Admedus Limited
ABN 35 088 221 078

REGISTERED OFFICE:
26 Harris Road
Malaga Western Australia 6090

Customer Service:
T 1300 550 310
F 1300 880 398

International:
T +61 (0)8 9266 0100
F +61 (0)8 9266 0199
E info.au@admedus.com
www.admedus.com

ASX ANNOUNCEMENT **31 August 2017**

ASX Market Announcements
Australian Securities Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

ADMEDUS FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

HIGHLIGHTS

- **Full year sales of $22.3M were up 58% on prior year, $1.3M above the full year forecast of $21M**
- **Gross margin was expanded by 12% points to 48%**
- **Operating expenses (SG&A) were reduced by $8.4M or 25%**
- **Loss after tax was $12.7M, a decrease of 50%**
- **Net operating cash outflows were down by 43% to $12.5M**
- **Cash flow neutral in quarter 3, a historical first**
- **Year-end cash position of $11.3M**
- **Successful rights issue and share placement raised $17.1M net**
- **Secured 100% ownership of the ADAPT® tissue engineering process**
- **VascuCel® and CardioCel® Neo introduced in US following FDA clearance**
- **CardioCel® 3D received FDA clearance**
- **CardioCel® approved for sale in United Arab Emirates and Saudi Arabia**

FINANCIAL REVIEW

$ millions	FY17	FY16		Change
Group revenue	**22.3**	**14.2**	↑	58%
Gross profit	**10.7**	**5.1**	↑	110%
GM%	48.1%	36.2%	↑	12%pts
Selling, general and administration costs	(25.0)	(33.4)	↓	25%
Other income	3.4	4.7	↓	(28)%
EBITDA loss	**(10.8)**	**(23.6)**	↓	54%
Depreciation and amortisation	(1.9)	(1.5)	↑	(20)%
Operating income / (loss) after income tax	**(12.7)**	**(25.1)**	↓	50%
Net working capital	**6.0**	**4.1**	↑	(46)%
Net working capital % sales	27.0%	29.2%	↓	(2)%pts
Net operating cash outflows	**(12.5)**	**(21.9)**	↓	43%

Coming out of the successful strategic review (Code Red), Admedus sales grew strongly, with revenue up 58% for the full year to $22.3M. Driven by the Company's aggressive strategy to accelerate growth, build our product portfolio and bring new products to market more quickly, all businesses and regions contributed to the improving results. Fiscal year revenues came in $1.3M (6%) above the full year target of $21M.

Sales for the ADAPT® portfolio of products for the full year were $6.9M, up 30% on the prior year, whilst the infusion business in Australia and New Zealand contributed $15.5M in total sales for the year, up 74% on the prior year.

Gross profit for the year of $10.7M was up 110% on prior year based on revenues that were up 58%. Growing ADAPT® volumes and continuing improvements in our manufacturing process and operations was the key driver of the 12% point improvement in gross margin to 48%. ADAPT® sales contributed $3.6M (64%) of the improved gross profit as margins improved from 19% to 67% driven by scale benefits from relatively low incremental unit costs.

Infusion sales contributed $2.0M (36%) of the gross profit improvement with gross margins contracting from 47% to 40% driven by the relatively high proportion of capital sales under the new Royal Adelaide Hospital (nRAH) contract.

Selling, general and administration (SG&A) expenses (total expenses excluding depreciation, amortisation and finance costs) of $25.0M were reduced by $8.4M (25%) on prior year despite the inclusion of approximately $1.5M in net "exceptional" costs relating to the implementation of the Company's restructure and related re-organisation costs, partially offset by a write-back of share based payments related thereto (non-AIFRS measure). All operating expense groups were significantly reduced following the implementation of the recommendations from the Company's strategic review.

Other income, which includes grants and federal government R&D refunds, was down $1.3M (28%) on the prior period driven by lower R&D spending in the prior period. Assuming the Company's revenues continue to grow from current levels, they will exceed the threshold levels for R&D cash refunds going forward, with the expectation that refunds will no longer be receivable for years past the current year.

As a result of the growing revenues, improved product margins and reduced expenses, partially offset by the lower R&D refunds, Group EBITDA loss for the year was $10.8M, a reduction of $12.8M (54%) compared to the prior year. When excluding the "exceptionals", as discussed above, Group EBITDA loss (non-AIFRS measure) for the year was $9.3M consistent with recent guidance that this would be at the top end of the range of $6-10M.

With incremental depreciation and amortisation charges for the year of $0.4M, the loss from ordinary activities after tax was $12.7M, approximately half the loss incurred in the prior year.

The closing cash for the period was $11.3M, up from $8.8M, following the successful completion of the share placement and rights issue that raised $17.1M, net of expenses. Net operating cash outflows of $12.5M were down $9.5M (43%) driven by the higher margins on higher sales and lower operating costs, partially offset by lower R&D refunds and higher working capital investment of $1.9M.

Net working capital increased by $1.9M to $6.1M from the previous year driven by increasing sales activity, increased product complexity and the delay in the implementation of the nRAH contract that has resulted in higher levels of inventory ahead of the contract commencing operation, as discussed below.

BUSINESS REVIEW

ADMEDUS ADAPT ® – building momentum with scale benefits evident

ADAPT® - $ millions	FY17	FY16		Change
Segment revenue	**6.9**	**5.3**	↑	30%
Cost of sales	(2.3)	(4.3)	↓	47%
Gross profit	**4.6**	**1.0**	↑	368%
GM%	67.1%	18.7%	↑	48%pts

ADAPT®, our clinically superior regenerative tissue technology, grew strongly and achieved revenues of $6.9M, up 30% on prior year, driven primarily by continued strong sales of the Company's products in its existing global markets with all regions growing and contributing to strong full year result. In addition to the solid sales performance, the increasing volumes – together with manufacturing improvements and scale benefits – helped drive a 48% point improvement in gross margins to 67% for the year. This combination of increased sales and expanding margins drove gross profits up by $3.6M (368%) as scale benefits, due to relatively low directly variable costs (primarily direct materials), took effect continuing the trend seen at the half year.

As noted, all regions contributed to the excellent results, with North American sales up 35% (40% in constant currency) on the prior year. Europe grew modestly, up 9% (15% in constant currency) following a refocus on core markets there following the Company's strategic review. Emerging Markets were up 170%, albeit from a low base, driven primarily by sales to the MENA region following granting of sales approval to United Arab Emirates. Sales in its other open markets such as Singapore, Hong Kong and Malaysia grew strongly, up 55% on the prior year. The hoped-for TGA approval in Australia – which has positive flow-on effects to a number of markets in Asia, including Philippines, Thailand, Taiwan and Vietnam – is now anticipated mid-2018. Both the European and Emerging Market regions are expected to benefit from the Company's expanded product portfolio once new product approvals flow through as well as increased penetration and market expansion over coming periods.

ADMEDUS INFUSION – very strong growth, despite nRAH delays

INFUSION - $ millions	FY17	FY16		Change
Segment revenue	**15.5**	**8.9**	↑	74%
Cost of sales	(9.3)	(4.7)	↑	(97)%
Gross profit	**6.1**	**4.1**	↑	48%
GM%	39.6%	46.6%	↓	(7)%pts

The profitable Infusion business in Australia and New Zealand continued to perform exceptionally well with full year revenues of $15.5M, up 74%, driven in large part by the implementation of the nRAH contract and the associated capital sales ($4.6M for the year). The underlying non-contract business performed above expectations with sales growth of +20% on the prior year, setting a number of monthly sales records (+$1.0M excluding capital sales) during the second half, that helped overcome lost sales due to the delayed opening of nRAH. The adverse change in gross margins to 40% from 47% was primarily as a result of the relatively high proportion of capital sales under the nRAH contract. The South Australian government has confirmed that nRAH is set to open in the first week of September. We are well progressed on our implementation and ready to fully support the operations once the hospital becomes operational and to start the ongoing supply of consumables.

ADMEDUS VACCINES

Last year Admedus Immunotherapies (AI) continued to progress its core technologies. During the period, AI received the final results from the Herpes Simplex 2 (HSV-2) Phase IIa study, which showed a level of activity in people infected with HSV-2. The board of AI are currently assessing its options in terms of next steps with this program.

In addition, AI has continued to progress its Human Papillomavirus (HPV) programs. The HPV DNA vaccine targeting HPV related head and neck cancer is progressing towards its initial clinical study looking at its safety in people with HPV related cancer as well as secondary markers around activity. In addition, the team has continued to progress the collaboration with Translate Bio (formerly RaNA Therapeutics) on RNA vaccines targeting HPV and related cancers.

AI has operating capital for the coming year, including sufficient capital to initiate the HPV head and neck study. The board of AI are currently undertaking a review of the potential strategic options available to the them to secure the continuing development of AI's technologies in a manner that balances maximising their potential with returns for its shareholders.

WEBINAR

The Company will be hosting an investor webinar on 5 September, 2017 at 10am AEST to discuss its financial results for the year ended 30 June, 2017 and at which Mr Wayne Paterson, Chief Executive Officer, will provide a financial review of the Company's year-end performance as well as operational and business highlights in respect of ADAPT®, AI and the Infusion business.

Full details in relation to the webinar will be issued separately.

OUTLOOK

This section provides an update on the Company's outlook and supersedes any and all previous forward-looking statements and forecasts provided by the Company in relation to the matters included in this section.

The Directors are pleased with the substantial advances made during the year on the Company's strategic agenda and the significant re-setting of its businesses that have been achieved. Revenue was increased by 58%, margins were improved by 33%, operating expenses were reduced by 25% and operating cash outflows were down 43% on the prior year. These strong performance improvements happened whilst simultaneously driving transformative changes across the entire business platform.

As a result of the strategic and operational changes made during the business review conducted in 2016 and the ensuing strong 2017 financial year results described in this report, management and the board now have greater clarity and confidence that the Group will approach financial break even in the last quarter of calendar year 2018 with the expectation of being profitable for the full calendar year 2019.