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Admedus Limited
Half Year Financials Report (Appendix 4D) for the six months ended 31 December 2016

HIGHLIGHTS

- **First half sales of $12.2M up 86% on prior corresponding period (PCP) and on track to achieve full year expectation of $21M**
- **Loss after tax of $6.8M down 50% on PCP**
- **Closing cash position of $14.3M**
- **Code Red Phase I completed**
- **All regions and businesses contributed to growth**
- **VascuCel® and CardioCel® Neo introduced in US following FDA clearance**
- **CardioCel® approved for sale in United Arab Emirates**
- **Secured 100% ownership of ADAPT® regenerative tissue technology**
- **Successful completion of rights issue and share placement raising $17.1M (net of expenses)**
- **Positive interim HSV-2 Phase II results**
- **Transcatheter aortic valve replacement (TAVR) prototype development commenced**

The Directors of Admedus Limited (the "Company") are pleased to announce the half year financial report for the Company for the six months ended 31 December 2016 and Appendix 4D.

FINANCIAL REVIEW

$ millions	H1 FY17	H1 FY16		Change
Group revenue	**12.2**	**6.6**	↑	86.4%
Gross profit	**5.8**	**2.3**	↑	153.7%
GM%	47.3%	34.8%	↑	12.6%pts
Selling, general and administration costs	(11.9)	(17.4)	↓	31.6%
Other income	0.2	2.3	↓	93.0%
EBITDA	**(5.9)**	**(12.8)**	↓	54.2%
Depreciation and amortisation	(0.9)	(0.7)	↑	26.8%
Operating income / (loss) before income tax	**(6.8)**	**(13.6)**	↓	49.7%

Admedus sales continued to grow strongly, with revenue up 86% for the half year to $12.2M driven by the Company's restructure and new strategy to accelerate growth, refine our product portfolio and bring new products to market more quickly. All businesses and regions contributed to the improving results and are on track to achieve the full year outlook of $21M.

Sales for the ADAPT® portfolio of products for the six months were $3.5M, up 51% on PCP. The infusion products portfolio in Australia and New Zealand contributed $8.7M in total sales for the half, up 103% on PCP.

Gross profit for the half of $5.8M was up 154% on PCP against revenues that were up 86%. Growing ADAPT® volumes and continuing improvements in our manufacturing process and operations were the driver of the 13% point improvement in gross margin to 47%. ADAPT® sales contributed $2.1M (60%) of the improved gross profit as margins improved from 11% to 67% driven by scale benefits from relatively low incremental unit costs. Infusion sales contributed $1.4M (40%) of the gross profit improvement with gross margins contracting from 48% to 39% driven by the relatively high proportion of capital sales under the new Royal Adelaide Hospital contract.

Selling, general and administration (SG&A) expenses (total expenses excluding depreciation, amortisation and finance costs) of $11.9M were reduced by $5.6M (32%) on PCP despite the inclusion of approximately $1.1M in "exceptional" costs relating to the implementation of the Company's restructure and related re-organisation costs, that have now concluded. All expense groups, other than share based payments that were flat, were significantly reduced following the implementation of the restructure.

Other income, which includes grants and R&D refunds, was down $2.2M (93%) on PCP driven wholly by the timing of this year's R&D refunds that are estimated at $2.5M and are expected to be received in the second half.

As a result of the growing revenues, improved product margins and reduced expenses, partially offset by delayed R&D refunds, Group EBITDA loss for the half was $5.9M, a reduction of $6.9M (54%) compared to the prior half, and when excluding "exceptionals", as discussed above, Group EBITDA loss for the half was $4.8M.

With incremental depreciation and amortisation charges for the half of $0.2M on PCP, the loss from ordinary activities after tax was $6.8M, approximately half the loss incurred in the prior corresponding period, and when excluding the “exceptionals”, as discussed above, the loss for the half was $5.7M.

The closing cash for the period was $14.3M, down from $19.1M on PCP, following the successfully completion of the share placement and rights issue that raised $17.1M, net of expenses.

A combination of factors driven primarily by working capital investment (inventory and receivables) in implementing the new Royal Adelaide Hospital contract, have lifted working capital levels of the business and thereby reduced cash generation. This was impacted by the delay in the opening of the hospital that is now expected late in the second half. The cash position was also impacted by the partial payment in settlement to acquire full ownership of our ADAPT® technology. It is expected that working capital levels will normalise over the remainder of 2017 further assisted by the receipt of R&D tax refunds in the second half.

BUSINESS REVIEW

ADMEDUS ADAPT™ – building momentum with scale benefits evident

ADAPT® - $ millions	H1 FY17	H1 FY16		Change
Segment revenue	**3.5**	**2.3**	↑	51.5%
Cost of sales	(1.2)	(2.1)	↓	43.6%
Gross profit	**2.3**	**0.3**	↑	808.3%
GM%	66.9%	11.2%	↑	55.8%pts

ADAPT®, our leading regenerative tissue technology, grew strongly and achieved revenues of $3.5M, up 51% on PCP, driven by the continued roll of the company’s products globally. All regions grew strongly with North America up 61% despite a significant restructure of the sales management, Europe grew modestly (13%) following a refocus on core markets as part of the restructure. Emerging Markets were up +300%, albeit from a low base, driven by sales to the MENA region following granting of sales approval to United Arab Emirates.

Further to the strong sales performance, the increasing volumes together with manufacturing improvements and scale benefits helped drive a 56% point improvement in gross margins to 67%. This combination drove gross profits up by $2.0M (+800%) as scale benefits due to relatively low directly variable costs (primarily direct materials) took effect.

ADMEDUS INFUSION – strong growth continues

INFUSION - $ millions	H1 FY17	H1 FY16		Change
Segment revenue	**8.7**	**4.3**	↑	105.7%
Cost of sales	(5.3)	(2.2)	↑	138.0%
Gross profit	**3.4**	**2.0**	↑	70.1%
GM%	39.4%	47.6%	↓	8.2%pts

The Infusion business in Australia and New Zealand continued to perform strongly with revenues for the half of $8.7M, up 106%, driven in large part by the implementation of the new Royal Adelaide Hospital contract complimented by continuing solid sales (+20%) in the underlying business. The adverse change in gross margins to 39% from 48% was largely a result of the relatively high proportion of capital sales to the new Royal Adelaide Hospital, that totalled approximately $3.5M in the half.

ADMEDUS VACCINES - Immunotherapies Programs- HSV-2 trial completes recruitment

Admedus Immunotherapies (AI) reached a number of milestones during the half including:

- Released positive interim results from the first 20 patients in the HSV-2 Phase IIa clinical study.
- The HSV-2 Phase IIa study has since closed with all participants having completed all vaccinations and AI anticipates the results in April, 2017.
- During the first half of the year the Company has also completed a number of *in vitro* studies combining the HPV DNA therapeutic vaccine with checkpoint inhibitors. The positive results from these studies has recently been published in the Journal of Immunotherapy.
- The HPV targeting DNA therapeutic vaccine completed formal pre-clinical testing during the half and is now in preparation for a Phase I clinical study in 2017.
- AI continued its RNA collaboration targeting HPV through the early stages and anticipates this program entering into formal pre-clinical studies in 2017.

OUTLOOK

In the second half of the year Admedus will continue to drive revenue growth in our product portfolios and continue to increase the number of centres using ADAPT® for repairing cardiovascular defects including reconstructing heart valves. The Company also expects to see positive results from its expanded regenerative tissue platform into vascular repairs with VascuCel® particularly in North America. A significant focus of the Infusion team will be on assisting the new Royal Adelaide Hospital during the start-up phase, which is now expected at the end of the second half. Nevertheless, the Company expects to be able to meet its revenue outlook of $21M for the full year.

Given the positive market response to its products and the momentum in the business, the Company has decided to accelerate investment in market access and sales management to maximise opportunities it sees for its products. Further, as noted above, the delayed opening of the new Royal Adelaide Hospital is anticipated to have an adverse impact. Accordingly, and taking into account performance in the first half, the Company expects the outlook for EBITDA loss excluding "exceptionals" to be at the top end of its range of $6-10M for the full year.

The following half yearly report includes:

- Appendix 4D;
- Directors' Report;
- Financial Report;
- Directors' Declaration; and
- Audit Report and Independence Declaration.

Yours faithfully

M. mcguire

Maja McGuire
Company Secretary