



ASX/MEDIA RELEASE

Strong sales growth underpins product development

SYDNEY 22 February 2010: Leading Australian developer and manufacturer of prosthetic implants and medical devices, Advanced Surgical Design and Manufacture Limited ("ASDM") (ASX: AMT) is pleased to announce its results for the half year ended 31 December 2009.

The highlights for the period

- Increase in revenue by 40.7% to \$3.97m
- Increase in surgeon coverage using the Active Knee
- Continued momentum in international market development
- Class IIa CE Mark certification for the PAD
- Manufacture of an additional 25 sets is underway, further enhancing growth capacity

Revenue

Total revenue for the half-year was \$3.97m (Dec '08: \$2.82m) representing a 40.7% increase over the same period last year. This significant increase was a result of an earlier completion of the sale of intellectual property relating to the Active Uni-Compartmental Knee to Stryker during the period. One component of ASDM's strategy is the development and commercialisation of intellectual property and this transaction further strengthens our delivery capability. This has allowed us to fast track the development of an additional 25 instrument sets for orthopaedic growth and continue the development of the Peripheral Access Device (PAD). This transaction aside, year on year growth in our underlying core product revenue in a difficult economic environment was 3%.

ASDM's strategy to develop new markets internationally is gaining momentum. During the period we supported our UK distributor in expanding our European footprint with increased activity expected in the second half based on orders and agreements entered into thus far.

Operating profit

The profit after tax for the half-year was \$0.05m (Dec '08: (\$0.96m)) a substantial improvement on prior year. The Stryker arrangement had a significant impact on the half-year profit. As a result, we have continued the investment in research and development of our pipeline of new innovations.

During the period we attained a significant milestone in the granting of Class IIa CE Mark certification for the PAD. Our commitment to this world class device and the treatments it

allows is starting to realise results. In the meantime, the establishment of a multi-centre clinical trial for the hyperperfusion treatment continues. By attaching a pump to the patient and driving the blood through it at higher than normal pressures and flows, the use of the PAD then becomes a Class III Device with the regulatory and clinical evidence requirements much higher.

Cash position

The sale of the Active Uni Compartmental Knee System to Stryker boosted our cash position during the period and we continue to remain operating cash flow positive. The Stryker inflow allowed us to continue the development of the PAD at an accelerated pace and to also initiate the development of an additional 25 instruments to further underpin orthopaedic sales growth. As a result our cash position at Dec 09 of \$1.14m (Jun 09: \$0.85m) reflects these initiatives.

Vascular Peripheral Access Device (PAD)

The Peripheral Access Device (PAD) initiative is in two main areas:

- (a) The development of the device and its use in access for chemotherapy
- (b) the support of the trial of hyperperfusion.

The device development has progressed extremely well with the completion of the Pilot Trial for hyperperfusion and the certification of the device for arterial access as part of isolated organ chemotherapy achieved. Plans are well advanced for the Hyperperfusion trial to be expanded to the next 40 patients, in a multi-centre, multi-surgeon trial based at Royal North Shore Hospital, Sydney. It is anticipated that the results of these patients, if conforming to the same pattern of results seen with the 16 patients to date, will support the use of this groundbreaking new treatment in concert with the PAD device.

Working in collaboration with a number of other companies, ASDM is assisting in the development of indications for the use of the PAD in isolated organ chemotherapy and radiotherapy modalities. The potential advantages are that the patient's arterial system can be readily accessed with multiple catheters to allow more targeted and repeated treatment of the cancer site in isolation. This in turn has lower whole body morbidity and the prospect of higher cure rates than currently achievable. As ASDM continues to work with these companies to explore the prospects, capital initiatives are considered to underpin any international roll out.

ASDM CEO, Dr Greg Roger said, "ASDM has worked well in recent times to meet the technical and clinical milestones associated with the development of the PAD and its use in saving legs as well as more general vascular access, for instance, for chemotherapy targeting. We are now poised to commence the commercialisation of this device and to start increasing clinical awareness of its many possible uses."

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ABOUT ADVANCED SURGICAL DESIGN AND MANUFACTURE

ASDM designs and manufactures medical devices. Its principal product is the Active Knee, a prosthetic implant of which more than 4,000 have been implanted. This product is supported by a range of Orthopaedic accessories and surgical tools and other Orthopaedic products.

ASDM provides a highly effective integrated service to surgeons building on its strengths in design and engineering. Core capabilities that underpin this service are integrated design and engineering, regulatory/compliance competency, manufacturing, distribution and customer service.

The company has built an extensive patent and product development portfolio through collaborative research relationships with universities, companies and surgeon inventors that extends beyond orthopaedics. These collaborations are yielding promising projects in several specialities with strong prospects for commercialisation over the next few years.

For more information, please visit www.asdm.com.au