cost of options, i/co revenue)</i>				
Listed entity (BTC health Limited)	(195,794)	(297,510)	101,716	34%
Underlying business	242,525	166,045	76,480	46%

Income

Unaudited consolidated half-year income of \$4.8m improved 10% compared to the prior year and can be split into two segments; income received from the listed entity BTC and income from the underlying business.

BTC health Limited: BTC health income reflects interest received on cash reserves. In the prior year, BTC health recorded \$70.2k of management fee income from its investee companies. On consolidation, management fee income received within the group is eliminated. As a result, \$nil management fee income is captured in the prior period consolidated accounts above.

Underlying business: Underlying business income of \$4.7m grew 12% over prior year and largely comprised product sales to Sigma Healthcare, our wholesale and distribution partner, which supplies BTC products to public and private hospitals on our behalf.



B. BTC Shareholder update

February 2023



Sales to hospitals reflect BTC products sold to hospitals from our wholesaler, Sigma Healthcare. Sales to hospital will vary to income reported in BTC's underlying business given fluctuations in wholesaler buying patterns, safety stocks retained and the wholesale margin earned which is applied to BTC's reported income.

During the half-year ended December 2022, sales to hospitals were \$4.3m and grew 1.6% year on year. Sales growth is below expectations and is heavily impacted by a lower volume of elective surgeries conducted, particularly in the private hospital sector. The ongoing impact of elective surgery deferrals associated with hospital staff shortages has been industry wide. Hospital groups have responded through recruitment and some larger groups have commented that productivity is improving. BTC is encouraged that these changes, coupled with the need to reduce the current elective surgery backlog will result in a future increase in surgery volumes. We anticipate sales to hospital in the June half to outperform sales in the December half-year.

EBITDA

Consolidated half-year EBITDA loss of (\$117.1k) improved 68% compared to the prior year and can be split into two segments; costs of running the listed entity BTC and the costs attributable to the underlying business.

BTC health Limited: EBITDA loss of (\$258.0k) improved 34% primarily due to a reduction in cost of options issued coupled with a net reduction in operating costs directly associated with capital raise and due diligence fees connected with licensing respiratory products from Pharmaxis in July 2021.

Underlying business: The underlying business comprises the operating results of BTC Speciality Health and BioImpact. The fundamentals of the underlying business have improved, generating a half-year EBITDA profit of \$242.5k which grew 46% over prior year. EBITDA ratio of 5.1% improved over the same time last year of 3.9% and 2021/22 financial year of 1.5%.

Despite a weakening Australian dollar and ongoing global freight pressures, the company largely maintained gross margin ratio through product mix, supply chain efficiencies and good stock control. Sales growth of 12% converted to gross margin growth of 6.0% year on year. Despite CPI pressures, operating costs were flat compared against prior year. The cost base is lean, overheads as a percentage of sales are favourable 250 basis points when compared to last year. The underlying business employs 13FTE's, excluding vacant positions.

Working Capital

	31-Dec-22	31-Dec-21	Inc/(Dec) \$	Inc/(Dec)%
Cash at bank	1,213,908	2,666,664	(1,452,756)	(54%)
Debtors	2,190,293	1,749,220	441,073	25%
Inventory	1,507,916	1,213,712	294,204	24%
Payables & Provisions	564,898	1,338,070	(773,172)	(58%)
Net working capital	4,347,218	4,291,526	55,692	1%

Working capital of \$4.3m is consistent with prior year. The profile of working capital has changed, reflecting timing of inventory received and conversion of this inventory and debtors into cash. Conversion of sales into cash has seen consolidated cash on hand increase from \$1.2m at December to \$2.3m in January 2023 and is in line with business expectations. Cash will continue to be actively managed to ensure the business is well placed to optimise growth.

B. BTC Shareholder update

February 2023



As BTC distributes its products via wholesalers, it holds one primary receivable account with its 3PL warehouse which manages the debt risk with individual wholesalers. Debtors have increased over prior year following strong wholesaler demand ahead of the expected increase in elective surgeries in 2023. The debtors' ageing profile is current and receivables are collected within terms, as a result there is no requirement to hold a doubtful debt provision.

Inventory holdings equate to 3.5 months cover, which is marginally higher than previously held. The additional 0.5 months stock cover reflects additional safety stocks to safeguard supplier shortages associated with manufacturer input constraints and global freight delays.

Growth strategy

In our August shareholder update, context was provided regarding the challenges of acquiring transformational business and or product assets given the state of capital markets and or vendor terms. The healthcare sector fundamentals are strong and there remains attractive opportunities to diversify and create greater scale and profitability for the combined business. In the interim, BTC, through its investee companies, has maintained focus on non-dilutive growth opportunities, including organic growth and product licensing agreements. Product licensing opportunities can be largely grouped into three categories: medical devices, medical consumables and speciality pharmaceuticals. Capital light investment opportunities can be readily integrated within the operational framework of BTC's underlying business, providing suppliers with access to sales, training, marketing, warehousing, customer service and a quality infrastructure.

BTC will continue to evaluate investments that require additional capital and which in our view will present a compelling proposition to shareholders.

Our success is made possible through our employees, customers, shareholders and supply partners. I thank you for your ongoing support and sharing of our combined vision to build a healthcare company with greater operating scale, sustainable profitability, along with improved liquidity and valuation of our issued share capital.

I look forward to sharing further updates as we realise our growth plans.

Dr. Richard Treagus
Executive Chairman
BTC health Limited

Forward-looking Statements

This ASX-announcement contains forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of BTC health to be materially different from the statements in this announcement.

About BTC Health

BTC health Ltd ("BTC") is a Pooled Development Fund which makes active investments in businesses that acquire, develop and distribute innovative medical products in Australia and New Zealand. The company is building a group of high-growth businesses which together are focused on providing access to some of the best specialized therapeutics and medical devices from around the world. BTC is listed on the Australian Stock Exchange (Code: BTC). Additional information can be found at www.btchealth.com.au

Authorisation

This announcement was authorised for release to the ASX by the Board.

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