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14 December 2021

ASX Announcement

Record US sales in July and November, and other matters

The Board of Directors provide this general update on the business.

General

The interim CEO Max Johnston has had a significant impact on morale and is closely engaged with the management team, staff, customers, and all stakeholders. The feedback and engagement from staff have been overwhelmingly positive. The company is well positioned to continue to execute its existing strategic priorities and has commenced activities to accelerate growth through new initiatives.

Chairman of PolyNovo, David Williams said *"There has been a significant uplift in intensity in all areas of the business in the last month. We are adding immediately significant scale to our US salesforce and some important new hires in the UK and other parts of the business."*

Staffing

Recruitment has been stepped up in most areas of the business in addition to an international search for a new CEO. There has been huge interest in the CEO role from candidates globally and the Board is confident of securing an outstanding candidate and in place first quarter 2022.

In addition, there has been immediate action in expanding the US sales team. The business is currently in the final stages of recruiting for an additional 4 US sales reps and the board has approved a further 10 immediately to increase the sales reps to 44 and the US team in total to 54. We are also recruiting for sales trainers in the US to support the sales team, ensuring new hires achieve first sales quickly. 18 of the field sales team have been recruited within the last 6 months and so have yet to be fully onboarded and get through their first sales cycle. Nevertheless, we are already experiencing US sales growth.

We are pleased to announce the appointment of Dan King as US Vice President Marketing. Dan will commence on the 20th of December. A decision has also been taken to bolster support by adding Dr Javier Guirola as Senior Clinical Specialist as Clinical Lead North America and 2 new marketing positions to support our increased penetration in other uses of BTM. We are also recruiting a GPO Contract Liaison Officer to maximise our penetration as we grow the number of GPO accounts.

We have recently made 2 additional field sales appointments to increase our UK coverage in greater London. We are reviewing other opportunities to increase our staffing and intensity in that market.

Outside of sales, the company is considering new positions in Investor Relations and intends adding to the R&D team to support more new product initiatives.

Trading

US

The US had a strong start to Q2 with sales of \$AU 4.66m / \$US 3.42m (Oct and Nov) up 133% on last year \$AU 1.99m / \$US 1.44m (Oct and Nov). November month was particularly strong almost equalling the record month set in July, \$US 1.95m and \$US 1.97m respectively.

The US business is performing well, adding an additional 11 accounts since 30 Sept 2021 bringing the total to 146. Significant progress has been made in Q2 toward signing two additional GPO's.

The company is monitoring the possible impact of the Omicron variant on being able to access hospitals and healthcare professionals. To date there does not seem to be any impact and the company is confident that it is better positioned to respond than previously.

UK, Ireland, and Europe

Despite the very large percentage uplifts in sales in the UK and Germany in Q1 FY22, these were off a low base. The UK/IRE and Europe have underperformed our expectations. A number of initiatives are being undertaken to improve the effectiveness of our in-market programmes and optimisation of our direct salesforce and distributor network, including two new sales staff in London. Pleasingly, the regulatory and distribution infrastructure to service UK, Ireland and the EU is fully operational and performing well. So, the focus for us is to improve our sales execution.

Australia and New Zealand

Australia and New Zealand remain on track despite a large reduction in burn cases compared with the corresponding period last year. It is very exciting that more than 40% of all BTM use is now outside of burns. Australia remains an extremely important market to us in exploring the large opportunities for new uses of our technology with inpatients and outpatients.

The Australian experience will be transferred to world markets though we are already seeing increasingly broader use of BTM, especially in the US.

New Territories

The company is being courted by large corporations wanting to represent us in exciting new jurisdictions. The opportunity for the use of BTM in developing healthcare markets is large. A new internal task force is working on how best to bring BTM to new developing markets. One or more of these relationships are expected to be in place in FY22.

R&D Activity

Additional resources have been added to the Research and Development team to allow multiple prototyping of new products simultaneously, to increase the likelihood of creating new products and successful designs.

DFU Trial (Chronic Wound Reimbursement) – Following the successful trial with 10 patients, the protocol for the second phase of the trial is at the last stage of review and we anticipate commencing the next phase of the trial in early CY22.

Hernia – The company has significantly expanded its approach to hernia and is now working on five further design options for the product and for various hernia types. These are being developed simultaneously and trialled. This may delay time to market by up to 12 months though one or other option may be in market within timetable.

The current trial has demonstrated that the Novosorb foam has a unique ability to generate new tissue at the implant site. However, the new laminate did not perform as expected and needs further work on adhesion to the foam to prove superior patient benefits.

Soft Tissue support - work has commenced looking at the unique properties of our technology for use in many applications requiring soft tissue support. Additional scientific support staff are being recruited to accelerate these opportunities and to broaden the use of our technology.

Capital

The company has sufficient capital to fund growth. In the near term, the company will continue to reinvest cashflow into the sales and R&D teams. Outside of existing cash resources, the company can access debt facilities or leverage property assets. There may also be near term options for upfront payments for distribution rights for new licencing deals.

Summary

The intensity in all parts of the business has been lifted in the past month. In particular we are quickly increasing the number of sales staff and their support especially in the US. US sales are strong and at record levels. New hires of sales staff are expected to drive market penetration. The identified opportunities in geographic expansion and new product solutions are being acted upon with speed and a new intensity and will underpin further growth.

This announcement has been authorised by PolyNovo Company Secretary Jan-Marcel Gielen.

Further information:

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