



ASX/MEDIA RELEASE

Results for the year ended 30 June 2011

SYDNEY 31 AUGUST, 2011 – Australia's largest manufacturer of orthopaedic devices, Advanced Surgical Design and Manufacture Limited (ASDM) (ASX: AMT), today announced its results for the year ended 30 June 2011.

The highlights for the period

- Increased core product full year sales revenue to \$7.2m from \$6.0m – 19% increase
- Continued expansion in surgeon coverage using the Active Knee
- Sales channel infrastructure expansion with National Sales Manager in place and Western Australian presence
- Execution of new distribution agreements
- Continued sponsorship of the PAD Clinical Trial

Revenue

Total group revenue for the year ended 30 June 2011 ("FY11") was \$7.4m, representing an increase of 19% when the \$1.3m sale of intellectual property is excluded from the 2010 financial year ("FY10"). Core product sales growth continued and was also up 19% with pricing across product lines remaining strong.

The addition of new product lines in FY11 has complemented our existing range and will assist us in continuing to drive growth through our current and newly developed sales channels.

Operating loss

The consolidated entity's earnings before interest, tax and depreciation and amortisation ("EBITDA") in FY11 was a loss of \$1.7m after a goodwill impairment charge of \$0.6m in the year compared to an EBITDA profit of \$0.6m in FY10. The EBITDA of \$0.6m in FY10 was largely the result of the \$1.3m intellectual property transaction in the prior year.

Cash position

The cash balance at 30 June 2011 was an overdraft of \$0.2m, with operating cash flow performance improving significantly during the second half of the financial year. During FY11 the consolidated entity signed a number of distributor agreements which required capital to commence operations with these products. The major capital investment in FY11 was a payment was made to ArthroSurface, Inc. in excess of \$400,000 to acquire the stock associated with the distribution rights. Sales for the ArthroSurface product category were ahead of our initial expectations and are acting as a catalyst for additional sales growth in our existing product lines. With continued strong sales growth operating cash flow improvements are anticipated in FY12.

With the exception of our strong growth in sales FY11 was a difficult year with a disappointing financial result. However our achievements over the course of FY11 have placed us in a strong position to deliver revenue growth and return to profit in FY12. During

FY11 we have continued to grow our product range by signing a number of distribution agreements, invested further in enhancing our sales and marketing capabilities and completing the balance of the new instruments sets. The appointment we made of an experienced National Sales Manager will greatly assist us in executing on this strategy.

In the year ahead we will continue to drive both the commercial and development aspects of our business to ensure we remain focused on the goal of building shareholder wealth.

Our core product, the Active Total Knee replacement, will reach 20 years of clinical history in August 2012, a significant milestone for ASDM. Having the only total knee prosthesis in the marketplace with that level of clinical success allows our sales team to leverage this outstanding achievement to drive further sales growth. In addition we continue to evaluate new product lines which will be earnings per share accretive from the outset. The focus on achieving this growth is matched by efforts in reduction of manufacturing and improvements in delivery efficiency

Dr Greg Roger CEO said: "ASDM has achieved strong sales growth of 19% in a difficult year. Through further development of our sales and marketing channel this growth is expected to continue into FY12 as we return to being a profitable company. We are also ensuring that any spend is directly related to revenue generation. During FY11 we have continued to improve our production processes to ensure we remain competitive in this very difficult market."

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ABOUT ADVANCED SURGICAL DESIGN AND MANUFACTURE

ASDM is Australia's largest manufacturer of orthopaedic devices. Our focus is to deliver exceptional service. Our goal is to build a large and highly profitable medical technology company.

Our principal product is the Active Total Knee, which has significantly improved the quality of life for 5,500 people globally. Our sales and technical support reach covers Australia, US, and Europe.

We also exclusively distribute Arthrosurface Inc and Parcus Medical LLC implantable orthopaedic devices, accessories and surgical instruments.

ASDM is a high quality organisation which provides a professional and effective integrated service to surgeons.

The company continues to build upon its extensive patent and product development portfolio. We have extensive research relationships with universities, companies and surgeon inventors. Our partnerships are building innovative products which will deliver significant shareholder wealth.