15 March 2023

Advanced Medical Solutions Group plc
(“AMS” or the “Group” or the “Company”)

Unaudited preliminary results for the year ended 31 December 2022

~ Strong revenue growth, profit and cash generation in line with expectations.
Good clinical and regulatory progress across promising pipeline of new products ~

Winsford, UK: Advanced Medical Solutions Group plc (AIM: AMS), the world-leading specialist in tissue-healing technologies, today announces its unaudited preliminary results for the year ended 31 December 2022.

Financial Summary:

	2022	2021	Reported change	Change at constant currency[1]
Revenue (£ million)	**124.3**	108.6	+14%	+10%
Adjusted Measures				
Adjusted[2] profit before tax (£ million)	**28.5**	25.6	+11%	
Adjusted[2] profit before tax margin %	**22.9%**	23.6%	-0.7pp	
Adjusted[2] diluted earnings per share (p)	**10.47**	9.66	+8%	
Reported Measures				
Profit before tax (£ million)	**25.9**	22.0	+18%	
Profit before tax margin %	**20.8%**	20.2%	+0.6pp	
Diluted earnings per share (p)	**9.30**	8.01	+16%	
Net operating cash flow (£ million)	**26.9**	31.0	-13%	
Net cash[3] (£ million)	**82.3**	73.0	+13%	
Proposed full year dividend per share (p)	**2.15**	1.95	+10%	

Business Highlights (including post period end):

AMS is pleased to report robust financial performance in line with expectations and significant regulatory and clinical progress as it continues to invest in its portfolio of next-generation products.

Financial

- Group revenue increased to £124.3 million (2021: £108.6 million), an increase of 14% or 10% at constant currency, driven by commercial progress, foreign exchange tailwinds and higher pricing to recover inflationary cost increases

- Adjusted profit before tax increased by 11% to £28.5 million (2021: £25.6 million) as the business continued to manage the majority of inflationary pressure through selling price increases

- Net cash increased to £82.3 million (2021: £73.0 million) driven by strong trading and robust operational cash flow

- Investment in R&D increased to £12.3 million (2021: £9.3 million), representing 9.9% of revenues (2021: 8.6%), as the Group accelerates investment in new products and Medical Device Regulation ("MDR")

- Surgical Business Unit revenues increased to £74.9 million (2021: £64.6 million), an increase of 16% and of 12% at constant currency

- Woundcare Business Unit revenues increased to £49.5 million (2021: £44.0 million), an increase of 13% and of 8% at constant currency

- Reflecting the strong financial performance and management's ongoing confidence in the Group's outlook, the Board proposes an increased final dividend of 1.51p per share (2021: 1.37p) bringing the total proposed dividend to 2.15p per share (2021: 1.95p)

Operational

- Good engagement and progress with the FDA on our US LiquiBandFix8® Pre-Market Approval (PMA) with approval on track for H2 2023

- The Seal-G® and Seal-G® MIST clinical study continues to progress well with over 80% of patients now recruited. The final results are on track to be released in H1 2023 when they will be used to market the technology during the commercial launch

- LiquiBand® XL was approved and launched in the US during H2 2022. Initial market response is very positive and underpins confidence in the product

- Completed the acquisition of AFS Medical GmbH ("AFS"), an Austria-based distributor of minimally invasive surgical devices for an initial cash purchase price of €4.5 million with a further cash deferred consideration of up to €1.5 million based on delivery of 2022-2024 EBITDA targets

- On 1st February 2023, AMS announced that it had acquired Connexicon Medical Ltd (Connexicon), a tissue adhesive technology specialist, for an initial, upfront payment of €7 million with further deferred payments dependent on delivery of certain research & development, regulatory and commercial milestones between 2023 and 2027. The acquisition strengthens AMS's position in the $300 million global medical adhesive market, providing significant new commercial opportunities

Commenting on the results Chris Meredith, Chief Executive Officer of AMS, said: "I am pleased with the resilience that our business has shown in delivering another period of strong financial performance in the current challenging economic conditions, and we are on track to meet 2023 expectations. The investments we have made in our in-house and acquired technologies have strengthened the quality and breadth of our portfolio enabling us to deliver returns across a broader range and validate our growth strategy. AMS is committed to investing in R&D and acquisitions that will further strengthen our established portfolios while continuing to penetrate new markets, maintaining robust growth in the long-term."

Notes

1. *Constant currency removes the effect of currency movements by re-translating the current year's performance at the previous year's exchange rates*
2. *Adjusted profit before tax is shown before amortisation of acquired intangible assets which was £3.4 million (2021: £3.2 million) and the movement in long-term liabilities recognised on acquisitions which was a credit £0.8 million (2021: £0.4 million debit).*
3. *Net cash consists of cash and cash equivalents with nil debt (2021: £nil debt)*

– End –

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About Advanced Medical Solutions Group plc

AMS is a world-leading independent developer and manufacturer of innovative tissue-healing technology, focused on quality outcomes for patients and value for payers. AMS has a wide range of surgical products including tissue adhesives, sutures, haemostats, internal fixation devices and internal sealants, which it markets under its brands LiquiBand®, RESORBA®, LiquiBandFix8® and Seal-G®. AMS also supplies wound care dressings such as silver alginates, alginates and foams through its ActivHeal® brand as well as under white label. Since 2019, the Group has made five acquisitions: Sealantis, an Israeli developer of innovative internal sealants; Biomatlante, a French developer and manufacturer of surgical biomaterials, Raleigh, a leading UK coater and converter of woundcare and bio-diagnostics materials, AFS Medical, an Austrian specialist surgical business and Connexicon, an Irish tissue adhesives specialist.

AMS's products, manufactured in the UK, Germany, France, the Netherlands, the Czech Republic and Israel, are sold globally via a network of multinational or regional partners and distributors, as well as via AMS's own direct sales forces in the UK, Germany, the Czech Republic and Russia. The Group has R&D innovation hubs in the UK, Ireland, Germany, France and Israel. Established in 1991, the Group has more than 800 employees. For more information, please see **www.admedsol.com**.

Chief Executive's Review

Group performance

The Group delivered record sales of £124.3 million driven by good commercial progress from both Business Units.

Surgical Business Unit

The Surgical Business Unit includes tissue adhesives, sutures, biosurgical devices and internal fixation devices marketed under the AMS brands LiquiBand®, RESORBA®, LiquiBandFix8® and Seal-G®.

Growth in the Surgical Business was driven by strong performances from the Biosurgical Devices and Internal Fixation products. Revenue increased by 16% in the period to £74.9 million (2021: £64.6 million) and by 12% on a constant currency basis.

Surgical Business Unit	**2022 £ million**	2021 £ million	Reported Growth	Change at constant currency
Advanced Closure	**36.0**	33.1	9%	1%
Internal Fixation and Sealants	**4.1**	2.6	60%	60%
Other Distributed	**2.9**	0.0		
Traditional Closure	**16.0**	14.9	7%	6%
Biosurgical Devices	**15.8**	14.0	13%	13%
TOTAL	**74.9**	64.6	16%	12%

Advanced Closure

LiquiBand® is a range of topical skin adhesives, incorporating medical grade cyanoacrylate in combination with purpose-built applicators. These products are used to close and protect a broad variety of surgical and traumatic wounds.

Advanced Closure	**2022 £ million**	2021 £ million	Reported Growth	Change at constant currency
Americas	**23.4**	22.4	5%	-6%
UK/Germany	**7.3**	6.3	17%	17%
ROW	**5.3**	4.5	19%	17%
TOTAL	**36.0**	33.1	9%	1%

Revenues increased to £36.0 million (2021: £33.1 million) representing growth of 9% on a reported basis and 1% on a constant currency basis.

Strong growth in LiquiBand® globally was partially offset by weakness in US revenues and consequently US sales increased by only 5% at reported currency and declined by 6% at constant currency.

In 2022, the Group began a strategic review of its US LiquiBand® business which involves assessing and streamlining its routes to market and product offering in order to help drive stronger growth in this key market sector. As part of this initiative, we identified and first made contact with Connexicon as a potential acquisition target. We intend to complete this strategic review process during 2023 and it is expected that this will result in improved market access and growth potential from H2 2023. As a consequence of the ongoing changes, we had reduced orders from one partner in H2 2022 and this is expected to continue throughout H1 2023.

Following its approval in H1 2022, LiquiBand® XL delivered a strong launch in H2 2022 with £0.6 million of initial US orders fulfilled, strengthening our optimism on the short and long-term potential of LiquiBand® XL in the fast growing $60 million long wound market and unlocking further growth potential for the LiquiBand® business. The US approval is to be extended in early 2023 with the addition of a product that can close wounds up to 60cm rather than the current maximum of 40cm.

Going forward, we remain highly confident of delivering growth with LiquiBand® in the US, especially as we start to reap the benefits of adding LiquiBand® XL and the recently acquired Connexicon Medical products to our portfolio.

The acquisition of Connexicon Medical in February 2023 brings an existing Indermil® Flexifuse® business in Europe and APAC, progress towards accessing the large Chinese market and an exciting, enhanced portfolio for the US market that provides significant commercial synergies with approvals expected by early 2024. The addition of Connexicon's highly experienced R&D team to the Group has provided AMS with a medical adhesive development hub in Dublin, strengthening the Company's ability to develop and launch innovative adhesive and sealant technologies in the coming years.

Outside the US market, the LiquiBand® brand continued to perform very strongly, with underlying growth of 17% in both the UK/Germany and the Rest of the World markets. AMS is encouraged to see early-stage traction building for LiquiBand® XL outside the US, and this is now contributing to growth.

In addition, the Group has recently taken over the direct ownership and distribution of InteguSeal®, a cyanoacrylate microbial surgical sealant, from a partner that has historically generated a low level of sales. AMS is now looking at options for broader global distribution that have the potential to generate more meaningful revenue. The first direct order was shipped to a new partner in Japan in late 2022 and there is significant business development activity planned in other key EU and APAC markets in early 2023.

Internal Fixation and Sealants

LiquiBandFix8® uses individual, accurately delivered drops of cyanoacrylate adhesive inside the body, to fix hernia meshes in place, instead of sutures or tacks.

A strong performance from LiquiBandFix8® was supported by the UK National Institute for Clinical Excellence

(NICE) recommendation and the AFS acquisition as revenues increased to record levels of £4.1 million (2021: £2.6 million) an increase of 60% at reported and constant currency. The marketing expertise from AFS will be beneficial to other marketing teams and will help to increase traction in more specialist minimally invasive surgical markets.

In October 2022, AMS reported that the Premarket Approval (PMA) for LiquiBandFix8® had been submitted and accepted by the FDA. Since then, FDA engagement has been high and the process is progressing well with approval on track for H2 2023. This would be the first product of its kind in the US and the anticipated launch in 2024 represents a significant commercial opportunity for the Company.

Seal-G® MIST (laparoscopic surgery) and Seal-G® (open surgery) are novel, internal, biological sealants used to seal tissue during gastrointestinal surgery to reduce bleeding and leakage of fluid. The trial continues to progress well with over 80% of the 160 procedures now complete, with results on track for H1 2023 and launch planned for H2 2023.

Key Opinion Leader feedback continues to be highly positive and AMS remains excited about the opportunity for Seal-G® products in answering a high unmet patient need for an effective GI sealant. Beyond colon surgery, the Company sees opportunities to drive demand in surgeries with other potential indications that experience high leakage rates, for example oesophageal and pancreatic surgery. In early 2023, we received our first end-user commercial order from a UK surgeon who is using SEAL-G® in oesophageal surgery to reduce the risk of leaks.

Traditional Closure

RESORBA® branded Absorbable and Non-absorbable Suture ranges are used in general surgery and a wide range of surgical specialties including dental and ophthalmic surgery. Revenue increased by 7% to £16.0 million and by 6% at constant currency (2021: £14.9 million).

This portfolio has been established in predominantly European markets. However, in line with the Group's ongoing strategy to expand the geographic reach of existing products, recent successes in the US dental market made a significant contribution to Traditional Closure revenues during the period.

Biosurgical Devices

The Biosurgical Devices category comprises antibiotic-loaded collagen sponges, collagen membranes and cones, oxidised cellulose, synthetic bone substitutes and bio-absorbable screws. Revenues increased by 13% at reported and constant currency to £15.8 million (2021: £14.0 million).

Demand for collagens both with and without antibiotics continued to drive growth in Europe in 2022 including an increased focus on the cardiovascular market with a supplementary brand and a new specialist partner network. AMS's strategy to expand its distribution network into new territories has also been working well, with particular success in the Far East where one of its distributors was the first to exceed annual collagen revenues of £0.5 million.

The Group continues to work towards its first collagen approval in the US with a 510(k) submission expected in 2023 for a dental application to support haemostasis and healing following tooth extraction.

The RESORBA® branded bone substitutes range has shown a promising start following its launch in 2021, rolling out in a number of European countries during 2022. The Group continues to work towards its planned Independent Rep launch into the US Bone Substitutes market which is on track for mid-2023.

Other Distributed Products

Following the acquisition of AFS in the period, the Other Distributed category comprises products distributed by AFS, including minimally invasive access ports and laparoscopic instruments. This category excludes sales of LiquiBandFix8® which are recorded within the Internal Fixation and Sealants category. Since acquisition, AFS trading has been in-line with expectations.

Woundcare Business Unit

The Woundcare Business Unit is comprised of the Group's multi-product portfolio of advanced woundcare dressings sold under its partners' brands and the ActivHeal® label, plus a portfolio of specialist medical bulk materials including multi-layer woundcare and bio diagnostics products.

The Woundcare portfolio growth was driven by higher ordering from OEM partners, growth in ActivHeal®, bulk materials and royalties as well as increased pricing to recover inflationary cost increases. Revenue increased by 13% in the Period to £49.5 million (2021: £44.0 million) and by 8% on a constant currency basis.

Woundcare Business Unit	**2022 £ million**	2021 £ million	Reported Growth	Change at constant currency
Infection Management	**16.1**	15.1	7%	2%
Exudate Management	**23.4**	21.7	8%	7%
Other Woundcare	**9.9**	7.2	38%	26%
TOTAL	**49.5**	44.0	13%	8%

Infection Management

The infection management category comprises advanced woundcare dressings that incorporate anti-microbials such as Silver and Polyhexamethylene Biguanide (PHMB). Revenue increased by 7% on a reported basis and by 2% on a constant currency basis to £16.1 million (2021: £15.1 million).

The Group's growth in the infection management market continues to be affected by reimbursement issues in a number of territories, driving greater use of standard dressings over higher priced anti-microbial alternatives. However, orders for AMS's silver alginate range have now stabilised following the renegotiation of a major contract in 2022 and progress continues to be made through new distribution channels. Other new products, such as the Silver High Performance Dressing and Silicone PHMB foam range continue to be rolled out and help to sustain growth.

New product approvals in this area are becoming increasingly challenging and we are currently reviewing FDA questions on the 510(k) for our innovative high gelling product with anti-biofilm activity that was submitted in 2022. On a more positive note, we expect to obtain extended US approval for our Silicone PHMB foam range in H1 2023. This dressing provides high efficacy and sustained performance, and the enhanced anti-microbial approval increases its potential to penetrate the US, MEA and APAC regions.

Exudate Management

Exudate Management comprises advanced woundcare dressings, gels and bulk materials which do not incorporate any antimicrobial elements. Revenue increased by 8% on a reported basis and by 7% on a constant currency basis to £23.4 million (2021: £21.7 million).

Increased orders from the Group's OEM partners continued to drive Exudate Management growth with a significant increase in demand for our specialist medical foam material.

Growth has also been driven by the successful implementation of the Group's strategy to expand the distribution network for its own ActivHeal® range of dressings. AMS has continued to appoint new ActivHeal® distribution partners in markets where its key partners have no or low presence, but the demand for a high quality, cost effective woundcare dressing range still exists. Several new contracts were signed in 2022, with launches being undertaken as market registrations are obtained.

AMS has applied its Biosurgical, collagen technology into developing a tissue scaffold designed to treat hard to heal and stalled wounds such as diabetic foot ulcers and venous leg ulcers. A 510(k) submission was made in the period and we are reviewing FDA questions as we continue to evaluate the optimal commercial strategy.

Progress continues to be made in the development of a customer-specific negative pressure dressing. The 510(k) submission has been made by our partner and AMS awaits confirmation of approval and commercialisation.

Other Woundcare

Other Woundcare comprises royalties, fees and woundcare sealants. Revenue increased by 38% at reported currency and by 26% at constant currency to £9.9 million (2021: £7.2 million) due to increased partner demand for membranes, gels and hydrocolloid and a higher royalty income from the Group's licensing arrangement with Organogenesis.

Acquisition strategy
The Group continues to seek acquisitions that deliver additional value for shareholders and meet the criteria of being accretive businesses with strong R&D and manufacturing capabilities, and/or that have products or customers that offer effective commercial synergies.

In line with our stated strategy, the acquisition of AFS in May 2022 underlines the Group's ambition to expand its direct surgical footprint and capability and the acquisition of Connexicon Medical in February 2023 illustrates the company's commitment to further expand its key portfolios and ensure that it remains at the forefront of its core technologies.

Whilst in recent years the Group's completed transactions have been strategic bolt-ons, a key focus of the recently formed corporate business development team is on identifying larger more transformative targets. With cash of £82.3 million at the end of 2022 and access to extensive debt facilities, the Group is well placed to execute a deal of this nature.

Regulatory
In December 2022, the EU Commissioner announced that the enforcement of the Medical Devices Regulation (MDR) would be delayed until 2027 or 2028 depending on the classification of the device. Given the progress we have already made, AMS expects positive responses to its applications for certificate extensions for MDD products expiring before these dates. It is anticipated that competitors that have not made MDR progress will be unable to secure such extensions.

AMS plans to maintain its current schedule of work to meet the new standards and anticipates that the phasing of its capitalisation of R&D costs relating to MDR will be broadly unchanged.

At the current time, of the 55 AMS product groups going through MDR, 30 have been approved or are awaiting self-declaration, 19 are with the Notified Bodies ahead of their review and the remaining 6 files are being readied for submission to Notified Bodies in the next 12 months.

Supply Chain and Inflation
AMS has taken proactive steps to mitigate risks arising from global supply chain challenges such as increasing inventory levels and setting up alternative suppliers where feasible. As a result, shortages of material have not had a significant impact on the Group's ability to supply products to its customers. Given the long shelf life of the Group's materials and finished goods, the risk of inventory obsolescence is low but is closely monitored and provisions are made where relevant. We continue to closely monitor the global supply chain situation.

Inflationary pressures continue to be felt across the business through higher cost of goods, energy prices and staff costs. However, the Group has been able to successfully recover a significant proportion of this impact from its customers through price review negotiations.

Environmental, Social & Governance
Our ESG strategy remains focused on our environmental impact, the well-being of our workforce, driving equality, diversity and inclusion, and further strengthening our corporate governance, internally and across our supply chain. We believe that being a good corporate citizen is critical to our long-term sustainable success.

Building on the ESG framework we developed in 2021, the Group has made good progress in 2022. An important step during the year was the appointment of Inspired Energy as our ESG partner. AMS has worked with the organisation to create a 'Pathway to Net Zero' with an initial focus on calculating our Scope 3 emissions and Carbon Balance Sheet. We intend to complete this process prior to issuing the annual report in early Q2 2023 and will publish a comprehensive update at that time.

The steering committee continues to manage ESG activities across the Group and has been supplemented with a network of local ESG champions representing each site and function, as well as an Equality Diversity and Inclusion Committee.

Stakeholders
On behalf of the Board, I would like to thank the Group's committed staff, partners and other stakeholders, without whose help and commitment, the achievements of this year, and the years prior, would not have been possible.

Outlook
The Group is well placed to navigate the ongoing macro-economic challenges. We have proven our ability to recover the majority of energy and other cost inflation by increasing selling prices, are insulated from high interest rates due to our cash position and our products do not rely on consumer demand exposed to recessionary factors.

These factors along with our proven commercial strategy to increase our share of our large markets with innovation and geographical expansion, leaves us well placed for continued growth both in the short and long term.

Influenced by the strategic review of our US LiquiBand® business, and the associated 2024 launch timing for the US Connexicon products, we expect weak demand in H1 2023 as we finalise the strategic discussions across our partner base, followed by recovery in H2 2023 and much stronger growth thereafter.

Given AMS' resilience and the strength of its overall portfolio, the Group remains on track to meet market expectations for 2023.

Chris Meredith
Chief Executive Officer

Financial Review

Summary

IFRS reporting
To provide the clearest possible insight into our performance, the Group uses alternative performance measures. These measures are not defined in International Financial Reporting Standards (IFRS) and, therefore, are considered to be non-GAAP (Generally Accepted Accounting Principles) measures. Accordingly, the relevant IFRS measures are also presented where appropriate. AMS uses such measures consistently at the half-year and full-year and reconciles them as appropriate. The measures used in this statement include constant currency revenue growth, adjusted operating margin, adjusted profit before tax and adjusted earnings per share, allowing the impacts of exchange rate volatility, exceptional items, amortisation, and the movement in long-term acquisition liabilities to be separately identified. Net cash is an additional non-GAAP measure used.

Overview
Revenue increased by 14% at reported currency and 10% at constant currency to £124.3 million (2021: £108.6 million).

Gross margin improved to 59.0% (2021: 56.2%) as increased volumes drove improved operational leverage.

Administration expenses increased to £47.4 million (2021: £37.0 million) due to the addition of AFS expenses, higher regulatory and R&D investment, increased selling and marketing activity and a significant adverse foreign exchange movement.

The Group incurred £12.3 million of gross R&D spend in the period (2021: £9.3 million), representing 9.9% of sales (2021: 8.6%), reflecting increased investment in innovation and in meeting the increasing regulatory standards. As shown in the table below, part of this cost is capitalised and amortised over the following 5 to 10 years.

	2022	**2021**
	£'000	£'000
Total investment in Research and Development, Regulatory and Clinical	**12,301**	9,343
Of which:		
Charged to the profit and loss account	**6,149**	5,310
Capitalised, to be amortised over 5-10 years	**6,152**	4,033

Amortisation of acquired intangible assets increased to £3.4 million in 2022 (2021: £3.2 million) due to the acquisition of AFS in May 2022.

In the period, a credit of £0.8 million (2021: £0.4 million debit) was recorded in relation to movements in the long-term liabilities relating to deferred consideration and earnout from the Sealantis and AFS acquisitions.

Adjusted profit before tax, which excludes amortisation of acquired intangibles and movements in long term liabilities recognised on acquisition, increased by 11% to £28.5 million (2021: £25.6 million) whilst the adjusted PBT margin decreased by 70 bps to 22.9% (2021: 23.6%) due to cost inflation having an adverse impact on the Group's profit margin.

Reported profit before tax was £25.9 million (2021: £22.0 million).

Reconciliation of profit before tax to adjusted profit before tax

	(Unaudited)	Audited
	2022	2021
	£'000	£'000
Profit before tax	**25,910**	**21,984**
Amortisation of acquired intangibles	**3,414**	**3,179**
Movement in long-term acquisition liabilities	**(840)**	**426**
Adjusted profit before tax	**28,484**	**25,589**

The Group's effective corporation tax rate, reflecting the blended tax rates in the countries where we operate and including UK patent box relief, increased slightly to 21.2% (2021: 20.5%). The UK Government's enactment of a 25% tax rate from April 2023 will result in an increased group effective tax rate from FY2023.

Adjusted diluted earnings per share increased by 8% to 10.47p (2021: 9.66p) and diluted earnings per share increased by 16% to 9.30p (2021: 8.01p), reflecting the Group's increased earnings.

Reflecting its confidence in the Group's prospects, the Board is proposing an increased final dividend of 1.51p per share, to be paid on 9 June 2023 to shareholders on the register at the close of business on 19 May 2023. This follows the interim dividend of 0.64p per share paid on 22 October 2022 and would, if approved, make a total dividend for the year of 2.15p per share (2021: 1.95p) an increase of 10%.

Operating result by business segment		
Year ended 31 December 2022	**Surgical**	**Woundcare**
	£'000	**£'000**
Revenue	**74,861**	**49,469**
Segment operating profit	**19,333**	**6,687**
Amortisation of acquired intangibles	**2,469**	**945**
Adjusted segment operating profit[4]	**21,802**	**7,632**
Adjusted operating margin[4]	**29.1%**	**15.4%**
Year ended 31 December 2021		
Revenue	64,630	43,971
Segment operating profit	18,298	5,420
Amortisation of acquired intangibles	2,005	1,174
Adjusted segment operating profit[4]	20,303	6,594
Adjusted operating margin[4]	31.4%	15.0%

Note 4: Adjusted for amortisation of acquired intangible assets

Table is reconciled to statutory information in note 3 of the financial information.

Surgical

Surgical revenues increased by 16% to £74.9 million (2021: £64.6 million) at reported currency and by 11.6% at constant currency. Adjusted operating margin decreased by 230 bps to 29.1% (2021: 31.4%) due to lower shipments of LiquiBand® to US partners, the addition of AFS at lower operating margin and the adverse margin impact of inflation.

Woundcare

Woundcare revenues increased by 13% to £49.5 million (2021: £44.0 million) at reported currency and increased 8.4% at constant currency. Adjusted operating margin increased by 40 bps to 15.4% (2021: 15.0%) as favourable sales pricing mix was offset by the adverse margin impact of inflation.

Currency
The Group hedges significant currency transaction exposure by using forward contracts and aims to hedge approximately 80% of its estimated transactional exposure for the next 18 months. In the financial year, approximately one third of sales were invoiced in Euros and approximately 30% were invoiced in US Dollar.

The Group estimates that a 10% movement in the £:US$ or £: € exchange rate will impact Sterling revenues by approximately 3.1% and 3.0% respectively and, in the absence of any hedging, this would have an impact on the Group operating margin of 2.5% and 0.3% percentage points respectively.

Cash flow
The Group continued to generate significant amounts of cash from operations. Net cash inflow from operating activities in the period was £26.9 million, which was lower than 2021 (£31.0 million) due to increased investment in inventory to mitigate the supply chain crisis and to mitigate any potential risks relating to the transition to MDR.

At the end of the period, the Group had net cash of £82.3 million (31 December 2021: £73.0 million) inclusive of the acquisition of AFS.

Working capital increased during the year. Increased inventory and receivables were only partially offset by increased payables. Inventory cover increased to 6.2 months of supply (2021: 4.9 months) due to planned increases in stock levels. Debtor days and Creditor days have both remained broadly consistent with prior period at 44 days (2021: 44 days) and 37 days (2021: 37 days) respectively.

Capital investment in equipment, R&D and regulatory costs increased to £9.9 million (2021: £6.5 million) as the Group continues to invest in its future pipeline.

Cash outflow relating to taxation decreased to £3.3 million (2021: £4.1 million) due to the timing of payments on account.

The Group paid its final dividend for the year ended 31 December 2021 of £3.0 million in June 2022 (2021: for the year ending December 2020, £2.6 million in June 2021), and its interim dividend for the six months ended 30 June 2022 of £1.4 million in October 2022 (for the 6 months ended 30 June 2021: £1.2 million in October 2021).

The Group retains strong support from its two banks, NatWest and HSBC, and in order to retain maximum flexibility of facility size for future acquisitions, it did not renew its credit facility when it expired in December 2022.

CONDENSED CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	(Unaudited) 2022 £'000	(Audited) 2021 £'000
Revenue from continuing operations	3	**124,330**	108,601
Cost of sales		**(50,914)**	(47,531)
Gross profit		**73,416**	61,070
Distribution costs		**(1,626)**	(1,483)
Administration costs		**(47,378)**	(36,970)
Other income		**478**	381
Operating profit	4	**24,890**	22,998
Finance income		**1,691**	84
Finance costs		**(671)**	(1,098)
Profit before taxation		**25,910**	21,984
Income tax	5	**(5,504)**	(4,503)
Profit for the period attributable to equity holders of the parent		**20,406**	17,481
Earnings per share			
Basic	6	**9.42p**	8.11p
Diluted	6	**9.30p**	8.01p
Adjusted diluted[5]	6	**10.47p**	9.66p

Note 5: Adjusted for amortisation of acquired intangible assets and movement in long-term acquisition liabilities.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) 2022 £'000	(Audited) 2021 £'000
Profit for the year	**20,406**	17,481
Exchange differences on translation of foreign operations	**6,940**	(5,194)
Loss arising on cash flow hedges	**(1,297)**	(1,548)
Deferred tax (charge)/credit arising on cash flow hedges	**(201)**	290
Total other comprehensive income/(expense) for the year	**5,442**	(6,452)
Total comprehensive income for the year attributable to equity holders of the parent	**25,848**	11,029

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 31 December 2022	(Audited) 31 December 2021
	£'000	£'000
Assets		
Non-current assets		
Intangible assets	**48,373**	40,958
Goodwill	**70,859**	66,032
Property, plant and equipment	**29,015**	27,441
Trade and other receivables	**937**	105
	149,184	134,536
Current assets		
Inventories	**27,911**	19,300
Trade and other receivables	**21,553**	21,016
Current tax assets	**184**	1,692
Cash and cash equivalents	**82,262**	72,965
	131,910	114,973
Total assets	**281,094**	249,509
Liabilities		
Current liabilities		
Trade and other payables	**20,671**	14,958
Current tax liabilities	**948**	897
Lease liabilities	**1,059**	1,153
	22,678	17,008
Non-current liabilities		
Trade and other payables	**3,510**	3,679
Deferred tax liabilities	**9,593**	7,438
Lease liabilities	**8,691**	8,707
	21,794	19,824
Total liabilities	**44,472**	36,832
Net assets	**236,622**	212,677
Equity		
Share capital	**10,843**	10,804
Share premium	**37,269**	36,996
Share-based payments reserve	**15,711**	13,180
Investment in own shares	**(167)**	(164)
Share-based payments deferred tax reserve	**531**	933
Other reserve	**1,531**	1,531
Hedging reserve	**(1,519)**	(21)
Translation reserve	**5,004**	(1,936)
Retained earnings	**167,419**	151,354
Equity attributable to equity holders of the parent	**236,622**	212,677

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Group

	Share capital	Share premium	Share-based payments	Investment in own shares	Share-based payments deferred tax	Other reserve	Hedging reserve	Translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021 (Audited)	10,769	36,288	11,142	(162)	430	1,531	1,237	3,258	137,718	202,211
Consolidated profit for the year to 31 December 2021	-	-	-	-	-	-	-	-	17,481	17,481
Other comprehensive expense	-	-	-	-	-	-	(1,258)	(5,194)	-	(6,452)
Total comprehensive expense	-	-	-	-	-	-	(1,258)	(5,194)	17,481	11,029
Share-based payments	-	-	1,979	-	503	-	-	-	-	2,482
Share options exercised	35	708	59	-	-	-	-	-	-	802
Shares purchased by EBT	-	-	-	(366)	-	-	-	-	-	(366)
Shares sold by EBT	-	-	-	364	-	-	-	-	-	364
Dividends paid	-	-	-	-	-	-	-	-	(3,845)	(3,845)
At 31 December 2021 (Audited)	10,804	36,996	13,180	(164)	933	1,531	(21)	(1,936)	151,354	212,677
Consolidated profit for the year to 31 December 2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,406**	**20,406**
Other comprehensive (expense)/income	**-**	**-**	**-**	**-**	**-**	**-**	**(1,498)**	**6,940**	**-**	**5,442**
Total comprehensive (expense)/income	**-**	**-**	**-**	**-**	**-**	**-**	**(1,498)**	**6,940**	**20,406**	**25,848**
Share-based payments	**-**	**-**	**2,439**	**-**	**(402)**	**-**	**-**	**-**	**-**	**2,037**
Share options exercised	**39**	**273**	**92**	**-**	**-**	**-**	**-**	**-**	**-**	**404**
Shares purchased by EBT	**-**	**-**	**-**	**(392)**	**-**	**-**	**-**	**-**	**-**	**(392)**
Shares sold by EBT	**-**	**-**	**-**	**389**	**-**	**-**	**-**	**-**	**-**	**389**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,341)**	**(4,341)**
At 31 December 2022 (Unaudited)	**10,843**	**37,269**	**15,711**	**(167)**	**531**	**1,531**	**(1,519)**	**5,004**	**167,419**	**236,622**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**(Unaudited) Year ended 31 December 2022 £'000**	(Audited) Year ended 31 December 2021 £'000
Cash flows from operating activities			
Operating profit		**24,890**	22,998
Adjustments for:			
Depreciation		**4,049**	3,893
Amortisation – acquired intangible assets		**3,414**	3,179
- software intangibles		**502**	529
- development costs		**879**	1,247
(Increase)/decrease in inventories		**(7,087)**	941
Increase in trade and other receivables		**(596)**	(1,769)
Increase in trade and other payables		**1,711**	2,105
Share-based payments expense		**2,439**	1,979
Taxation paid		**(3,324)**	(4,077)
Net cash inflow from operating activities		**26,877**	31,025
Cash flows from investing activities			
Purchase of software		**(73)**	(254)
Capitalised research and development		**(6,152)**	(4,441)
Purchases of property, plant and equipment		**(3,739)**	(1,768)
Disposal of property, plant and equipment		**46**	53
Interest received		**820**	84
Acquisition of subsidiaries net of cash	7	**(2,781)**	-
Net cash used in investing activities		**(11,879)**	(6,326)
Cash flows from financing activities			
Dividends paid		**(4,341)**	(3,845)
Repayment of principal under lease liabilities		**(1,295)**	(1,281)
Repayment of loan	7	**(331)**	-
Issue of equity shares		**266**	723
Shares purchased by EBT		**(392)**	(366)
Shares sold by EBT		**389**	364
Interest paid		**(617)**	(700)
Net cash used in financing activities		**(6,321)**	(5,105)
Net increase in cash and cash equivalents		**8,677**	19,594
Cash and cash equivalents at the beginning of the year		**72,965**	53,829
Effect of foreign exchange rate changes		**620**	(458)
Cash and cash equivalents at the end of the year		**82,262**	72,965

Notes Forming Part of the Condensed Consolidated Financial Statements

1. Reporting entity

Advanced Medical Solutions Group plc ("the Company") is a public limited company incorporated and domiciled in England and Wales (registration number 02867684). The Company's registered address is Premier Park, 33 Road One, Winsford Industrial Estate, Cheshire, CW7 3RT.

The Company's ordinary shares are traded on the AIM market of the London Stock Exchange plc. The consolidated financial statements of the Company for the twelve months ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in the design, development and manufacture of innovative tissue healing technology, focused on quality outcomes for patients and value for payers The Group has a wide range of surgical products including tissue adhesives, sutures, haemostats, internal fixation devices and internal sealants, which it markets under its brands LiquiBand®, RESORBA®, LiquiBandFix8® and Seal-G®. The Group also supplies wound care dressings such as silver alginates, alginates and foams through its ActivHeal® brand as well as under white label.

2. Basis of preparation

These condensed unaudited consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 December 2021 except for new standards adopted for the year.

In the current year the Group has applied a number of amendments to IFRSs issued by the IASB. Their adoption has not had a material impact on the disclosures or on the amounts reported in the Annual Financial Statements. The following amendments were applied:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS7, IFRS4 and IFRS16)
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS1, IFRS9, IFRS16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS3)

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of international accounting standards and International Financial Reporting Standards (IFRSs) as adopted by the UK, this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in April 2023.

The financial information set out in the announcement does not constitute the Group's statutory accounts for the years ended 31 December 2022 or 31 December 2021. The financial information for the year ended 31 December 2021 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditor reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s498 (2) or (3) Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2022 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Group's annual general meeting.

The financial statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out in the annual report for the year ended 31 December 2021.

Going concern

With regards to the Group's financial position, it had cash and cash equivalents at the 31 December 2022 of £82.3 million. In December 2018, the Group entered an unsecured, multi-currency, credit facility for £80 million which was undrawn in 2022 and expired in December 2022. The Group has opted not to renew the facility.

While the current economic environment is uncertain, the Group operates in markets whose demographics are favourable, underpinned by an increasing need for products to treat chronic and acute wounds. Consequently, market growth is predicted. The Group has a number of contracts with customers across different geographic regions and also with substantial financial resources, ranging from government agencies through to global healthcare companies.

Having taken the above into consideration and reviewed cash flow forecasts for the next 12 months, the Directors have reached the conclusion that the Group is well placed to manage its business risks in the current economic environment. Accordingly, they continue to adopt the going concern basis in preparing the preliminary announcement.

New accounting standards not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

3. Segment information

As referred to in the Chief Executive's Statement, the Group is organised into two Business Units: Surgical and Woundcare. These Business Units are the basis on which the Group reports its segment information.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, corporate assets, head office expenses and income tax assets. These are the measures reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance.

Business segments

Segment information about these businesses is presented below.

Year ended 31 December 2022 (unaudited)	Surgical £'000	Woundcare £'000	Consolidated £'000
Revenue			
External sales	**74,861**	**49,469**	**124,330**
Result			
Adjusted segment operating profit	**21,802**	**7,632**	**29,434**
Amortisation of acquired intangibles	**(2,469)**	**(945)**	**(3,414)**
Segment operating profit	**19,333**	**6,687**	**26,020**
Unallocated expenses			**(1,130)**
Operating profit			**24,890**
Finance income			**1,691**
Finance costs			**(671)**
Profit before tax			**25,910**
Tax			**(5,504)**
Profit for the year			**20,406**

Year ended 31 December 2022 (Unaudited) Other information	Surgical £'000	Woundcare £'000	Consolidated £'000
Capital additions:			
Software intangibles	**34**	**39**	**73**
Development costs	**4,617**	**1,535**	**6,152**
Property, plant and equipment	**2,258**	**1,481**	**3,739**
Depreciation and amortisation	**(5,759)**	**(3,085)**	**(8,844)**
At 31 December 2022			
Statement of Financial Position			
Assets			
Segment assets	**190,456**	**90,638**	**281,094**
Unallocated assets			**-**
Consolidated total assets			**281,094**
Liabilities			
Segment liabilities	**29,786**	**14,686**	**44,472**

Year ended 31 December 2021 (audited)	Surgical	Woundcare	Consolidated
	£'000	£'000	£'000
Revenue			
External sales	64,630	43,971	108,601
Result			
Adjusted segment operating profit	20,303	6,594	26,897
Amortisation of acquired intangibles	(2,005)	(1,174)	(3,179)
Segment operating profit	18,298	5,420	23,718
Unallocated expenses			(720)
Operating profit			22,998
Finance income			84
Finance costs			(1,098)
Profit before tax			21,984
Tax			(4,503)
Profit for the year			17,481

Year ended 31 December 2021 (audited)	Surgical	Woundcare	Consolidated
Other information	£'000	£'000	£'000
Capital additions:			
Software intangibles	145	109	254
Development costs	2,922	1,519	4,441
Property, plant and equipment	1,028	740	1,768
Depreciation and amortisation	(5,579)	(3,269)	(8,848)
At 31 December 2021			
Statement of Financial Position			
Assets			
Segment assets	159,442	89,944	249,386
Unallocated assets			123
Consolidated total assets			249,509
Liabilities			
Segment liabilities	22,651	14,181	36,832

Geographic segments

The Group operates in the UK, The Netherlands, Germany, the Czech Republic, France and Israel, with a sales office located in Russia, as a distributor in Austria, and a sales presence in the USA. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services, based upon location of the Group's customers:

Year ended 31 December	**(Unaudited) 2022 £'000**	(Audited) 2021 £'000
United Kingdom	**19,960**	18,454
Germany	**20,780**	20,863
Rest of Europe	**32,519**	22,913
United States of America	**40,807**	36,712
Rest of World	**10,264**	9,659
	124,330	108,601

The following table provides an analysis of the Group's total assets by geographical location:

As at 31 December	(Unaudited) 2022 £'000	(Audited) 2021 £'000
United Kingdom	**151,817**	142,056
Germany	**78,877**	67,389
France	**11,934**	9,674
Rest of Europe	**16,670**	7,853
United States of America	**451**	1,984
Israel	**21,345**	20,553
	281,094	249,509

4. Operating profit

Year ended 31 December	(Unaudited) 2022 £'000	(Audited) 2021 £'000
Operating profit is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**4,049**	3,893
Amortisation of:		
- acquired intangible assets	**3,414**	3,179
- software intangibles	**502**	529
- development costs	**879**	1,247
Research and development costs expensed excluding regulatory costs	**4,323**	3,841
Cost of inventories recognised as expense	**50,663**	47,530
Write down of inventories expensed	**251**	1
Staff costs	**46,065**	39,691
Net foreign exchange loss/(gain)	**1,683**	(2,017)

5. Taxation

Year ended 31 December	(Unaudited) 2022 £'000	(Audited) 2021 £'000
a) **Analysis of charge for the year**		
Current tax:		
Tax on ordinary activities – current year	**5,655**	4,936
Tax on ordinary activities – prior year	**6**	(323)
	5,661	4,613
Deferred tax:		
Tax on ordinary activities – current year	**(84)**	(490)
Tax on ordinary activities – prior year	**(73)**	(190)
Effect of increase in UK corporation tax rates to 25%	**-**	570
	(157)	(110)
Tax charge for the year	**5,504**	4,503

The Group has chosen to use a weighted average country tax rate rather than the UK tax rate for the reconciliation of the charge for the year to the profit per the income statement. The Group operates in several jurisdictions, some of which have a tax rate in excess of the UK tax rate. As such, a weighted average country tax rate is believed to provide the most meaningful information to the users of the financial statements.

Year ended 31 December	(Unaudited) 2022 £'000	(Audited) 2021 £'000
b) **Factors affecting tax charge for the year**		
Profit before taxation	**25,910**	21,984
Profit multiplied by the weighted average Group tax rate of 22.8% (2021: 23.0%)	**5,911**	5,053
Effects of:		
Net expenses not deductible for tax purposes and other timing differences	**243**	7
Patent Box Relief	**(554)**	(652)
Utilisation of trading losses	**(269)**	-
Net impact of deferred tax on capitalised development costs and R&D relief	**32**	(123)
Share-based payments	**208**	161
Adjustments in respect of prior year - current tax	**6**	(323)
Adjustments in respect of prior year and rate changes - deferred tax	**(73)**	380
Taxation	**5,504**	4,503

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Year ended 31 December	(Unaudited) 2022	(Audited) 2021
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**216,512**	215,677
Effect of dilutive potential ordinary shares: share options, deferred share bonus, LTIPs	**2,969**	2,635
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**219,481**	218,312

	(Unaudited) 2022 £'000	(Audited) 2021 £'000
Profit for the year attributable to equity holders of the parent	**20,406**	17,481
Amortisation of acquired intangible assets	**3,414**	3,179
Movement in long-term acquisition liabilities	**(840)**	426
Adjusted profit for the year attributable to equity holders of the parent	**22,980**	21,086

	(Unaudited) 2022 pence	(Audited) 2021 pence
Basic EPS	**9.42**	8.11
Diluted EPS	**9.30**	8.01
Adjusted basic EPS	**10.61**	9.78
Adjusted diluted EPS	**10.47**	9.66

7. Acquisition of AFS

On 28 April 2022, the Group acquired the entire issued share capital of AFS Medical GmbH, an Austria-based distributor of minimally invasive surgical devices.

In the eight month period from acquisition to 31 December 2022, AFS contributed £3.7 million of net revenue to the Group and £0.2 million of operating profit. In addition, amortisation of intangible assets of £0.3 million was recorded within the Group as a result of the acquisition.

	£'000
Identifiable net assets acquired	
Customer related intangible assets	**3,424**
Marketing intangible assets	**524**
Property, plant and equipment	**242**
Trade and other receivables	**296**
Inventory	**845**
Cash and cash equivalents	**42**
Trade and other payables	**(1,294)**
Lease liabilities	**(226)**
Borrowings	**(331)**
Borrowings from AMS	**(2,526)**
Deferred tax on intangible asset	**(986)**
Arising on acquisition	
Goodwill	**1,452**
Total net assets	**1,462**

Borrowings from AMS arose as funds were advanced prior to completion of the acquisition to repay external funding. These borrowings are now eliminated on consolidation. £0.3 million of borrowings that existed at the date of acquisition have been repaid prior to 31 December 2022 as disclosed in the Condensed Consolidated Statement of Cash flows.

Satisfied by	£'000
Cash consideration	**297**
Contingent consideration	**1,165**
	1,462

Net cash flow on acquisition	£'000
Cash consideration	**297**
Cash acquired	**(42)**
	255

Contingent consideration arose on the acquisition in respect of up to €1.5 million which is payable subject to EBITDA delivery in 2022-2024. £1.2 million is the estimated fair value of it as at the acquisition date.

None of the goodwill on the acquisition is expected to be deductible for income tax.

8. Events after reporting period

There have been no material events subsequent to 31 December 2022 with the exception of the acquisition of Connexicon Medical Limited, announced in February 2023, for initial consideration of €7 million and with further deferred payments dependent on the delivery of future research & development, regulatory and commercial milestones.