ANSELL LTD
Form 6-K
February 14, 2003

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of February, 2003 (February 13, 2003)

Commission File Number: 0-15850

ANSELL LIMITED
(Translation of registrant's name into English)

Level 3, 678 Victoria Street, Richmond, Victoria 3121, Australia
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F X Form 40-F
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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(1): X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No X
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This Form 6-K/A is designated as incorporated by reference into the Form F-3 Registration Statement filed with the Securities and Exchange Commission on November 20, 1990 with file numbers 33-37752 and 33-37752-01, the Form F-3 Registration Statement filed with the Securities and Exchange Commission on April 30, 1991 with file number 33-40228, the Form F-3 Registration Statement filed with the Securities and Exchange Commission on October 31, 1994 with file numbers 33-85802 and 33-85802-1, the Form S-8 Registration Statement filed with the Securities and Exchange Commission with file number 33-18603, and the Form F-3 Registration Statement filed with the Securities and Exchange Commission on July 25, 1997 with file number 333-6472.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANSELL LIMITED
(Registrant)

By: /s/ DAVID M. GRAHAM

Name: DAVID M. GRAHAM

Title: GROUP TREASURER

Date: February 13, 2003

[Letterhead of Ansell Ltd.]

NEWS RELEASE

13/th/ February, 2003

Ansell Ltd. First Half Results
Strong Cash Flow Underpins Interim Result

Performance Highlights Ansell Limited:

.. Profit attributable to shareholders was up strongly in the operating currency U.S. dollars to US$10.8 million from a prior year loss of US$47.3 million. In Australian dollars (AUD), profit attributable to shareholders was A$19.5 million compared with a loss of A$92.8 million last year.

.. Earnings per share (EPS) were positive USD 5.8CENTS (AUD10.4CENTS) vs. prior year negative USD 25.3CENTS (AUD 49.7CENTS).

.. Cash generated (reduction in Net Debt) was US$30.6 million (A$54.3 million).

.. Gearing improved further to 25.7%, from 29.5% at June 30, 2002.

.. Directors recognise the Company's cash generation potential, and are undertaking a comprehensive review of Ansell's capital management strategies. In the light of this review, the Board, has determined there will be no interim dividend declared.

Ansell Healthcare Business Segment:

.. Sales were US$363.1 million, up 1% on prior year. The stronger AUD vs. the USD translated this result to A$653.8 million, down 7.5% on prior year.

.. Earnings Before Interest Tax and Amortisation (EBITA) were US$43.1 million, up 4.1% on prior year. The stronger AUD vs. the USD translated this result to A$77.5 million, down 4.7% from last year.

.. Cash generated, before interest but after capital expenditure and taxes was a healthy US$46.9 million (A$84.5 million), up from US$40.4 million (A$86.8 million).

Outlook

.. The Board and management currently believe Ansell is on track to achieve double digit EBITA growth in U.S. dollars for the full year.

13/th/ February, 2003

Ansell Ltd First Half 2003 Results
Strong Cash Flow Underpins Interim Result

	31/st/ December, 2002		31/st/ December, 2001	
	US$ m	A$ m	US$ m	A$ m
Operating Revenue - Healthcare Segment	363.1	653.8	*360.0	*706.8
Operating Profit (Segment EBITA)	43.1	77.5	41.4	81.3
Profit Attributable	10.8	19.5	(47.3)	(92.8)
Net Operating Assets - Ansell Ltd.	686.5	1,212.0	718.9	1,406.0
Net Operating Assets - Healthcare Segment	596.2	1052.6	654.5	1280.1
Depreciation - Healthcare Segment	8.9	16.0	10.9	21.2
Earnings Per Share	5.8CENTS	10.4CENTS	(25.3)CENTS	(49.7)C

*Excludes Discontinued Businesses. With Discontinued Businesses US$770.8 million and A$1,513.3 million.

Ansell today announced a first half Profit Attributable to Shareholders of US$10.8 million (A$19.5 million), a significant improvement on the previous year's loss of US$47.3 million (A$92.8 million).

The Chairman of Ansell, Dr Ed Tweddell, commented; "There has been a tremendous focus on restructuring the company and improving shareholder returns. Today's release demonstrates progress towards the goal of improving results to the level rightfully expected and demanded by shareholders. It is also pleasing to have earnings per share for the half of US5.8CENTS (A10.4CENTS), up on the previous year's negative US25.3CENTS (A49.7CENTS), an improvement of US31.1CENTS (A60.1CENTS) per share".

In a difficult global economic environment, sales were up 1% in the operating currency, U.S. dollars, at US$363.1 million. However, the appreciation of the AUD against the USD translated to a 7.5% decline in sales (A$653.8 million). Strong sales performances in the Occupational and Consumer divisions were offset by surgical glove availability and examination glove pricing issues in the Professional division (see discussion below).

Significant progress was also made in reducing total Unallocated Corporate costs from last year's US$8.0 million (A$15.7 million) to US$6.7 million (A$12.1 million). Of the current period's total Unallocated costs, US$2.9 million related to Operation Full Potential start-up costs.

Ansell's Chief Executive Officer, Harry Boon, said; "EBITA for the Healthcare business at US$43.1 million was up 4.1% in the operating currency, U.S. dollars, though lower at A$77.5 million when translated into the stronger AUD". He also noted, "The Occupational and Consumer divisions showed strong revenue and EBITA growth in the first half. Occupational continued to build momentum with strong

sales of the HyFlexTM family of gloves, and condom sales rose strongly within Consumer. We are also seeing reduced product costs and greater efficiencies following the completion of manufacturing transfers to Asia for these key products."

Professional Healthcare

	31/st/ December, 2002		31/st/ December, 2001	
	US$ m	A$ m	US$ m	A$ m
Operating Revenue	124.7	224.6	142.2	279.1
Operating Profit (Segment EBITA)	15.9	28.6	23.0	45.2
Assets Employed	220.5	389.3	223.9	438.0
Depreciation	4.5	8.1	5.0	9.7

In the first half, this division accounted for approximately 34% of Ansell's total revenues and 37% of segment EBITA.

The period saw continuing strong worldwide demand for the division's flagship product, powder free surgeons gloves. The ramp-up of production from Ansell's Shah Alam, Malaysia facility following the transfer of production from the U.S. took longer than anticipated, but is now complete. This reduced supply of surgeons gloves was exacerbated by a regulatory Detention imposed on Shah Alam by the US Food and Drug Administration (FDA) in October 2002. The FDA action was lifted in early January, 2003 and shipments are now returning to normal levels.

In the hospital examination glove market, continued price competition and oversupply eroded selling prices and gross margins.

Offsetting these factors, the Professional division achieved factory cost savings from the relocation of production from the USA to Asia. In line with previously announced strategy, powder-free surgeons glove capacity has been added in Sri Lanka by converting two under-utilised examination glove production lines.

Mr Boon further commented, "Notwithstanding the supply disruption to the U.S. and European markets in Shah Alam surgeons gloves, the results of the Professional division were sound and we are in a better supply position for the second half. With no supply constraint in the U.S. and cost benefits of manufacturing in Asia flowing through, we are regaining momentum in sales and earnings in Professional division."

Occupational Healthcare

	31/st/ December, 2002		31/st/ December, 2001	
	US$ m	A$ m	US$ m	A$ m
Operating Revenue	177.4	319.4	161.6	317.3
Operating Profit (Segment EBITA)	15.0	27.0	10.5	20.6
Assets Employed	210.8	372.2	222.9	436.0
Depreciation	3.1	5.5	4.5	8.7

In the first half, this division accounted for 49% of Ansell's total revenues and 35% of segment EBITA.

Sales increased by 9.8%, with solid performance across all geographic regions, despite the difficult external economic environment. Outstanding profit growth in U.S. dollars of 43% was driven by worldwide HyFlexTM sales (up 51%), initial benefits from the transition of manufacture to Asia, and real growth in Europe. Importantly, division EBITA does not yet reflect expected benefits from the transition of knitting operations from the U.S. to Juarez, Mexico, where solid progress has been made, with over 80% of knitting machines now operational, and daily production in December up 59% compared with July.

The Occupational Value Proposition (OVP) medium term growth initiative has made an encouraging start, with initial business proposals well received by eight large multi-nationals. Management anticipates the first major OVP contract to be signed in the second half, in accordance with the timing previously announced.

Management expects continued momentum for the Occupational business into the second half, as the HyFlexTM family of gloves continues to gain new market share, OVP secures its first contracts, and benefits flow from the transition of manufacturing to Asia and Mexico.

Consumer Healthcare

	31/st/ December, 2002		31/st/ December, 2001	
	US$ m	A$ m	US$ m	A$ m
Operating Revenue	61.0	109.8	56.2	110.4
Operating Profit (Segment EBITA)	12.2	21.9	7.9	15.5
Assets Employed	71.5	126.2	76.6	149.8
Depreciation	1.3	2.4	1.4	2.8

In the first half, this division accounted for 17% of Ansell's revenues and 28% of segment EBITA.

Retail condom sales grew strongly with a double-digit increase in the United States. Wal-Mart presented an award to Ansell for high overall service satisfaction levels. Our worldwide condom tender and private label businesses also grew strongly. Reduced condom manufacturing costs have been realised following the successful plant transfer to Asia and capacity is expected to be increased to keep pace with growing demand. Retail household gloves also showed good gains in Europe and Australia.

Operation Full Potential (OFP)

This three-year program was launched in July, and has made steady progress. The first wave of OFP initiatives was focused on recruiting additional resources, identifying cost reduction opportunities, re-structuring Europe, and launching program measurement and tracking systems. All have been implemented on schedule.

The second wave is now underway and is focused on medium-term strategic issues, such as surgical glove growth, pricing analysis, distribution partnerships, implementation of the Occupational Value Proposition, marketing channel management, and accelerating product innovation.

The OFP team is now fully in place to support the business plans that will drive Ansell's sales and earnings growth. Management is confident that OFP will help Ansell deliver the forecast benefits over the course of the program.

Sale of Non-Core Investments

Good progress continues to be made on the sale of non-core investments. During the first half, two investments were sold; Pacific Marine Batteries and BT Equipment. These sales generated US$9.4 million (A$16.7 million) of cash, of which US$3.4 million (A$6.0 million) was received on January 31, 2003. The proceeds from these divestments represent a premium to the total book value of Ansell's investments in these companies.

Numerous legacy issues were resolved during the first half, moving the Company closer towards its goal of being a global business, focussed on protective products and solutions in the broad healthcare context. Management is committed to resolving all significant legacy issues in the shortest possible time.

South Pacific Tyres

Ansell's only significant continuing non-healthcare business, South Pacific Tyres, a 50/50 Joint Venture with The Goodyear Tire & Rubber Company, maintained its progress in restructuring and returning to profitability. The Joint Venture is accounted for as an investment and, as such, operating results are not included in Ansell's accounts.

As previously reported, the Joint Venture Partners have an Agreement enabling Ansell to "put" its investment in SPT to Goodyear during the twelve month period from August 2005. If that option is not exercised, Goodyear has a "call" option exercisable in the following six months. As part of this restructuring agreement, Ansell is not required to contribute any further cash to the Joint Venture.

At this stage, SPT is performing broadly in line with the restructure plan developed and approved in 2001.

Corporate Costs

As foreshadowed, the continued resolution of legacy issues carried over from the old company structure has enabled us to progressively reduce Statutory Head Office activity and related costs. Ongoing Corporate Costs were more than halved from US$8.0 million in the prior year to US$3.8 million in the first half of F'03 (excluding Operation Full Potential start up costs of US$2.9 million).

Head count at the Statutory Head Office has reduced from 35 to 25 over the 12 months to December 2002. Further cost reductions are planned, as activities are further integrated with the Healthcare business. The Company intends shortly to relocate its Asia Pacific regional office to share the existing Statutory Head Office facilities in Richmond, Melbourne, and to sub-lease the surplus building space.

Board and Senior Staff

During the half, Ms Carolyn Kay resigned as a Director, after two and a half years of dedicated service. At the same time, Mr Dale Crandall joined the Board. Mr Crandall comes with a strong international finance and accounting background, having been a Senior Partner with Price Waterhouse in the U.S. and more recently, President and Chief Operating Officer of a major American healthcare

company.

The senior executive team was further strengthened with the recruitment to Ansell of Mr Rustom Jilla (Chief Financial Officer), Mr Scott Papier (Vice President, Sourcing & Supply), Mr Duane Dickson (Director, Operation Full Potential), and Dr Michael Zedalis (Senior Vice President, Science & Technology). All are based in Red Bank, New Jersey, and bring many years of management experience at highly regarded multi-national companies such as the BOC Group, Wyeth/American Home, Union Carbide and Honeywell/Allied Signal.

Finance

Cash flow continues to be strong, with the Company converting over 84% of EBITA to cash. Capital expenditure in the half was US$4.2 million (A$7.6 million), with no major new projects, while Ansell Healthcare's working capital was further improved by a reduction of US$7.0 million (A$12.4 million). Consequently, net debt was reduced by US$30.6 million (A$54.3 million) during the half to US$176.4 million (A$311.4 million). Liquidity remains strong, with US$140.4 million (A$247.8 million) of cash on deposit and an unused US$100 million bank borrowing facility.

This strong cash performance enabled gearing (Net Interest Bearing Debt to Net Interest Bearing Debt plus Equity) to be further reduced to a conservative 25.7%, compared to 29.5% at June 30, 2002. Interest cover has improved to 5.0x, up from 4.2x at June 30, 2002.

Ansell's global business is exposed to movements in various exchange rates, particularly the Euro vs. the USD. The Company's operating profit benefited in the half from the strengthening of the Euro, after taking into account the smoothing effect of a pre-existing currency hedging program. The Company manages its exchange rate exposure in a variety of ways, and anticipates further benefits in the second half should the Euro maintain its recent strength vs. the USD.

As a result of restructuring Ansell's U.S. entities, the Company decided to accelerate the recovery of deferred tax assets held on the balance sheet relating to previous U.S. tax losses. During the half, US$4.9 million was recognised as a non-cash tax expense, which increased the effective or book tax rate for the period to 44.7%. In the second half, the tax rate is anticipated to revert to below 20% through utilisation of unbooked tax losses.

There were no material non-recurring write-downs for the half.

Capital Structure

Ansell's strategic vision is to be a global leader in broad-based healthcare protection. From an investor perspective, the commitment is to significantly enhance shareholder returns over time. Progress has been made on re-focusing the company around the core healthcare business.

The Board, having noted Ansell's return to profitability, strong free cash flow and conservative gearing, believes it is an appropriate time to undertake a comprehensive review of Ansell's capital management philosophy and strategies. This will be carried out over coming months.

Pending this review, the Board has determined that no interim dividend would be declared for the first half.

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Appendix 4B
Half yearly report

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Rules 4.1, 4.3

Appendix 4B
Half yearly report

Introduced 30/6/02

Name of entity

ANSELL LIMITED AND ITS CONTROLLED ENTITIES

ACN	Half yearly (tick)	Preliminary final (tick)	Half year ('current period')
ACN 004 085 330	[X]	[ ]	31 December 2002

For announcement to the market
Extracts from this report for announcement to the market (see note 1).

			A$ millions
Revenues from ordinary activities (item 1.1a)	up/(down)	(56.4)%	to 669.4
Profit from ordinary activities after tax attributable to members (item 1.22)	up/(down)	121.0%	to 19.5
Profit from extraordinary items after tax attributable to members (item 2.5(d))	gain (loss) of	N/A	Nil
Net profit for the period attributable to members (item 1.11)	up/(down)	121.0%	to 19.5

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend (item 15.6)	0.0 CENTS	N/A
Previous corresponding period (item 15.7)	0.0 CENTS	N/A

+ Record date for determining entitlements to the dividend (see item 15.2)	N/A

Brief explanation of any figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

N/A

This half yearly report is to be read in conjunction with the most recent annual financial report.

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Appendix 4B
Half yearly report

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Condensed consolidated statement of financial performance

		31 December A$ millio
1.1a	Revenues from ordinary activities (see items 1.23 - 1.25a)	669.4
1.1b	Proceeds from sale of businesses, net of disposal costs (see item 1.25b)	--
1.2a	Expenses from ordinary activities (see items 1.26b, c, e & 1.27)	(611.7)
1.2b	Net assets of businesses disposed (see item 1.26a)	--
1.3	Borrowing costs (see item 1.26d)	(20.4)
1.4	Share of net profit of associates and joint venture entities (see item 16.7)	0.3
1.5	Profit from ordinary activities before tax	37.6
1.6	Income tax expense on ordinary activities	16.9
1.7	Profit (loss) from ordinary activities after tax	20.7
1.8	Profit from extraordinary items after tax (see item 2.5)	--
1.9	Net profit (loss)	20.7
1.10	Net profit attributable to outside equity interests	1.2
1.11	Net profit (loss) for the period attributable to members	19.5
Non-owner transaction changes in equity		
1.12	Increase (decrease) in revaluation reserve	--
1.13	Net exchange differences recognised in equity	4.6
1.14	Other revenue, expense and initial adjustments recognised directly in equity (refer below for details)	--
1.15	Initial adjustments from UIG transitional provisions	--
1.16	Total transactions and adjustments recognised directly in equity (item 1.12 to 1.15)	4.6
1.17	Total changes in equity not resulting from transactions with owners as owners	24.1

Earnings per share (EPS)

		31 December cents
1.18	Basic EPS/(a)/	10.4c
1.19	Diluted EPS/(a)/	10.3c

/(a)/ Effective 24 April 2002, Ansell Limited reduced the number of ordinary shares and exercisable options on issue by means of a 1 for 5 share consolidation. The 31 December 2001 Basic and Diluted EPS and Net Tangible Assets Backing calculations have been revised to take into account the effect of the share consolidation.

Appendix 4B
Half yearly report

Notes to the condensed consolidated statement of financial performance Profit (loss) from ordinary activities attributable to members

		31 December A$ millio
1.20	Profit (loss) from ordinary activities after tax (item 1.7)	20.7
1.21	Less outside equity interests	1.2
1.22	Profit (loss) from ordinary activities after tax, attributable to members	19.5

Revenue and expenses from ordinary activities

		31 December A$ millio
1.23	Revenue from the sale of goods	653.
1.24	Interest revenue	5.
1.25a	Other revenue from ordinary activities	9.
	Revenues from ordinary activities	669.
1.25b	Proceeds on sale of businesses, net of disposal costs	-
	Total revenue	669.

1.26a	Net assets of businesses disposed	-
1.26b	Cost of goods sold	(424.
		245.
1.26c	Selling, distribution and administration expenses	(171.
1.26d	Borrowing costs	(20.
1.26e	Write-down of assets	-
1.27	Depreciation and amortisation excluding amortisation of intangibles (see item 2.3)	(16.
1.26f	Other	0.
	Profit (loss) from ordinary activities before tax	37.

Capitalised Outlays

1.28	Interest costs capitalised in asset values	-
1.29	Outlays capitalised in intangibles (unless arising from an acquisition of a business)	

Appendix 4B
Half yearly report

Consolidated retained profits

		31 December A$ millio
1.30	Accumulated losses at beginning of the financial period	(417.0
1.31	Net profit (loss) attributable to members (item 1.11)	19.5
1.32	Net transfers to reserves	(0.1
1.33	Net effect of changes in accounting policies	--
1.34	Dividends and other equity distributions paid or payable	--
1.35	Accumulated losses at end of the financial period	(397.6

Changes in equity and individually significant items included in profit from ordinary activities

	31 December A$ millio
Total equity at the beginning of the year	876.0

Net profit (loss) attributable to members (item 1.11)	19.5
Non-owner transaction changes in equity	
Net exchange differences on translation of financial statements of self-sustaining foreign operations	4.6
Total changes in equity other than those resulting from transactions with owners as owners	24.1
Contributions of equity	0.8
Total changes in outside equity interest	(0.4)
Total equity at the end of the period (item 4.39)	900.5

Individually significant items included in profit (loss) from ordinary activities before tax:	31 December A$ millio
Write-down of Exide receivable/investment	--
Write-down of Ansell fixed assets	--
Net gain on sale of controlled entities and businesses	--

Appendix 4B
Half yearly report

Intangible and extraordinary items	Consolidated - current period			Am a
	Before tax A$ millions (a)	Related tax A$ millions (b)	Related outside equity interests A$ millions (c)	A
2.1 Amortisation of goodwill	13.1	(4.9)	--	
2.2 Amortisation of other intangibles	--	--	--	
2.3 Total amortisation of intangibles	13.1	(4.9)	--	
2.4 Extraordinary items	--	--	--	
N/A	--	--	--	
2.5 Total extraordinary items	--	--	--	

Comparison of half year profits 31 Decembe

(Preliminary final report only)	A$ mill
3.1 Consolidated operating profit after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report)	N/A
3.2 Consolidated operating profit after tax attributable to members for the 2nd half year	N/A

Prima facie tax reconciliation	31 Decembe A$ mill
Prima facie income tax expense calculated at 30% (2001: 30%) on the profit (loss) from ordinary activities	11.3
Add increased taxation arising from:	
Goodwill amortisation	0.4
Income tax under provided in previous years	0.4
Other permanent differences not deductible or tax effected	7.1
Deduct reduced taxation arising from:	
Income tax over provided in previous years	--
Investment and export incentive allowances	3.6
Net (higher)/lower overseas tax rates	(1.3
Other allowable permanent differences	--
Share of associates' net profit	--
Income tax expense on the profit (loss) from ordinary activities before individually significant income tax items	16.9
Individually significant income tax items:	
Write off of tax balances attributable to Australian operations	--
Net gain on sale of businesses	--
Write-down of investments	--
Restructuring costs	--
	--
Income tax expense attributable to profit (loss) from ordinary activities	16.9
Income tax provided comprises:	
Provision attributable to current year	8.1
Under/(over) provision in respect of previous years	0.4
Provision attributable to future years	
Deferred tax liability	0.4
Tax assets	8.0
	16.9

	Condensed consolidated statement of financial position	31 December 2002 A$ millions	30 June 2 A$ millio
	Current assets		
4.1	Cash	247.8	258.5
4.1a	Cash - restricted deposits	16.0	18.4
4.2	Receivables	270.2	293.7
4.3	Investments	--	--
4.4	Inventories	240.8	235.1
4.5	Tax assets	--	--
4.6	Prepayments	27.6	15.8
4.7	Total current assets	802.4	821.5
	Non-current assets		
4.8	Receivables	49.4	66.7
4.9	Investments in associates and partnerships (equity accounted)	--	13.3
4.10	Other investments	147.1	145.8
4.11	Inventories	--	--
4.12	Exploration and evaluation expenditure capitalised	--	--
4.13	Development properties	--	--
4.14	Other property, plant and equipment (net)	320.2	332.5
4.15	Intangibles (net)	390.7	403.2
4.16	Tax assets	41.7	49.7
4.17	Other	--	--
4.18	Total non-current assets	949.1	1,011.2
4.19	Total assets	1,751.5	1,832.7
	Current liabilities		
4.20	Payables	172.4	192.7
4.21	Interest bearing liabilities	79.2	107.6
4.22	Tax liabilities	--	1.9
4.23	Provisions excluding tax liabilities	60.1	85.4
4.24	Other (Amounts due under contractual arrangements and deferred income)	3.9	1.2
4.25	Total current liabilities	315.6	388.8
	Non-current liabilities		
4.26	Payables	3.7	3.7
4.27	Interest bearing liabilities	480.0	516.5
4.28	Tax liabilities	24.0	24.4
4.29	Provisions excluding tax liabilities	27.7	23.3
4.30	Other (Amounts due under contractual arrangements and deferred income)	--	--
4.31	Total non-current liabilities	535.4	567.9
4.32	Total liabilities	851.0	956.7
4.33	Net assets	900.5	876.0

Appendix 4B
Half yearly report

Condensed consolidated statement of financial position (continued)		31 December 2002 A$ millions	30 June 2002 A$ millions	31
	Equity			
4.34	Capital	1,456.3	1,455.5	
4.35	Reserves	(171.5)	(176.2)	
4.36	Accumulated losses	(397.6)	(417.0)	
4.37	Equity attributable to members of the parent entity	887.2	862.3	
4.38	Outside equity interests in controlled entities	13.3	13.7	
4.39	Total equity	900.5	876.0	
4.40	Preference capital included as part of 4.37	--	--	

Notes to the condensed consolidated statement of financial position

Exploration and evaluation expenditure capitalised

		31 December 2002 A$ millions	31 December 2001 A$ millions
5.1	Opening balance		
5.2	Expenditure incurred during current period	N/A	N/A
5.3	Expenditure written off during current period		
5.4	Acquisitions, disposals, revaluation increments, etc.		
5.5	Expenditure transferred to Development Properties		
5.6	Closing balance as shown in the consolidated statement of financial position (item 4.12)	--	--

Development properties

		31 December 2002 A$ millions	31 December 2001 A$ millions
6.1	Opening balance		
6.2	Expenditure incurred during current period		
6.3	Expenditure transferred from exploration and		

	evaluation	N/A	N/A
6.4	Expenditure written off during current period		
6.5	Acquisitions, disposals, revaluation increments, etc.		
6.6	Expenditure transferred to mine properties		
6.7	Closing balance as shown in the consolidated statement of financial position (item 4.13)	--	--

Appendix 4B
Half yearly report

Condensed consolidated statement of cash flows

		31 Dece A$ m
	Cash flows related to operating activities	
7.1	Receipts from customers (excluding non recurring and Accufix Research Institute)	6
7.2	Payments to suppliers and employees (excluding non recurring and Accufix Research Institute)	(6
7.3	Net receipts from customers (excluding non recurring and Accufix Research Institute)	
7.4	Income taxes paid	
7.5	Dividends received	
7.6	Net cash provided by operating activities (excluding non recurring and Accufix Research Institute)	
7.7	Non recurring payments to suppliers and employees	(
7.8	Payments to suppliers and employees net of customer receipts (Accufix Research Institute)	
7.9	Net cash provided by operating activities	
	Cash flows related to investing activities	
7.10	Payments for businesses, net of cash acquired	
7.11	Payments for property, plant and equipment	
7.12	Proceeds from sale of businesses, net of cash disposed	
7.13	Proceeds from sale of plant and equipment in the ordinary course of business	
7.14	Loans repaid	
7.15	Proceeds from sale of other investments	
7.16	Net cash provided by investing activities	
	Cash flows related to financing activities	

7.17	Proceeds from borrowings	
7.18	Repayments of borrowings	(
7.19	Net repayments of borrowings	(
7.20	Proceeds from issues of shares	
7.21	Dividends paid	
7.22	Interest received	
7.23	Interest and borrowing costs paid	(
7.24	Net cash used in financing activities	(
7.25	Net (decrease)/increase in cash held	(
7.26	Cash at beginning of period (see Reconciliation of cash)	2
7.27	Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year	
7.28	Cash at the end of period (see Reconciliation of cash)	2

Appendix 4B
Half yearly report

Non-cash financing and investing activities

Details of financing and investing transactions which have a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

Nil

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	31 December 2002 A$ millions
8.1 Cash on hand and at bank	59.9
8.2 Deposits at call	203.9
8.3 Bank overdraft	(10.2)
8.4 Other (provide details)	--
8.5 Total cash at end of the financial year (item 7.28)	253.6

Other notes to the condensed financial statements

Ratios	31 December 2002 %

Profit before tax / revenue	
9.1 Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue from ordinary activities (item 1.1a)	5.6%
Profit after tax / equity interests	
9.2 Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 4.37)	2.2%

Earnings per security (EPS) /(a)/

10 Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027 'Earnings Per Share' are as follows:	31 December 2002 A$ millions
Earnings Reconciliation	
Net profit (loss)	20.7
Net profit attributable to outside equity interests	1.2
Basic earnings	19.5
After-tax effect of interest on converting financial instruments	--
Diluted earnings	19.5

Weighted average number of ordinary shares used as the denominator	No. Shares
Number for basic earnings per share	
Ordinary shares	186,957,448
Effect of partly paid Executive Plan Shares	713,199
Number for diluted earnings per share	187,670,647

Partly paid Executive Shares have been classified as potential ordinary shares issued for no consideration and have been included in diluted earnings per share.

NTA backing /(a)/	31 December 2002 cents
11.1 Net tangible asset backing per ordinary share	$2.66

Discontinuing Operations

12.1 Discontinuing Operations

N/A	

/(a)/Refer footnote to items 1.18 - 1.19 for effect of share consolidation during the year ended 30 June 2002

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Control gained over entities having material effect

		Consideration $Millions
13.1	Name of entity (or group of entities)	
	NIL	
13.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
13.3	Date from which such profit has been calculated	N/A
13.4	Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

2001 The economic entity did not gain control over any businesses in the prior corresponding year.

Loss of control of entities having material effect

		Consolidated Entity's Interest	Consideration (ne of disposal costs $Millions
14.1	Name of entity (or group of entities)		
	NIL	NIL	
14.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control		
14.3	Date to which the profit (loss) in item 14.2 has been calculated	N/A	

14.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A
14.5	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	N/A

2001 The economic entity lost control of the Pacific Automotive and Pacific Brands businesses in the prior corresponding half-year.

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Half yearly report

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Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	N/A
15.2	Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)	N/A
15.3	If it is a final dividend, has it been declared? (Preliminary final report only)	N/A

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Amount per security

		Amount per security	Franked amount per security at 30% tax (previous year 34%)
	(Preliminary final report only)		
15.4	Final Dividend: Current year	N/A	N/A
15.5	Previous year	N/A	N/A
	(Half yearly and preliminary final reports)		
15.6	Interim Dividend: Current year	--	N/A

15.7	Previous year	--	N/A

Total dividend (distribution) per security (interim plus final)
(Preliminary final report only)

		31 December 2002	31 December 2001
15.8	Ordinary securities	N/A	N/A
15.9	Preference securities	N/A	N/A

Half yearly report - interim dividend (distribution) on all securities

		31 December 2002 A$ millions	31 December 2001 A$ millions
15.10	Ordinary securities	--	--
15.11	Preference securities	--	--
15.12	Other equity instruments	--	--
15.13	Total	--	--

The dividend or distribution plans shown below are in operation.

Not Applicable

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

Not Applicable

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Half yearly report

Details of aggregate share of profits (losses) of associates and joint venture entities

	Group's share of associates' and joint venture entities':	31 December 2002 A$ millions	31 Dece A$ mi
16.1	Profit from ordinary activities before income tax		
	- associates	0.4	
	- joint venture entities	--	

		0.4
16.2	Income tax on ordinary activities - associates	0.1
16.3	Profit from ordinary activities after income tax	0.3
16.4	Extraordinary items net of tax	--
16.5	Net profit	0.3
16.6	Adjustments	--
16.7	Share of net profit of associates and joint venture entities	0.3

Material interests in entities which are not controlled entities
The economic entity has an interest (that is material to it) in the following entities.

	Name of entity	Percentage of ownership interest held at end of period or date of disposal		Con
17.1	Equity accounted associates and joint venture entities	31 December 2002 %	31 December 2001 %	31 D A$
	Associates:			
	Pacific Marine Batteries Pty. Ltd. (a)	0%	50%	
17.2	Total			
17.3	Other material interests			
	Associates:			
	South Pacific Tyres N.Z. Ltd.	50%	50%	
	Partnerships:			
	South Pacific Tyres	50%	50%	
17.4	Total			

(a) The economic entity disposed of its interest in Pacific Marine Batteries Pty. Ltd. as at 30 November 2002.

Issued and quoted securities at end of current period

Category of securities		Total number	Number quoted	Issu per (
18.1	Preference securities (description)	N/A	N/A	
18.2	Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	N/A	N/A	
18.3	Ordinary securities			
	Ordinary shares (fully paid)	186,572,346		
	Ordinary - Executive Plan Shares	1,001,000		va
	Ordinary - Employee Plan Shares	212,637		va
18.4	Changes during current period			
	(a) Increases through issues			
	Ordinary - converted from Executive Plan Shares	173,600		va
	Ordinary - converted from Employee Plan Shares	3,546		va
	(b) Decrease through cancellation			
	Ordinary - Employee plan shares	462,117		
18.5	Convertible debt securities (description and conversion factor)	N/A	N/A	
18.6	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	
18.7	Options (description and conversion factor)			Ex p
	Nil	N/A	N/A	
18.8	Issued during current period.	Nil	Nil	
18.9	Exercised during current period	Nil	Nil	
18.10	Expired during current period	207,000	Nil	1
18.11	Debentures (description)	N/A	N/A	
18.12	Changes during the current period (a) Increases through issues (b) Decreases through securities matured, converted			
18.13	Unsecured notes (description)	N/A	N/A	
18.14	Changes during current period (a) Increases through issues			

(b) Decreases through securities matured, converted

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/\ Ordinary shares, Ordinary shares - Employee Plan Shares and Ordinary Shares converted during the year from the Executive Plan are fully paid.

Appendix 4B
Half yearly report

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Industry Segments

of Ansell Limited and Controlled Entities for the six months ended 31 December 2002

	Operating Revenue				Operating Re		
	2002 December A$m	2001 December A$m	2002 December US$m	2001 December US$m	2002 December A$m	2001 December A$m	20 US
INDUSTRY							
Ansell Healthcare							
Occupational Healthcare	319.4	317.3	177.4	161.6	27.0	20.6	15
Professional Healthcare	224.6	279.1	124.7	142.2	28.6	45.2	15
Consumer Healthcare	109.8	110.4	61.0	56.2	21.9	15.5	12
Total Ansell Healthcare	653.8	706.8	363.1	360.0	77.5	81.3	43
Unallocated Items	15.6	20.6	8.6	10.6	(12.1)	(15.7)	(6
					65.4	65.6	36
Discontinued Businesses							
Trading		806.5		410.8		58.4	
Operating EBITA					65.4	124.0	36
NON RECURRING							
Discontinued Businesses							
Net gain on sale of interests in Associated Companies					5.5		3
Proceeds/ Net gain on sale of Controlled Entities & Businesses		980.5		499.5		20.3	
Rationalisation/Restructuring							
Ansell Healthcare						(8.2)	
Other					(5.5)	(8.5)	(3
Write-down of assets							
Ansell Healthcare						(64.7)	
Exide Investment						(61.5)	
Other						(9.4)	
					65.4	(8.0)	36
Goodwill amortisation					(13.1)	(15.4)	(7

Earnings before Net Interest & Tax					52.3	(23.4)	29
Borrowing Costs net of Interest Revenue					(14.7)	(35.6)	(8
Operating Profit before Tax					37.6	(59.0)	20
Tax					(16.9)	(32.6)	(9
Outside Equity Interests					(1.2)	(1.2)	(0
Total Consolidated	669.4	2,514.4	371.7	1,280.9	19.5	(92.8)	10
REGIONS							
Australia & S.E. Asia	86.7	88.7	48.1	45.2	18.6	15.1	10
America	347.5	412.7	193.0	210.2	46.8	60.5	26
Europe	219.6	205.4	122.0	104.6	12.1	5.7	6
	653.8	706.8	363.1	360.0	77.5	81.3	43

	Assets Employed						
	2002		2001	2002		2001	
	December A$m	June A$m	December A$m	December US$m	June US$m	December US$m	Dece A$
INDUSTRY							
Ansell Healthcare							
Occupational Healthcare	372.2	376.0	436.0	210.8	212.8	222.9	125
Professional Healthcare	389.3	404.3	438.0	220.5	228.9	223.9	112
Consumer Healthcare	126.2	140.8	149.8	71.5	79.7	76.6	59
Total Ansell Healthcare	887.7	921.1	1,023.8	502.8	521.4	523.4	297
Unallocated Items	42.3	49.0	98.8	24.0	27.8	50.5	532
Automotive							
SPT Investment	137.9	136.5	135.4	78.1	77.3	69.2	
Discontinued Businesses	29.1	46.0	72.0	16.5	26.0	36.8	21
Goodwill and Brand names	390.7	403.2	457.5	221.3	228.2	233.9	
Cash	263.8	276.9	460.7	149.4	156.7	235.5	
Total Consolidated	1,751.5	1,832.7	2,248.2	992.1	1,037.4	1,149.3	851
REGIONS							
Australia & S.E. Asia	324.2	318.4	356.0	183.6	180.2	182.0	81
America	371.8	398.6	483.7	210.6	225.7	247.3	194
Europe	191.7	204.1	184.1	108.6	115.5	94.1	21
	887.7	921.1	1,023.8	502.8	521.4	523.4	297

	Liabilities		
	2002		2001
	December US$m	June US$m	December US$m
INDUSTRY			
Ansell Healthcare			
Occupational Healthcare	71.1	70.6	61.3
Professional Healthcare	63.9	64.7	53.4

Consumer Healthcare	33.6	30.9	29.0
Total Ansell Healthcare	168.6	166.2	143.7
Unallocated Items	301.5	352.1	472.8
Automotive			
SPT Investment			
Discontinued Businesses	11.9	23.2	36.3
Goodwill and Brand names			
Cash			
Total Consolidated	482.0	541.5	652.8
REGIONS			
Australia & S.E. Asia	46.3	47.0	41.2
America	109.9	103.0	91.9
Europe	12.4	16.2	10.6
	168.6	166.2	143.7

Prior year comparatives have been adjusted for reclassification of former Industry Segment businesses which have been sold or abandoned and hence classified as Discontinued Businesses. The above industry segments report should be read in conjunction with the accompanying notes.

Notes to the Industry Segments Report

Translation of amounts from Australian dollars into US dollars for Operating Revenue and Operating Result have been made for the convenience of the reader at US$ 0.55534 = A$1, being the average of the 10.00am mid buy/sell rate for Australian dollars as quoted by Reuters on the last working day of the month for the 7 months period June 2002 to December 2002 (December 2001 US$ 0.50937 = A$1).

Translation of amounts from Australian dollars into US dollars for Assets Employed and Liabilities have been made for the convenience of the reader at the 10.00am mid buy/sell rate for Australian dollars as quoted by Reuters, on Tuesday 31 December 2002, at US$ 0.56635 = A$1 (June 2002 US$ 0.56605 = A$1, December 2001 US$ 0.51125 = A$1).

(a) Operating Revenue

The Operating Revenue of Discontinued Businesses represents the external sales to the date of disposal and the cash received / receivable from the sale of such businesses (net of disposal costs).

(b) Unallocated Revenue and Costs

Represents costs of Statutory Head Office, part of the costs of Ansell's Corporate Head Office and non-sales revenue.

(c) Tax

Six months to December 2001 includes the write off of tax balances attributable to Australian operations of A$15.2 million (US$7.7 million) and tax attributable to Discontinued Businesses.

(d) Cash

Cash also includes Accufix Pacing Leads restricted deposits.

(e) Inter-Segment Transactions

Significant inter-segment sales were made by Australia & SE Asia - A$125.7 million (US$69.8 million) (2001 - A$147.7 million; US$75.2 million) and America - A$107.8 million (US$59.9 million) (2001 - A$125.5 million; US$63.9 million). Inter-segment sales are generally made at the same prices as sales to major customers. Operating revenue is shown net of inter-segment values. Accordingly, the operating revenues shown in each segment reflect only the external sales made by that segment.

(f) Industry Segments

The consolidated entity comprises the following main business segments:

Occupational Healthcare - manufacture and sale of occupational health and safety gloves.

Professional Healthcare - manufacture and sale of medical, surgical and examination gloves for hand barrier protection and infection control.

Consumer Healthcare - manufacture and sale of condoms, household gloves and other personal products.

Discontinued Businesses - represents former Industry Segment businesses which have been sold or abandoned.

(g) Regions

The allocation of operating revenue and operating results reflect the geographical regions in which the products are sold to external customers. Assets Employed are allocated to the geographical regions in which the assets are located.

Australia & S.E. Asia - manufacturing facilities in 4 countries and sales.

America - manufacturing facilities in USA and Mexico and significant sales activity.

Europe - principally a sales region with one manufacturing facility in the UK.

	2002 December A$m	2002 December US$m	200 Decem A$m
(h) Segment Capital Expenditure (including finance leases)			
Occupational Healthcare	1.5	0.8	4.
Professional Healthcare	5.4	3.0	7.
Consumer Healthcare	0.5	0.3	1.
Discontinued Businesses	--	--	12.

(i) Region Capital Expenditure (including finance leases)			
Australia & S.E. Asia	5.9	3.3	8.
America	1.0	0.6	4.
Europe	0.5	0.3	1.
(j) Segment Depreciation (including amortisation of finance leases)			
Occupational Healthcare	5.5	3.1	8.
Professional Healthcare	8.1	4.5	9.
Consumer Healthcare	2.4	1.3	2.
Discontinued Businesses	--	--	11.
(k) Segment Other Non Cash Expenses (excluding Provision for Rationalisation and Write-down of Assets separately disclosed)			
Occupational Healthcare	4.0	2.2	4.
Professional Healthcare	0.7	0.4	1.
Consumer Healthcare	2.7	1.5	2.
Discontinued Businesses	--	--	14.

Appendix 4B
Half yearly report

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Comments by Directors

This half yearly report is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting. It should be read in conjunction with the annual report for the year ended 30 June 2002 and any announcements to the market made by the entity during the period. The financial statements in this report are 'condensed financial statements' as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report.

Material factors affecting the revenues and expenses of the economic entity for the current period.

Refer to the accompanying media release for further details.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported in this Appendix or in attachments, with financial effect quantified (if possible).

Since the end of the current period no matters or circumstances have arisen that have significantly affected or may significantly affect the operations, results of operations or state of affairs of the Group in future periods.

Franking credits available and prospects for paying fully or partly franked

dividends for at least the next year.

The balance of available franking credits in the franking account as at 31 December 2002 was Nil (2001 - Nil). No further franking credits are expected to arise during the year ending 30 June 2003.

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Half yearly report

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Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

N/A

Revision in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports of those revisions have a material effect in this half year.

N/A

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report.

Refer attached.

Appendix 4B
Half yearly report

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Contingent Liabilities

Indemnities and Guarantees

Ansell Limited ('the Company') has previously entered into Deeds of Indemnity with each of the Directors of the Company and certain officers of controlled entities, in relation to liabilities that they may incur (other than to Group companies) as Directors of the Company and Directors of certain controlled entities respectively, to the extent permitted by law and the Company's Constitution.

The Company has also guaranteed the performance of certain wholly-owned controlled entities which have negative shareholders' funds.

At this time, no liabilities the subject of any such indemnity have been identified and, accordingly, it is not possible to quantify any financial obligation of the consolidated entity under these indemnities and of the Company pursuant to its guarantee.

Accufix Litigation

Claims have been made against Accufix Research Institute, Inc. (formerly TPLC, Inc.) ('ARI'), certain other wholly-owned controlled entities of the Company and, in some instances, the Company (then called Pacific Dunlop Limited) relating to the Accufix Pacing leads manufactured by ARI, which leads were withdrawn in late 1994 (the 'Accufix Pacing Leads').

The only outstanding claims in relation to the Accufix Pacing Leads as at 31 December 2002 are as follows:

- 2 lawsuits in France: one involving 3 individual claimants and a second lawsuit recently initiated by 1 claimant; and
- claims subsequently made by any of the 150 persons who opted out of the class settlement in the United States.

A French court entered judgment against ARI in December 2002 in relation to the claim involving 19 plaintiffs' and 16 corresponding subrogated insurers' claims, a proportion of which will be borne by ARI's insurers and the balance paid out of the provisions referred to below. ARI is appealing this decision.

The settlement in the United States requiring payments totalling US$62.4 million (consisting of a fund established for the benefit of persons entitled to the settlement, and a fund for the benefit of persons who opted out of the settlement), and the sums required for the earlier settlements in Australia and elsewhere in the world, were fully covered by the provisions made in the financial statements for the year ending 30 June 1998. The balance of these provisions as at 31 December 2002 (approximately $16.2 million) represents the balance of cash held by ARI and its related companies, and is considered adequate to address any remaining liability of members of the Ansell Group to claims made by individuals with respect to the manufacture of the Accufix Pacing Leads, including any amount to ultimately be paid pursuant to the French judgment referred to above.

Latex Allergy Litigation

Ansell Healthcare Products Inc., Ansell Protective Products Inc., the Company and other Group companies (collectively 'the Ansell Defendants') (along with a wide variety of manufacturers and distributors of natural rubber latex gloves), are defendants in lawsuits filed in the United States since 1993 on behalf of individuals alleging wrongful death, personal injuries and lost wages as a result of their exposure to natural rubber latex gloves. The lawsuits claim, among other things, that the Ansell Defendants, and other manufacturers of natural rubber latex gloves, were negligent in the design and manufacture of the gloves and failed to give adequate warnings of the possibility of allergic reactions.

As of 31 December 2002, there were approximately 356 such cases pending against one or more of the Ansell Defendants, representing some 45 percent of cases filed against all defendants. Of these cases 269 were consolidated for discovery pursuant to the rules of multi-district litigation before the US District Court for the Eastern District of Pennsylvania. The remaining 87 cases are spread through state courts in 45 states, with the greatest concentration in New York (20 cases).

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Contingent Liabilities (Continued)

Latex Allergy Litigation (continued)

The Company remains a defendant in one Australian case and one case in the United States. Since the inception of this litigation, the Ansell Defendants have been dismissed as a defendant from approximately 124 cases in the United States without payment. The Ansell Defendants have settled approximately 16 additional cases.

The Ansell Defendants have tried one case to verdict in Alameda County, California. Following a seven week trial, a jury returned a verdict in favour of the Ansell Defendant on 19 October 2002. Post trial motions are pending.

With this pattern of dismissal and with the complications, case by case, caused by the multiplicity of defendants and variability of factual situations, it is not possible to predict which, if any, of the cases they currently face, the Ansell Defendants will have to defend at trial. In those circumstances the liability of the Ansell Defendants, if any, in relation to these claims cannot be quantified.

Business and Asset Sales

The Company and various Group Companies have, as part of the Group's asset and business sale program, provided warranties, indemnities and other undertakings and, in some instances, the Company has guaranteed the warranties, indemnities and other obligations of various Group companies, to the purchasers of Group assets and businesses. At this time, it is not possible to quantify the potential financial impact of those warranties, indemnities, undertakings or guarantees upon the economic entity. In particular, a Group company has received a notice from a purchaser of one of its businesses in relation to an indemnity under a sale agreement. No formal proceedings have been initiated and, accordingly, it is not possible at this time to quantify the potential financial impact on the Group.

Proceedings instituted by Simplot Australia Pty Ltd against the Company and other Group companies continued in the Supreme Court of Victoria in relation to the sale of the Edgell-Birds' Eye and Herbert Adams Bakeries businesses. Simplot has claimed $20.8 million in damages in relation to alleged breaches of warranty and sought unspecified damages in respect of separate alleged breaches of the Trade Practices Act. The matter remains at the preliminary stage and the substantive issues of the claim are unlikely to proceed to trial this year. The Company believes that it has good grounds for resisting these protracted claims.

Environmental Matters

The Company and various Group Companies as the occupiers of property receive, from time to time, notices from relevant authorities pursuant to various environmental legislation. On receiving such notices, the Company evaluates potential remediation options and the associated costs. At this time, the Company does not believe that the potential financial impact of such remediation upon the economic entity is material.

In the ordinary course of business, the Ansell Group has maintained comprehensive general liability insurance policies covering its operations and assets. Generally such policies exclude coverage for most environmental liabilities.

Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties	N/A
20.2 A statement of the fees and commissions payable to the management company or responsible entity	N/A
Identify:	
* initial service charges	N/A
* management fees	N/A
* other fees	N/A

Annual meeting
(Preliminary final report only)

The annual meeting will be held as follows:

Place	N/A
Date	N/A
Time	N/A
Approximate date the annual report will be available	N/A

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgents Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used — Not applicable

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies. (tick one)

[ ] The accounts have been audited.	[X] The accounts have been subject to review.
[ ] The accounts are in the process of being audited or subject to review.	[ ] The accounts have not yet been audited or reviewed.

5 The audit report or review by the auditor is attached.

6 The entity has a formally constituted audit committee.

Signed: /s/ R J Bartlett
Company Secretary

Date 13 February 2003

Name: R J Bartlett

0pt;">Income (loss) before income tax provision

(400,192
)

(757,389
)

(1,312,231
)

(2,327,522
)

Income tax provision
10,033

—

—

(50,275
)

Net income (loss)
$
(390,159
)

$
(757,389
)

$
(1,312,231
)

$
(2,377,797
)

Net income (loss) per common share - basic and diluted
$
—

$
(0.01

)

$
(0.01
)

$
(0.03
)

Weighted average shares outstanding - basic and diluted
105,757,178

95,988,100

105,552,330

94,599,406

See notes to condensed consolidated financial statements

MIMEDX GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2014
(unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated	
	Shares Issued	Amount		Shares	Amount	Deficit	Total
Balance December 31, 2013	104,425,614	$104,426	$147,284,219	50,000	$(25,000)	$(73,795,575)	$73,568,070
Share-based compensation expense	—	—	5,138,716	—	—	—	5,138,716
Exercise of stock options	613,659	614	882,093	—	—	—	882,707
Exercise of warrants	1,017,000	1,017	773,733	—	—	—	774,750
Issuance of restricted stock	108,330	108	(108)	—	—	—	—
Stock repurchase	—	—	—	784,200	(4,563,333)	—	(4,563,333)
Net income (loss)	—	—	—	—	—	(1,312,231)	(1,312,231)
Balance June 30, 2014	106,164,603	$106,165	$154,078,653	834,200	$(4,588,333)	$(75,107,806)	$74,488,679

See notes to condensed consolidated financial statements

MIMEDX GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	$(1,312,231)	$(2,377,797)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	550,981	237,934
Amortization of intangible assets	463,290	530,234
Amortization of debt discount and deferred financing costs	—	1,328,439
Share-based compensation	5,138,716	2,487,239
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(4,406,742)	(4,108,313)
Inventory	(348,515)	(1,197,500)
Prepaid expenses and other current assets	(988,127)	(721,223)
Other assets	—	70,000
Accounts payable	(44,904)	586,027
Accrued compensation	565,590	221,472
Accrued expenses	(268,466)	85,219
Accrued interest	—	(41,641)
Other liabilities	218,657	46,362
Net cash flows from operating activities	(431,751)	(2,853,548)
Cash flows from investing activities:		
Purchases of equipment	(1,145,351)	(1,052,930)
Patent application costs	(288,790)	(342,695)
Net cash flows from investing activities	(1,434,141)	(1,395,625)
Cash flows from financing activities:		
Proceeds from exercise of warrants	774,750	1,167,624
Proceeds from exercise of stock options	882,707	542,841
Stock repurchase	(4,563,333)	—
Principal payments of equipment leases	(60,746)	(22,194)
Net cash flows from financing activities	(2,966,622)	1,688,271
Net change in cash	(4,832,514)	(2,560,902)
Cash and cash equivalents, beginning of period	44,077,751	6,754,485
Cash and cash equivalents, end of period	$39,245,237	$4,193,583

See notes to condensed consolidated financial statements

MIMEDX GROUP, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Changes to GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of Accounting Standards Updates (“ASU’’) to the FASB’s Accounting Standards Codification (“ASC”). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results of operations for the periods presented have been included. Operating results for the six months ended June 30, 2014 and 2013, are not necessarily indicative of the results that may be expected for the fiscal year. The balance sheet at December 31, 2013, has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

You should read these condensed consolidated financial statements together with the historical consolidated financial statements of the Company for the year ended December 31, 2013, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission (“SEC”) on March 4, 2014.

The Company operates in one business segment, Regenerative Biomaterials, which includes the design, manufacture, and marketing of products and tissue processing services for the Wound Care, Surgical, Sports Medicine, Ophthalmic and Dental market categories. The Company's biomaterial platform technologies include tissue technologies, AmnioFix® and EpiFix®, and device technology, CollaFix™.

2. Significant Accounting Policies

Please see Note 2 to the Company's Consolidated Financial Statements included in the Company’s Form 10-K for the fiscal year ended December 31, 2013, for a description of all significant accounting policies.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable represent amounts due from customers for which revenue has been recognized. Generally, the Company does not require collateral or any other security to support its receivables.

The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing receivables. The Company determines the allowance based on factors such as historical collection experience, customers' current creditworthiness, customer concentrations, age of accounts receivable balance and general economic conditions that may affect the customers' ability to pay.

Inventories

Inventory is valued at standard cost, which approximates actual cost computed on a first-in, first-out basis, not in excess of market value. The Company assesses the valuation of its inventory on a periodic basis and makes adjustments to the value for estimated excess and obsolete inventory based on estimates about future demand. The excess balance determined by this analysis becomes the basis for the Company's excess inventory charge. The Company's excess inventory review process includes analysis of sales forecasts, managing product rollovers and working with operations to maximize recovery of excess inventory.

Revenue Recognition

The Company sells its products through a combination of a direct sales force and independent stocking distributors and representatives in the U.S. and independent distributors in international markets. The Company recognizes revenue when title to the goods transfers to customers, provided there are no material remaining performance

obligations required of the Company or any matters of customer acceptance. In cases where the Company utilizes distributors or ships product directly to the end user, it recognizes revenue upon shipment provided all revenue recognition criteria have been met. A portion of the Company's revenue is generated from inventory maintained at hospitals or with the field representatives. For these products, revenue is

recognized at the time the product has been used or implanted. The Company records estimated sales returns, discounts and allowances as a reduction of net sales in the same period revenue is recognized.

Patent Costs

The Company incurs certain legal and related costs in connection with patent applications for tissue based products and processes. The Company capitalizes such costs to be amortized over the expected life of the patent to the extent that an economic benefit is anticipated from the resulting patent or alternative future use is available to the Company and are included in Intangible Assets in the Condensed Consolidated Balance Sheets. The Company capitalized approximately $289,000 of patent costs during the first six months of 2014. The Company capitalized approximately $343,000 of patent costs during the first six months of 2013.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all ASUs issued effective and not yet effective. In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, “Revenue Recognition - Revenue from Contracts with Customers” (ASU 2014-09) that requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service. This update is effective for annual reporting periods beginning on or after December 15, 2016 and interim periods therein and requires expanded disclosures. We are currently assessing the impact the adoption of ASU 2014-09 will have on our condensed consolidated financial statements. All other ASUs issued effective and not yet effective for the six months ended June 30, 2014, and through the date of this report, were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's financial position or results of operations.

3. Liquidity and Management’s Plans

As of June 30, 2014, the Company had approximately $39,245,000 of cash and cash equivalents. The Company reported total current assets of approximately $66,300,000 and current liabilities of approximately $9,913,000 as of June 30, 2014. The Company believes that its anticipated cash from operating and financing activities, and existing cash and cash equivalents will enable the Company to meet its operational liquidity needs and fund its planned investing activities for the next twelve months.

4. Inventories

Inventories consisted of the following items as of June 30, 2014, and December 31, 2013:

	June 30, 2014	December 31, 2013
Raw materials	$257,527	$202,414
Work in process	2,955,033	2,951,704
Finished goods	1,369,124	1,048,886
	4,581,684	4,203,004
Reserve for obsolescence	(352,393)	(322,228)
Inventory, net	$4,229,291	$3,880,776

5. Property and Equipment

Property and equipment consist of the following as of June 30, 2014, and December 31, 2013:

	June 30, 2014	December 31, 2013
Leasehold improvements	$2,427,502	$2,319,928
Lab and clean room equipment	2,729,522	2,025,263
Furniture and office equipment	1,793,194	1,240,466
Construction in progress	583,109	802,319
	7,533,327	6,387,976
Less accumulated depreciation	(2,852,851)	(2,301,870)
	$4,680,476	$4,086,106

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Included in property and equipment is approximately $427,000 of equipment covered under capital leases. The corresponding liability is included in other liabilities in the accompanying condensed consolidated balance sheets. Interest rates for these leases range from approximately 3% to 12% with maturity dates from September 2016 to January 2018.

Also included is approximately $1.0 million in leasehold improvements paid for by the landlord of the Company's new facility with a corresponding liability included in other liabilities which is amortized over the term of the lease. Depreciation expense for the six months ended June 30, 2014 and 2013 was approximately $551,000 and $238,000, respectively and $288,000 and $139,000 for the three months ended June 30, 2014 and 2013, respectively.

6. Intangible Assets and Royalty Agreement

Intangible assets are summarized as follows:

	Weighted Average Amortization Lives	June 30, 2014 Cost	December 31, 2013 Cost
Licenses (a) (b)	10 years	$1,009,000	$1,009,000
Patents & Know How (b)	14 years	7,860,791	7,798,910
Customer & Supplier Relationships (b)	14 years	3,761,000	3,761,000
Tradenames & Trademarks (b)	indefinite	1,008,000	1,008,000
In Process Research & Development (b)	indefinite	25,000	25,000
Patents in Process (c)	indefinite	806,896	579,987
Total		14,470,687	14,181,897
Less Accumulated amortization		(3,466,614)	(3,003,324)
Net		$11,004,073	$11,178,573

(a) On January 29, 2007, the Company acquired a license from Shriners Hospitals for Children and University of South Florida Research Foundation, Inc. in the amount of $996,000. Within 30 days after the receipt by the Company of approval by the FDA allowing the sale of the first licensed product, the Company is required to pay an additional $200,000 to the licensor. Due to its contingent nature, this amount is not recorded as a liability. The Company will also be required to pay a royalty of 3% on all commercial sales revenue from the licensed products. The Company is also obligated to pay a $50,000 minimum annual royalty payment over the life of the license. As of June 30, 2014, this license had a remaining net book value of approximately $259,000

(b) On January 5, 2011, the Company acquired Surgical Biologics, LLC. As a result, the Company recorded intangible assets for Customer & Supplier Relationships of $3,761,000, Patents & Know-How of $7,690,000, Licenses of $13,000, Trade Names & Trademarks of $1,008,000 and In-Process Research & Development of $25,000. For the six months ended June 30, 2014 an additional $61,881 of costs associated with patents granted during the period were capitalized and included in Patents & Know-How subject to amortization.

(c) Patents in Process consist of capitalized external legal and other registration costs in connection with internally developed tissue-based patents that are pending. Once issued, the costs associated with a given patent will be included in Patents & Know-How under intangible assets subject to amortization.

Amortization expense for the six months ended June 30, 2014 and 2013 was approximately $463,000, and $530,000, respectively, and $232,000 and $268,000 for the three months ended June 30, 2014 and 2013, respectively.
Expected future amortization of intangible assets as of June 30, 2014, is as follows:

Year ending December 31,	Estimated Amortization Expense
2014 (a)	$463,901
2015	927,575
2016	927,575
2017	837,942
2018	827,975
Thereafter	6,011,105
	$9,996,073

(a) Estimated amortization expense for the year ending December 31, 2014 includes only amortization to be recorded after June 30, 2014.

7. Line of Credit

On May 1, 2014, the Company's $3,000,000 revolving line of credit with Bank of America expired and the Company chose not to renew. There were no borrowings outstanding at any time under this facility.

8. Net Income (Loss) Per Share

Basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is computed using the weighted-average number of common and dilutive common equivalent shares from stock options, warrants and convertible debt using the treasury stock method. For all periods presented, diluted net loss per share is the same as basic net loss per share, as the inclusion of equivalent shares from outstanding common stock options, warrants and convertible debt would be anti-dilutive.
The following table sets forth the computation of basic and diluted net loss per share:

	Three months ended June 30,		Six months ended June 30	
	2014	2013	2014	2013
Net income (loss)	$(390,159)	$(757,389)	$(1,312,231)	$(2,377,797)
Denominator for basic earnings per share - weighted average shares	105,757,178	95,988,100	105,552,330	94,599,406
Effect of dilutive securities: Stock options and warrants outstanding and convertible debt (a)	—	—	—	—
Denominator for diluted earnings per share - weighted average shares adjusted for dilutive securities	105,757,178	95,988,100	105,552,330	94,599,406
Income (loss) per common share - basic and diluted	$—	$(0.01)	$(0.01)	$(0.03)

(a) Securities outstanding that were excluded from the computation, prior to the use of the treasury stock method, because they would have been anti-dilutive are as follows:

	Six months ended June 30,	
	2014	2013
Outstanding Stock Options	17,032,203	15,917,272
Outstanding Warrants	267,816	2,132,002
Restricted Stock Awards	958,084	282,500
	18,258,103	18,331,774

9. Equity

Stock Incentive Plans

The Company has three share-based compensation plans: the MiMedx Group, Inc. Assumed 2006 Stock Incentive Plan (the "2006 Plan"), the MiMedx Inc. 2007 Assumed Stock Plan (the "Assumed 2007 Plan") and the MiMedx Group Inc. Amended and Restated Assumed 2005 Stock Plan (the "Assumed 2005 Plan") which provide for the granting of qualified incentive and non-qualified stock options, stock appreciation awards and restricted stock awards to employees, directors, consultants and advisors. The awards are subject to a vesting schedule as set forth in each individual agreement. The Company intends to use only the 2006 Plan to make future grants. The number of assumed options under the Assumed 2005 Plan and Assumed 2007 Plan outstanding at June 30, 2014, totaled 375,000. On February 25, 2014, the Board of Directors approved 4,000,000 additional shares to be made available under the 2006 Plan, bringing the maximum number of shares of common stock that can be issued under the 2006 Plan to 26,500,000 at June 30, 2014, subject to the ratification and approval of the 2006 Plan at the Company's 2014 Annual Meeting of Shareholders.

Activity with respect to the stock options is summarized as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2014	15,375,960	$2.46		
Granted	2,475,069	7.09		
Exercised	(613,659)	1.44		
Unvested options forfeited	(190,001)	3.61		
Vested options expired	(15,166)	1.28		
Outstanding at June 30, 2014	17,032,203	3.15	7.6	$67,561,731
Vested at June 30, 2014	8,960,380	1.74	6.7	47,919,278
Vested or expected to vest at June 30, 2014 (a)	16,671,617	$3.10	7.6	$67,059,685

(a) Includes forfeiture adjusted unvested shares.

The intrinsic value of the options exercised during the six months ended June 30, 2014, was approximately $3,303,706.

Following is a summary of stock options outstanding and exercisable at June 30, 2014:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number outstanding	Weighted-Average Remaining Contractual Term (in years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$0.50 - $0.76	1,066,435	4.0	$0.67	1,066,435	$0.67
$0.87 - $1.35	6,242,178	7.2	1.20	4,946,983	1.19
$1.40 - $2.29	1,558,368	5.6	1.64	1,393,366	1.65
$2.35 - $3.75	1,878,152	8.2	2.77	555,132	2.79
$3.95 - $5.99	3,471,401	8.9	5.14	899,135	4.99
$6.02 - $8.34	2,815,669	9.1	7.09	99,329	6.60
	17,032,203	7.6	$3.15	8,960,380	$1.74

Total unrecognized compensation expense related to granted stock options at June 30, 2014, was approximately $17,138,013 and is expected to be recognized over a weighted-average period of 2.2 years.

The fair value of options granted by the Company is estimated on the date of grant using the Black-Scholes-Merton option-pricing model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Expected volatilities are based on historical volatility of peer companies and other factors estimated over the expected term of the options. The term of employee options granted is derived using the "simplified method," which computes expected term as the average of the sum of the vesting term plus the contract term. The term for non-employee options is generally based upon the contractual term of the option. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term or contractual term as described.

The assumptions used in calculating the fair value of options using the Black-Scholes-Merton option-pricing model are set forth in the following table:

	Six Months Ended June 30,	
	2014	2013
Expected volatility	63.8 - 64.5%	62.15-64.27%
Expected life (in years)	5.0 - 6.0	5.5 - 6
Expected dividend yield	—	—
Risk-free interest rate	1.69% - 1.96%	0.85-1.13%

The weighted-average grant date fair value for options granted during the six months ended June 30, 2014, was approximately $4.12.

Restricted Stock Awards

Activity with respect to restricted stock awards is summarized as follows.

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2013	576,550	$5.53
Granted	489,864	7.16
Vested	(108,330)	5.42
Forfeited	—	—
Unvested at June 30, 2014	958,084	$6.37

As of June 30, 2014, there was approximately $4,907,735 of total unrecognized stock-based compensation related to time-based, nonvested restricted stock. That expense is expected to be recognized on a straight-line basis over a weighted-average period of 2.4 years.

For the three and six months ended June 30, 2014 and 2013, the Company recognized stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Cost of sales	$74,750	$72,669	$172,265	$122,831
Research and development	162,965	122,789	322,651	198,767
Selling, general and administrative	2,528,637	1,306,989	4,643,800	2,165,641
	$2,766,352	$1,502,447	$5,138,716	$2,487,239

Warrants

The Company grants common stock warrants in connection with equity share purchases by investors as an additional incentive for providing long term equity capital to the Company and as additional compensation to consultants and advisors. The warrants are granted at negotiated prices in connection with the equity share purchases and at the market price of the common stock in other instances. The warrants have been issued for terms of five years.

Following is a summary of the warrant activity for the six months ended June 30, 2014:

	Number of Warrants	Weighted-Average Exercise Price per warrant
Warrants outstanding at January 1, 2014	1,284,816	$0.90
Warrants exercised	(1,017,000)	0.76
Warrants outstanding at June 30, 2014	267,816	$1.44

Warrants may be exercised in whole or in part by notice given by the holder accompanied by payment in cash of an amount equal to the warrant exercise price multiplied by the number of warrant shares being purchased.

These warrants are not mandatorily redeemable, and do not obligate the Company to repurchase its equity shares by transferring assets or issuing a variable number of shares.

The warrants require that the Company deliver shares as part of a physical settlement and do not provide for a net-cash settlement.

All of the Company's warrants are classified as equity as of June 30, 2014, and December 31, 2013 and expire at various times through the end of 2016.

10. Income taxes

The effective tax rates for continuing operations of (0.0%) and (2.2%), respectively, for the six months ended June 30, 2014 and June 30, 2013 were determined using an estimated annual effective tax rate and after considering any discrete items for such periods. Due to a valuation allowance against the Company's U.S. deferred tax assets, the effective tax rate for the six months ended June 30, 2014 does not include the benefit of the current period U.S. tax loss. A valuation allowance is recorded to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that a portion or none of the deferred tax assets will be realized. After consideration of all the evidence, including reversal of deferred tax liabilities, future taxable income and other factors, management has determined that a full valuation allowance is necessary as of June 30, 2014.

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11. Supplemental disclosure of cash flow and non-cash investing and financing activities:

Selected cash payments, receipts, and noncash activities are as follows:

	Six Months Ended June 30,	
	2014	2013
Cash paid for interest	$29,287	$17,662
Prepaid income taxes	80,642	50,275
Purchases of equipment financed through capital leases	—	107,259
Deferred financing costs	—	27,236
Stock issuance in connection with Earn-Out Liability of 1,174,915 shares	—	5,792,330
Stock issuance of 5,272,004 shares in exchange for convertible debt	—	5,272,004
Tenant improvement incentive	—	996,866

12. Contractual Commitments and Contingencies

Contractual Commitments
In addition to the Capital Leases noted above in Note 5, the Company has entered into operating lease agreements for facility space and equipment. These leases expire over the next six years and generally contain renewal options. The Company anticipates that most of these leases will be renewed or replaced upon expiration. The Company also has commitments to various charitable organizations that continue over the next twelve months. The estimated annual lease payments and charitable organization commitments are as follows:

12-month period ended June 30	
2015	$1,534,225
2016	1,469,720
2017	1,512,893
2018	1,491,300
2019	837,069
	$6,845,207

Rent expense for the six months ended June 30, 2014 and 2013 was approximately $564,000 and $398,000, respectively and was $282,000 and $285,000 for the three months ended June 30, 2014 and 2013, respectively, and is allocated among cost of sales, research and development, and selling, general and administrative expenses.

Letters of Credit
As a condition of the leases for the Company's facilities, the Company is obligated under standby letters of credit in the amount of approximately $525,000. These obligations are reduced at various times over the lives of the leases.

FDA Untitled Letter and Related Litigation

Initially, MiMedx processed its tissue allografts in only one form, which was a sheet form. In 2011, MiMedx introduced a micronized form of its sheet allografts.
The FDA has specific regulations governing human cells, tissues and cellular and tissue-based products, or HCT/Ps. An HCT/P is a product containing or consisting of human cells or tissue intended for transplantation into a human patient. If an HCT/P meets the criteria for regulation solely under Section 361 of the Public Health Service Act (so-called “361 HCT/Ps”), no FDA review for safety and effectiveness under a drug, device, or biological product marketing application is required.

MiMedx believes that all of its tissue products qualify as 361 HCT/Ps. On August 28, 2013, however, the FDA issued an Untitled Letter alleging that the Company's micronized allografts do not meet the criteria for regulation solely under Section 361 of the Public Health Service Act and that, as a result, MiMedx would need a biologics license to lawfully market the micronized products.

After a series of correspondence and conference calls and a meeting with FDA representatives, in December 2013, the FDA clarified the basis for its position regarding the micronized products. Specifically, the FDA explained its belief that "[c]ryo-milling cut, dehydrated amniotic/chorionic membrane results in a micron-sized powder and the loss of the tensile strength and elasticity that are essential characteristics of the original amniotic/chorionic tissue relating to its utility to function as a 'physical membrane' (i.e. covering, barrier)." For this reason, the Agency continues to believe that the micronized products are more than minimally manipulated and the products therefore are not eligible for marketing solely under Section 361 of the Public Health Service Act. The Company responded to the FDA that while it does not agree with the Agency's position, it understands the Agency's interest in further regulating this emerging technology. Accordingly, the Company has proposed to the FDA that it will pursue the Investigational New Drug ("IND") and Biologics License Application ("BLA") process for certain micronized products, and, in parallel, also proposed to enter into negotiations with the FDA on a plan to transition the micronized products to licensed biological products and continue to market the micronized products under specific conditions. Since December 2013, the Company met and had several other interactions with the FDA to discuss its first proposed Biologics License Application and in preparation for its first IND in support of that application. The Company filed its initial IND application with the FDA on July 22, 2014. The IND submission is the Company's initial submission for certain indications for use of its micronized allografts towards targeted BLAs, which the Company expects to submit at a future date. The Company also requested a transition agreement to allow it continue to market its product for certain specified uses. There is no guarantee that the FDA will agree to a transition plan or allow the Company to continue to market its micronized products while the Company pursues one or more BLAs. If they do allow the Company to continue to market its micronized products, they may impose conditions, such as labeling restrictions and compliance with Current Good Manufacturing Practices ("cGMP"). It is also possible that the Company will be required to recall its micronized products. Revenues from micronized products make up about 15% of projected revenues in 2014.

Following the publication of the Untitled Letter from the FDA regarding the Company's injectable products in September 2013, the trading price of the Company's stock dropped sharply and several purported class action lawsuits were filed against the Company and certain of the Company's executive officers asserting violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 with respect to various statements and alleged omissions related to the Company's belief that FDA approval was not required to market its products, including its micronized products. These cases have now all been removed to, and consolidated in, the United States District Court for the Northern District of Georgia. By order dated December 9, 2013, the Court approved the appointment of a lead plaintiff and a lead counsel. A Consolidated Amended Class Action Complaint, containing substantially the same causes of action and claims for relief as the initial complaints, was filed on January 27, 2014. On February 26, 2014, the Company filed a Motion to Dismiss on various grounds. The plaintiff filed a Reply Memorandum of Law in opposition to the Company's Motion to Dismiss on March 28, 2014. On April 14, 2014, the Company filed a Reply Memorandum of Law in further support of its Motion to Dismiss. The Company currently believes that the outcome of this litigation will not have a material adverse impact on the Company's financial position or results of operations.

13. Subsequent Events

None

Schedule II Valuation and Qualifying Accounts
MIMEDX GROUP, INC. AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
Three and Six Months Ended June 30, 2014 and 2013

	Balance at Beginning of Period	Additions charged to Expense or Revenue	Deductions and write-offs	Balance at End of Period
For the three months ended June 30, 2014				
Allowance for doubtful accounts	$526,000	$160,000	$(8,000)	$678,000
Allowance for product returns	305,000	412,000	(447,000)	270,000
Allowance for obsolescence	323,000	43,000	(14,000)	352,000
For the three months ended June 30, 2013				
Allowance for doubtful accounts	76,000	27,000	(59,000)	44,000
Allowance for product returns	112,000	281,000	(231,000)	162,000
Allowance for obsolescence	184,000	58,000	—	242,000
For the six months ended June 30, 2014				
Allowance for doubtful accounts	407,000	285,000	(14,000)	678,000
Allowance for product returns	215,000	613,000	(558,000)	270,000
Allowance for obsolescence	322,000	67,000	(37,000)	352,000
For the six months ended June 30, 2013				
Allowance for doubtful accounts	49,000	27,000	(32,000)	44,000
Allowance for product returns	88,000	471,000	(397,000)	162,000
Allowance for obsolescence	159,000	83,000	—	242,000

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

MiMedx Group, Inc. is an integrated developer, manufacturer and marketer of patent-protected regenerative biomaterials and bioimplants processed from human amniotic membrane.

"Innovations in Regenerative Biomaterials" is the framework behind the Company's mission to give physicians products and tissues to help the body heal itself. The Company's biomaterial platform technologies include its tissue technologies, AmnioFix® and EpiFix®. The Company's tissue technologies are processed from human amniotic membrane that is derived from donated placentas. Through MiMedx's donor program, mothers delivering full-term Caesarean section births can elect in advance of delivery to donate the placenta in lieu of having it discarded as medical waste. MiMedx processes the human amniotic membrane utilizing its proprietary Purion® Process, to produce safe and effective allografts. MiMedx® is the leading supplier of amniotic tissue allografts, having supplied over 250,000 allografts for application in the Wound Care, Surgical, Sports Medicine, Ophthalmic and Dental sectors of healthcare.

FDA Untitled Letter

As described in detail in Item 1 Financial Statements- Note 12, on August 28, 2013 the FDA issued an Untitled Letter alleging that the Company’s micronized allografts do not meet the criteria for regulation solely under Section 361 of the Public Health Service Act and that, as a result, MiMedx would need a biologics license to lawfully market the micronized products. While the Company responded that it does not agree with the Agency’s position, it understands the Agency’s interest in further regulating this emerging technology. Accordingly, the Company has proposed to the FDA that it will pursue the Investigational New Drug (“IND”) and Biologics License Application (“BLA”) process for certain micronized products, and, in parallel, also proposed to enter into negotiations with the FDA on a plan to transition the micronized products to licensed biological products and continue to market the micronized products under specific conditions. Since December 2013, the Company met and had several other interactions with the FDA to discuss its first proposed Biologics License Application and in preparation for its first IND in support of that application. The Company filed its initial IND application with the FDA on July 22, 2014. The IND submission is the Company's initial submission for certain indications for use of its micronized allografts towards targeted BLAs, which the Company expects to submit at a future date. The Company also requested a transition agreement to allow it continue to market its product for certain specified uses. There is no guarantee that the FDA will agree to a transition plan or allow the Company to continue to market its micronized products while the Company pursues one or more BLAs. If they do allow the Company to continue to market its micronized products, they may impose conditions, such as labeling restrictions and compliance with Current Good Manufacturing Practices (“cGMP”). It is also possible that the Company will be required to recall its micronized products. Revenues from micronized products make up about 15% of projected revenues in 2014.

Following the publication of the Untitled Letter from the FDA regarding the Company’s injectable products in September 2013, the trading price of the Company’s stock dropped sharply and several purported class action lawsuits were filed against the Company and certain of its executive officers asserting violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 with respect to various statements and alleged omissions related to the Company’s belief that FDA approval was not required to market its products, including its micronized products. These cases have now all been removed to, and consolidated in, the United States District Court for the Northern District of Georgia. By order dated December 9, 2013, the Court approved the appointment of a lead plaintiff and a lead counsel. A Consolidated Amended Class Action Complaint, containing substantially the same causes of action and claims for relief as the initial complaints, was filed on January 27, 2014. On February 26, 2014, the Company filed a Motion to Dismiss on various grounds. The plaintiff filed a Reply Memorandum of Law in opposition to the Company’s Motion to Dismiss on March 28, 2014. On April 14, 2014, the Company filed a Reply Memorandum of Law in further support of its Motion to Dismiss. The Company currently believes that the outcome of this litigation will not have a material adverse impact on the Company's financial position or results of operations.

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Results of Operations Comparison for the Three Months Ended June 30, 2014 to the Three Months Ended June 30, 2013

Revenue

Total revenue increased approximately $12.1 million, or 89%, to $25.6 million for the three months ended June 30, 2014, as compared to $13.5 million for the three months ended June 30, 2013. The increase in revenue as compared to the prior year is due primarily to increased wound care sales of EpiFix® in both commercial and government accounts.

Tissue Processing Costs and Cost of Products Sold

Cost of products sold as a percentage of revenue improved to 10.7% from 16.3% as compared to prior year. The improvement was due primarily to the increase in direct sales revenue, improved product mix and higher production rates that absorb a greater percentage of fixed manufacturing costs.

Research and Development Expenses

The Company's research and development expenses (“R&D expenses”) increased approximately $0.9 million, or 94.7% to $1.8 million during the three months ended June 30, 2014, compared to approximately $0.9 million in the prior year. The increase is primarily related to increased investments in clinical trials and personnel costs.

Research and development expenses consist primarily of internal personnel costs, expenses of clinical trials, fees paid to external consultants, and the cost of supplies and instruments used in the Company's laboratories.

Selling, General and Administrative Expenses

Selling, General and Administrative expenses for the three months ended June 30, 2014, increased approximately $10.3 million to $21.2 million compared to $10.9 million for the three months ended June 30, 2013. Selling expense increases were driven by costs associated with expanding the Company's direct sales organization, and increased commissions due to higher sales volume. Additional spending increases included spending on support costs related to medical reimbursement, including the Company's reimbursement hotline; information technology infrastructure to help manage the growth of the business; and increased share-based compensation expense. Selling, General and Administrative expenses consist of personnel costs, professional fees, sales commissions, sales training costs, industry trade show fees and expenses, product promotion and product literature costs, facilities costs and other sales, marketing and administrative costs, depreciation and amortization, and share-based compensation.

Net Interest Expense

The Company recorded net interest expense of approximately $8,000 during the three months ended June 30, 2014, compared with approximately $13,000 of financing and net interest expense during the three months ended June 30, 2013. The following table summarizes the interest charges for the three months ended June 30, 2014 and 2013, respectively:

	Three Months Ended June 30,					
	2014			2013		
	Debt Discount	Interest Expense	Total	Debt Discount	Interest Expense	Total
Other	—	8,429	8,429	—	13,172	13,172
	$—	$8,429	$8,429	$—	$13,172	$13,172

Results of Operations Comparison for the Six Months Ended June 30, 2014 to the Six Months Ended June 30, 2013

Revenue
Total revenue increased approximately $20.0 million, or 80.0%, to $45.1 million for the six months ended June 30, 2014, as compared to $25.1 million for the six months ended June 30, 2013. The increase in revenue as compared to the prior year is due primarily to increased wound care sales of EpiFix® in both commercial and government accounts.

Tissue Processing Costs and Cost of Products Sold
Cost of products sold as a percentage of revenue improved to 12.7% from 16.4% as compared to prior year. The improvement was due primarily to the increase in direct sales revenue, improved product mix and higher production rates that absorb a greater percentage of fixed manufacturing costs.

Research and Development Expenses
The Company's research and development expenses (“R&D expenses”) increased approximately $1.0 million or 46.9% to $3.2 million during the six months ended June 30, 2014, compared to approximately $2.2 million in the prior year. The increase is primarily related to increased investments in clinical trials, and personnel costs.

Research and development expenses consist primarily of internal personnel costs, expenses of clinical trials, fees paid to external consultants, and the cost of supplies and instruments used in the Company's laboratories.
Selling, General and Administrative Expenses
Selling, General and Administrative expenses for the six months ended June 30, 2014, increased approximately $17.8 million to $37.0 million compared to $19.2 million for the six months ended June 30, 2013. Selling expense increases were driven by costs associated with building a direct sales organization, and increased commissions due to higher sales volume. Additional spending increases included spending on support costs related to medical reimbursement, including the Company's reimbursement hotline; information technology infrastructure to help manage the growth of the business; and increased share-based compensation expense. Selling, General and Administrative expenses consist of personnel costs, professional fees, sales commissions, sales training costs, industry trade show fees and expenses, product promotion and product literature costs, facilities costs and other sales, marketing and administrative costs, depreciation and amortization, and share-based compensation.

Net Interest Expense
The Company recorded net interest expense of approximately $29,000 during the six months ended June 30, 2014, compared with approximately $1,356,000 of financing and net interest expense during the six months ended June 30, 2013. The decrease of approximately $1,327,000 is primarily due to the conversion and payoff of the Company's Convertible Senior secured promissory notes in early 2013. The following table summarizes the interest charges for the six months ended June 30, 2014 and 2013, respectively:

	Six Months Ended June 30,						
	2014			2013			
	Debt Discount	Interest Expense	Total	Debt Discount	Accrued Interest	Interest Expense	Total
Convertible Senior secured promissory notes	—	—	—	1,328,439	11,571	—	1,340,010
Other	—	29,453	29,453	—		16,405	16,405
	$—	$29,453	$29,453	$1,328,439	$11,571	$16,405	$1,356,415

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Liquidity and Capital Resources

Revenue continues to increase quarter - over - quarter while management strives to maintain tight controls over spending. As of June 30, 2014, the Company had approximately $39.2 million of cash and cash equivalents. The Company reported total current assets of approximately $66.3 million and total current liabilities of approximately $9.9 million at June 30, 2014, which represents a current ratio of 6.7 as of June 30, 2014. Management believes that its anticipated cash from operating and financing activities, and existing cash and cash equivalents will enable the Company to meet its operational liquidity needs and fund its planned investing activities for the next year. As of May 1, 2014, the Company's previously existing line of credit expired and the Company elected not to renew. There were no borrowings outstanding under the line at any time during its term.

On May 12, 2014, MiMedx Group, Inc. (the “Company”) announced that its Board of Directors had authorized the repurchase of up to $10 million of its common stock from time to time, through December 31, 2014. The timing and amount of repurchases, if any, will depend upon the Company's stock price, economic and market conditions, regulatory requirements, and other corporate considerations. The Company may initiate, suspend or discontinue purchases under the stock repurchase program at any time. From the date of its initial authorization through June 30, 2014, the Company has repurchased approximately 784,000 shares under this authorization with an approximate cost of $4,540,000 excluding broker commissions.

Contractual Obligations

Contractual obligations associated with ongoing business activities are expected to result in cash payments in future periods. The table below summarizes the amounts and estimated timing of these future cash payments as of June 30, 2014:

		Less than		
Contractual Obligations	TOTAL	1 year	1-3 years	3-5 years
Capital lease obligations	$305,481	$113,505	$177,148	$14,828
Operating lease obligations	6,495,207	1,184,225	2,982,613	2,328,369
Charitable contribution obligations	350,000	350,000	—	—
	$7,150,688	$1,647,730	$3,159,761	$2,343,197

Discussion of cash flows

Net cash from operations during the three months ended June 30, 2014 increased approximately $1.9 million to approximately $1.2 million compared to $.7 million used in operating activities during the three months ended June 30, 2013, primarily due to a decrease in the Net Loss and the increase in adjustments to Net loss for share-based compensation. Net cash used in investing activities during the three months ended June 30, 2014 decreased approximately $.5 million to $.8 million compared to $1.3 million used during the comparative period in 2013, primarily due to decreased purchases of equipment and decreased patent application costs. Net cash used in financing activities of $4.2 million during the three months ended June 30, 2014 increased approximately $4.7 million compared to $.5 million of cash flows received from financing activities for the three months ended June 30, 2013, primarily due to $4.6 million of stock repurchases during the quarter.

Net cash used in operations during the six months ended June 30, 2014, decreased approximately $2.4 million to approximately $0.5 million compared to $2.9 million used in operating activities for the six months ended June 30, 2013, primarily attributable to the decrease in the Net loss and the increase in adjustments to Net loss for share-based compensation of approximately $2.7 million somewhat offset by the decrease in adjustments to net income for the amortization of debt discount and deferred financing costs of approximately $1.3 million.

Net cash used in investing activities during the six months ended June 30, 2014, and 2013 was at $1.4 million. Funds were used to purchase equipment to expand production capacity and capitalize patent application costs.

Net cash used in financing activities during the six months ended June 30, 2014, increased approximately $4.7 million to $3.0 million compared to $1.7 million of cash flows received from financing activities during the six months ended June 30, 2013. Cash flows used in financing activities during the six months include approximately $4.6 million for

stock repurchases, offset by $0.8 million from the exercise of warrants and $0.9 million from the exercise of stock options. For the six months ended June 30, 2013, the Company received approximately $1.2 million from the exercise of warrants and approximately $0.5 million from the exercise of stock options.

Due to the material amount of non-cash related items included in the Company results of operations, the Company reports an Adjusted EBITDA metric which provides management with a clearer view of operational use of cash (see the table below). The Company's Adjusted EBITDA for the three months ended June 30, 2014 was approximately $2.9 million which is an improvement of $1.7 million as compared to the three months ended June 30, 2013. The improvement was the result of a lower net loss for the period and the adjustment for higher share-based compensation. The Company's Adjusted EBITDA for the first six months of 2014 was approximately $4.9 million, which is an improvement of approximately $2.6 million as compared to the prior year first six months This improvement was the result of a lower net loss for the period driven by higher revenue and gross margin and the adjustment for higher share-based compensation.

Adjusted EBITDA is a non-GAAP measure. Non-GAAP financial measures are commonly used in the industry and are presented because management believes they provide relevant and useful information to investors. However, there are limitations to using these non-GAAP financial measures. Adjusted EBITDA is not indicative of cash provided or used by operating activities and may differ from comparable information provided by other companies. Adjusted EBITDA should not be considered in isolation, as an alternative to, or more meaningful than measures of financial performance determined in accordance with GAAP. The following table presents a reconciliation of Adjusted EBITDA to the most closely related financial measure reported under GAAP for the six months ended June 30, 2014 and 2013, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Loss (Per GAAP)	$(390,159)	$(757,389)	$(1,312,231)	$(2,377,797)
Add back:				
Income Taxes	(10,033)	—	—	50,275
Financing expense associated with beneficial conversion of Senior Secured Promissory Notes	—	—	—	1,328,439
Other Interest Expense, net	8,429	13,172	29,453	27,976
Depreciation Expense	287,850	139,184	550,981	237,934
Amortization Expense	231,959	267,638	463,290	530,234
Share - Based Compensation	2,766,352	1,502,447	5,138,716	2,487,239
Income (Loss) Before Interest, Taxes, Depreciation, Amortization and Share-Based Compensation	$2,894,398	$1,165,052	$4,870,209	$2,284,300

Critical Accounting Policies

In preparing financial statements, the Company follows accounting principles generally accepted in the United States, which require the Company to make certain estimates and apply judgments that affect its financial position and results of operations. Management continually reviews the Company's accounting policies and financial information disclosures. A summary of significant accounting policies that require the use of estimates and judgments in preparing the financial statements was provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. During the quarter covered by this report, there were no material changes to the accounting policies and assumptions previously disclosed.

Recent Accounting Pronouncements

For the effect of recent accounting pronouncements, see Item 1 Financial Statements – Note 2.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of Company management, including its Chief Executive Officer and Principal Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and Principal Financial Officer concluded that the Company's controls and procedures were effective as of the end of the period covered by this report.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding disclosures.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2014, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

The Company has confidence in its internal controls and procedures. Nevertheless, management, including the Company's Chief Executive Officer and Principal Financial Officer, does not expect that the Company's disclosure procedures and controls or its internal controls will prevent all errors or intentional fraud. An internal control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Following the publication of an Untitled Letter from the FDA regarding the Company’s injectable products in September 2013, the trading price of the Company’s stock dropped sharply and several purported class action lawsuits were filed against the Company and certain of its executive officers asserting violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 with respect to various statements and alleged omissions related to the Company’s belief that FDA approval was not required to market its products, including its micronized products. These cases have now all been removed to, and consolidated in, the United States District Court for the Northern District of Georgia. By order dated December 9, 2013, the Court approved the appointment of a lead plaintiff and a lead counsel. A Consolidated Amended Class Action Complaint, containing substantially the same causes of action and claims for relief as the initial complaints, was filed on January 27, 2014. On February 26, 2014, the Company filed a Motion to Dismiss on various grounds. The plaintiff filed a Reply Memorandum of Law in opposition to the Company’s Motion to Dismiss on March 28, 2014. On April 14, 2014, the Company filed a Reply Memorandum of Law in further support of its Motion to Dismiss. The Company currently believes that the outcome of this litigation will not have a material adverse impact on its financial position or results of operations.

On April 22, 2014, the Company filed a patent infringement lawsuit against Liventa Bioscience, Inc. ("Liventa"), Medline Industries, Inc. ("Medline") and Musculoskeletal Transplant Foundation, Inc. ("MTF") for permanent injunctive relief and unspecified damages. In addition to the allegations of infringement

of MiMedx's patents, the lawsuit asserts that Liventa and Medline knowingly and willfully made false and misleading representations about their respective products to providers, patients and in some cases, prospective investors. The suit was filed in the United States District Court for the Northern District of Georgia. In the suit, MiMedx asserts that Liventa (formerly known as AFCell Medical, Inc.), Medline and MTF infringed and continue to infringe certain of the Company’s patents relating to the MiMedx dehydrated human amnion/chorion membrane ("dHACM") allografts. MTF is the processor and Liventa and Medline are the distributors of the allegedly infringing products. On May 30, 2014, the defendants filed answers to the Complaint, denying the allegations in the Complaint. They also raised affirmative defenses of non-infringement, invalidity, laches and estoppel. MTF and Medline also filed

counterclaims seeking declaratory judgments of non-infringement and invalidity. On May 16, 2014, the Company also filed a patent infringement lawsuit against Transplant Technology, Inc. d/b/a Bone Bank Allografts (“Bone Bank”) and Texas Human Biologics, Ltd. (“Biologics”) for permanent injunctive relief and unspecified damages. The lawsuit was filed in the Austin Division of the United States District Court for the Western District of Texas. This lawsuit similarly asserts that Bone Bank and Biologics infringed the Company’s patents through the manufacturing and sale of tissue graft products. On July 10, 2014, the defendants filed and answer to the Complaint, denying the allegations in the Complaint. They also raised affirmative defenses of non-infringement and invalidity and filed counterclaims seeking declaratory judgments of non-infringement and invalidity. At the same time, they filed a motion to transfer venue from the Austin Division to the San Antonio Division of the Western District of Texas. The Company intends to oppose the motion.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 12, 2014, MiMedx Group, Inc. (the “Company”) announced that its Board of Directors had authorized the repurchase of up to $10 million of its common stock from time to time, through December 31, 2014. The timing and amount of repurchases, if any, will depend upon the Company's stock price, economic and market conditions, regulatory requirements, and other corporate considerations. The Company may initiate, suspend or discontinue purchases under the stock repurchase program at any time. Below is a summary of the Company's stock repurchases, before brokerage commissions of approximately $24,000, for the period ended June 30, 2014:

	Total number of shares purchased	Average price paid per share	Total amount spent under the plan	Remaining amount to be spent under the plan
Total amount authorized				$10,000,000
May 1, 2014 - May 31, 2014	202,000	$5.37	$1,084,014	$8,915,986
June 1, 2014 - June 30, 2014	582,200	$5.94	$3,455,793	$5,460,193

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Reference	Description
3.1		Articles of Incorporation as filed with the Secretary of State of Florida on March 31, 2008 (incorporated by reference to Exhibit 3.1 filed with the Registrant's Form 10-Q on August 8, 2013)
3.2		Articles of Amendment to Articles of Incorporation as filed with the Secretary of the State of Florida on May 14, 2010 (incorporated by reference to Exhibit 3.2 filed with the Registrant's Form 10-Q on August 8, 2013)
3.3		Articles of Amendment to Articles of Incorporation as filed with the Secretary of the State of Florida on August 8, 2012 (incorporated by reference to Exhibit 3.3 filed with the Registrant's Form 10-Q on August 8, 2013)
3.4		Articles of Amendment to Articles of Incorporation as filed with the Secretary of the State of Florida on November 8, 2012 (incorporated by reference to Exhibit 3.4 filed with the Registrant's Form 10-Q on August 8, 2013)
3.5		Bylaws of MiMedx Group, Inc. (incorporated by reference to Exhibit 3.2 filed with Registrant's Form 8-K filed on April 2, 2008)
3.6		Amendment to the Bylaws of MiMedx Group, Inc. adopted by the Board of Directors on May 11, 2010 (incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K filed on May 14, 2010)
31.1 #		Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 #		Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 #		Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 #		Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS		XBRL Instance Document
101.SCH		XBRL Taxonomy Extension Schema Document
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF		XBRL Taxonomy Extension Definition Linkbase Document
101.LAB		XBRL Taxonomy Extension Label Linkbase Document
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document

Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 11, 2014

By: /s/ Michael J. Senken
Michael J. Senken
Chief Financial Officer