ASX/MEDIA RELEASE

Results for the half year ended 31 December 2010

SYDNEY 28 FEBRUARY, 2011 – Australia's largest manufacturer of orthopaedic devices, Advanced Surgical Design and Manufacture Limited (ASDM) (ASX: AMT), today announced its half year results for the period ended 31 December 2010.

The highlights for the period

- Continued expansion in surgeon coverage using the Active Knee
- Secured distribution rights to three complementary product lines
    - Permedica, Arthrosurface, Inc and Parcus Medical, Inc
- Additional capacity available after manufacturing an additional 25 instrument sets
- Sales channel infrastructure expansion
- Continued sponsorship of the PAD Clinical Trial
- Increased core product half-year sales revenue to $3.3m from $2.6m – 26% increase

ASDM has been recognised as a premier design and manufacturing organisation with a one product focus – the Active Total Knee Replacement. Over the last 6 months ASDM has executed on a strategy of diversifying its product portfolio by adding complementary high quality devices and clinical solutions in Permedica, Arthrosurface and Parcus Medical products.

These products continue the focus in the orthopaedic medical device segment and provide our existing customers with additional clinical solutions. It also provides a mechanism for our sales infrastructure to open up additional sales channels with these complementary products. The Australian Total Hip and Total Knee Replacement market is valued at approximately $0.5Bn per annum and with annual growth rates of 8-10%.

Revenue and gross margin

Total revenue for the half-year was $3.4m (Dec-09: $4.0m). Last year was positively impacted by the sale of intellectual property relating to the Active Uni-Compartmental Knee system to Stryker Corporation for $1.3m.

Excluding this transaction core product sales for the half-year were $3.4m (Dec-09: $2.6m) representing a 26% increase over the same period last year. Importantly, this growth was across all markets and all product categories. This growth is expected to continue for the balance of the financial year and will be further strengthened by the introduction of our new products.

During the prior financial year, we largely completed the balance of our instrument sets and have since completed the remainder of the 50 sets now available to our sales team. The benefit of the completion of this milestone is highlighted by our stronger margin during the half-year as our ability to take advantage of sales growth opportunities was achieved without an increase in production costs.

Corporate and administration expenses

Corporate and administration expenses include accounting, administration, legal, insurance and other public company costs. Administration expenses for the half-year were $1.4 m (Dec-09: $1.2 m). Administration expenses increased in the current half-year due to professional costs associated with the strategic review undertaken by the company.

Quality and research and development expenses

Research & development expenses increased by approximately $0.6 m in the first half of fiscal 2011 to $1.1m (Dec-09: $0.6m). There are two major components to quality and research and development expenses:

1. Orthopaedic unit - accounts for 52% of the total spend for the half-year ended 31 December 2010. This relates to supporting the current device family as well as modification and new product design. Added to this primary function is the cost associated with the Quality Management System to ensure all processes within the organisation are maintained to a level commensurate with the industry in which ASDM operates. These are constantly under review to ensure we are developing enhanced manufacturing processes and driving efficiencies in all aspects of design and manufacture.

2. Vascular unit – The primary focus of the vascular unit has been the development of the Peripheral Access Device (“PAD”). The PAD currently has CE Mark approval for use as an access device for chemotherapy and ASDM is currently sponsoring an approval trial for the use of the device in treatment of Peripheral Vascular Disease (“PVD”). The treatment for PVD involves implantation of two PAD systems to allow reperfusion of the limb at an elevated pressure and flow by a pump connected to the arterial system in the affected limb through the PAD implants. During the half-year ended 31 December 2010, increased costs in this project were related to the achievement of specific milestones, including completion of Technical File documentation. It is anticipated that costs moving forward will be reduced to reflect a run rate equivalent to a clinical trial monitoring level as product development is largely completed.

Sales & Marketing

Sales & marketing costs have increased to $0.9m (Dec-09: $0.5m). This is a result of the strategic decision over the past 12 months to increase our brand awareness and presence in the marketplace. During FY10, our sales channels expanded to include additional domestic and international markets. Consequently, our domestic sales team has tripled compared to the same period last year and contributed to the company’s growth in core product revenue during the period. The half-year ended 31 December 2010, is the first trading period the company has experienced the full impact of these costs.

Operating loss

The loss after tax for the half-year was $1.6m (Dec-09: profit after tax $0.05m) a decrease of $1.6m. The reduction is due to the non-recurring sale of IP to Stryker in the prior period which had a direct profit impact of $1.3m and increased administration and research and development costs.

Cash position

The cash balance at 31 December 2010 was in overdraft by $37k compared to a positive cash balance of $723k at 30 June 2010. As announced in the last quarter of the 2010 calendar year, the company had entered into a number of strategic alliances with international medical device companies for the exclusive Australasian distribution rights. During December 2010 the first payment was made to Arthrosurface, Inc. totalling $400k to acquire the stock associated with the distribution rights. Sales in this product category are ahead of budget and are acting as a catalyst for additional sales growth in our existing product lines. As regulatory approvals are obtained for the remainder of the distribution arrangements announced, there will be an opportunity for additional stock purchases to realise this potential.

Dr Greg Roger CEO said: “ASDM has achieved strong sales growth of 26% over the current half-year period across all product categories and markets. It is expected that this trend will continue for the balance of the financial year. We are excited by our growth prospects and the appointment of Ms Jenny Swain as the National Sales Manager will further enhance and develop our sales performance and market penetration.”

ASDM continues to be an agile participant in the highly competitive medical device industry with a solid platform positioned for further growth.

Contact Details: Company

Dr Greg Roger – Chief Executive Officer and Managing Director
Advanced Surgical Design & Manufacture Limited
Greg.Roger@asdm.com.au
T: 61 2 9439 4448

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 principle product is the Active Total Knee, which has significantly improved the quality of life for 5,000 people globally. Our sales and technical support reach covers Australia, US, and Europe.

We also exclusively distribute, Permedica S.p.A., 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.