28 February 2019

ASX ANNOUNCEMENT

PRELIMINARY FINAL REPORT – APPENDIX 4E FOR THE PERIOD TO 31 DECEMBER 2018

Admedus Limited (ASX: AHZ) (**Admedus** or the **Company**) has today released its Appendix 4E– Preliminary Final report for the year ended 31 December 2018.

In December 2017, Admedus changed its financial year-end from 30 June to 31 December to align the Company's financial reporting with its global business sales cycle.

The comparative accounting period in the Appendix 4E is for the 6-month period from 1 July 2017 to 31 December 2017, in line with the previously released financial report.

To enable shareholders to compare the performance of the full financial year 2018 against 2017, a comparison to the twelve month period ended 31 December 2017, has been provided in this accompanying release.

SUMMARY OF FINANCIAL PERFORMANCE: FULL YEAR 2018 VS FULL YEAR 2017

- The Company delivered revenue of $25.6 million for the financial year ending 31 December 2018, up 20% year on year versus total group revenue of $21.4 million in 2017.
- The majority of revenue growth was driven by ADAPT® sales which grew 55% year on year to $11.1 million, compared to $7.2 million in 2017.
- Revenue from the Infusion business was $14.5 million, up 2% year on year.
- Underlying growth in the Infusion business, excluding revenues from Go Medical, was stronger. Revenue was up 24% from $9.0 million in 2017, to $11.2 million.
- Selling, general and administration expenses (SG&A), which includes R&D spend, was $34.3 million for 2018. In 2018, SG&A costs for ADAPT® have declined as a percentage of revenue from 142% to 122%.
- Gross profit for the group for the year was $12.4 million representing a gross profit margin of 49%.
- Net loss after tax was $24.7 million.
- The closing cash balance on 31 December 2018 was $12.0 million up from $8.3 million on 31 December 2017.

OPERATIONAL HIGHLIGHTS

- Positive interim data on TAVR generated, planning underway to commence first-in-human trials earlier than planned.
- New sales teams and product expansion driving continued growth in ADAPT® sales in all regions.
- Recapitalisation program secured two strategic institutional investors.

ADAPT® SALES, AND MARKET SHARE GAINS CONTINUE TO ACCELERATE

The ADAPT® business delivered year on year growth of 55%, increasing to $11.1 million in revenue for the 12 months ending 31 December 2018.

The increase was driven by sales in North America, which is the first market where the expanded 3D product range, including CardioCel® 3D, CardioCel® Neo and VascuCel®, was launched in February 2018. The recruitment of a new sales team, in H1, and the contribution of the new and leading-edge CardioCel® 3D products have seen Admedus continue to build market share in the region. The implementation of a corporate accounts strategy targeting major US group purchasing organisations is also yielding results.

The European business turned around, returning to growth in the second half of 2018. Overall growth in Europe was impacted by delays in regulatory approvals for CardioCel® 3D and VascuCel®.

Despite this, sales momentum in Europe continued to grow in the third and fourth quarter, as a result of the new leadership and sales team in this region who have been effective in driving increased engagement with Key Opinion Leaders (KOLs) as well as reactivating and signing new customers. New distribution agreements have been executed in Spain, Portugal and Italy which have also contributed to increased sales in H2.

Sales in emerging markets have risen significantly, as a result of new regulatory approvals in the Philippines, Indonesia, Saudi Arabia and Kuwait. New product launches, including CardioCel® in Vietnam and CardioCel® 3D in the United Arab Emirates, has contributed to increased sales in these existing geographies.

Revenue from the Infusion business was $14.5 million, up 2% year on year. Underlying growth of 24% offset the impact of the GO Medical Industries Pty Ltd (Go Medical) termination agreement.

Revenue (excluding Go Medical) was up 24% from $9.0 million in 2017, to $11.2 million.

During the year, Admedus also completed the renewal of its exclusive distribution agreement with Summit Medical, for a further eight-year period.

PROGRESS CONTINUING ON TAVR

The TAVR (transcatheter aortic valve replacement) project continued to progress ahead of schedule, with several milestones delivered during the year, including the commencement of a feasibility study in sheep, continual enhancements of the product, and the filing of additional patents.

To date, the feasibility trial has shown that the Admedus TAVR valve has an EOA (effective orifice area) of up to 2.5 cm^2. The EOA, which is an important factor in enabling the flow of blood, is significant as currently available valves have an EOA of 1.6 to 2 cm^2.

The Company has confirmed that it could initiate a first-in-human trial earlier than expected. The Company is also continuing its partnership strategy, commencing engagement with KOLs and potential target partners.

COST MANAGEMENT AND RECAPITALISATION

Selling, general and administration expenses (SG&A) was $34.3 million for 2018; this includes R&D costs of $6.7 million. Overall costs, including salary, has been negatively impacted by foreign exchange. The impact of US-based staff adds 39% to the current equivalent Australian dollar cost.

Since the restructure, the employee base has been shifting to the US, which is the primary revenue market for the Company and represents 45% of the Global Health Care market. Today, the total employee headcount is at similar levels to those immediately before the restructure. However, there has been an increase in revenue of approximately 81%. The overall headcount remains lean relative to the scale of the business.

As a growth-stage company, Admedus is making targeted investments to drive revenue growth, specifically adding new sales staff in the US and Europe, while balancing this with cost management. Costs as a percentage of revenue, is a key metric the Company uses to measure the effectiveness of its investment over time. In the past year, SG&A costs for ADAPT® have declined as a percentage of revenue from 142% to 122%. The continued declined in SG&A as a function of revenue demonstrates a positive return on investment (ROI) as revenue growth outstrips cost growth. SG&A is down from 236% at the time of the restructure.

Gross profit for the group for the year was $12.4 million (up from $11.6 million) representing a gross profit margin of 49%. Net loss after tax was $24.7 million.

Financing cash inflows of $27.1 million reflect net proceeds from capital raising activities of $32.3 million over the year. The closing cash balance on 31 December 2018 was $12 million up from $8.3 million at 31 December 2017. $5 million of these funds were used to repay existing debt facilities.

IMMUNOTHERAPIES

Admedus is continuing with its planned divestiture of the Immunotherapies business which involves Star Bright (or a related party of Star Bright) investing $18.0 million into the business for a 60% stake. An additional $500,000 advance was received during the quarter from Star Bright (cumulative total of $1,000,000) which is intended to be offset against the proposed $18.0 million consideration.

BOARD APPOINTMENTS

Mr Steve Denaro was appointed to the Board of Directors as a Non-Executive Director and Company Secretary, effective 31 October 2018.

Ms Lishan Zhang was appointed to the Board of Directors as a Non-Executive Director on 12 December 2018. Ms Zhang is the Chair of Constellation International Group Holdings Ltd., a Hong Kong-based company with multiple interests in the development of new biotechnology assets includes vaccines, nanotechnology, biomedical materials and minimally invasive tumour treatments. She is also Vice-Chair at Guangzhou Hearty-Care Biotechnology Ltd.

Dr Yanheng Wu was appointed to the Board of Directors as a Non-Executive Director on 12 December 2018. Dr Wu is the President and Vice-Chair of Constellation International Group Holdings Ltd. In 2016, he established Guangzhou Hearty-Care Biotechnology Ltd., a medical technology company that is now owned by Constellation International Group Holdings Ltd.

OTHER KEY APPOINTMENTS

Admedus appointed former KPMG partner Mr Matthew McDonnell as its interim CFO. Mr McDonnell is highly skilled in governance, managerial finance, technical accounting matters and risk management.

Dr Kiran Bhirangi was appointed Chief Medical Officer in December 2018 and is responsible for accelerating the research projects that will generate new product launches in key areas as well as coordinating global medical affairs strategies, clinical compliance, global clinical study programs, and developing clinical publications and scientific presentations strategies.

IN SUMMARY

Managing Director and CEO Wayne Paterson said, “The developments over the past year form a solid basis for a sustainable global business. ADAPT® revenue growth was 55% over the previous year, which is significantly higher than cost growth.

“Uptake throughout 2018 continued to increase, as more Key Opinion Leaders, and surgeons have started to use or increased their utilisation of ADAPT® treated products.

“The Company continues to take market share away from larger and more established competitors via superior clinical data, increasing KOL advocacy and an expanding portfolio of unique products.”

The CardioCel® 3D range is gaining traction in the market by providing novel solutions to challenging surgical problems, he added.

“Our 3D aortic valve, the central component of our TAVR device, is also progressing. We’re working closely with our TAVR Medical Advisory Board who are helping direct our engineers to develop a unique and competitive TAVR device.

“Development will be expedited due to the positive interim analysis of data generated in the feasibility study of the 3D valve. The unique single-piece design coupled with the proven anti-calcification properties and recent haemodynamic data demonstrating EOAs up to 2.5 cm^2, positions our 3D valve as a significant improvement in the global valve market for patients with aortic stenosis. The current market worth is estimated to be upwards $US12 billion by 2025.

“These new products will help the Company continue to expand into the larger adult market while maintaining high levels of adoption in the niche paediatric segments.

“The recent recapitalisation of the Company has attracted two supportive institutional investors. Both major investors are experienced in the healthcare space and include medical doctors on their boards. This endorsement of our science bodes well for the long-term viability of the Company’s technology and development of high-value product offerings to meet the need of a much wider adult patient population.

“We acknowledge it has been a difficult year for investors. Our ultimate goal is to increase the long-term value of the Company and ultimately drive value creation for our investors. We’ll achieve this by continuing to execute on our growth strategy to build ADAPT® and the Company into a commercially competitive and sustainable global business.”

Yours faithfully

Wayne Paterson

Managing Director and CEO