



## ADVANSOURCE BIOMATERIALS ANNOUNCES FISCAL 2011 SECOND QUARTER RESULTS

**Wilmington, MA. November 16, 2010...** AdvanSource Biomaterials Corporation (NYSE Amex: ASB), a leading developer of advanced polymer materials for a broad range of medical devices, today announced financial results for its fiscal 2011 second quarter ended September 30, 2010.

Total revenues for the three months ended September 30, 2010 were \$491,000 as compared with \$518,000 for the comparable prior year period, a decrease of \$27,000, or 5.2%. Total revenues for the six months ended September 30, 2010 were \$994,000 as compared with \$968,000 for the comparable prior year period, an increase of \$26,000, or 2.7%.

Product sales of our biomaterials for the three months ended September 30, 2010 were \$361,000 as compared with \$316,000 for the comparable prior year period, an increase of \$45,000, or 14.2%. Product sales of our biomaterials for the six months ended September 30, 2010 were \$763,000 as compared with \$555,000 for the comparable prior year period, an increase of \$208,000, or 37.5%. Product sales increased primarily due to increase in the demand for biomaterials from our existing customer base and expansion of our customer base through the addition of new customers.

License, royalty and development fees for the three months ended September 30, 2010 were \$130,000 as compared with \$202,000 for the comparable prior year period, a decrease of \$72,000 or 35.6%. License, royalty and development fees for the six months ended September 30, 2010 were \$231,000 as compared with \$413,000 for the comparable prior year period, a decrease of \$182,000 or 44.1%. The decrease in license, royalty and development fees is primarily a result of i) a reduction in the royalty rate pursuant to an amended agreement with a major customer from whom we derived a majority of our license, royalty and development fee revenue, and ii) the termination of a licensing agreement with a second customer. This decrease was offset by an increase in annual usage fees from supply agreements entered into with two new customers.

Michael F. Adams, President and CEO of AdvanSource, stated, "We are pleased with the continued growth in our product sales, especially when measured over the six month period, and expect this trend to continue. In addition, we believe our license, royalty and development fee revenues bottomed last quarter, and with the addition of two new medical device manufacturers who will use our polymers in their new devices, we believe we are poised to begin building upon these relationships. Since initiating our strategy over two years ago, our game plan was to establish ourselves as a recognized leader in developing and providing advanced polymers to medical device developers and manufacturers. We understood from the beginning, that in reinventing ourselves, a key component of the strategy would be attracting new medical device manufacturers who would recognize the benefits of our advanced polymer technologies and be willing to negotiate long-term agreements for the development, licensing and supply of our advanced polymer products. This strategy was never devised with a short-term vision in mind. We believe our patience in executing on this strategy is finally meeting with success. The road continues to be long, but we believe we have established a defined path upon which we can continue to travel with success."

Gross profit on total revenues for the three months ended September 30, 2010 was \$134,000, or 27.3% of total revenues, compared with \$227,000, or 43.8% of total revenues, for the comparable prior year period. Gross profit on total revenues for the six months ended September 30, 2010 was \$272,000, or 27.4% of total revenues, compared with \$338,000, or 34.9% of total revenues, for the comparable prior year period. The decrease in gross profit on total revenues is due to the effect of decreased licensing, royalty and development fees.



Gross profit on product sales for the three months ended September 30, 2010 was \$4,000, or 1.1% of product sales, compared with gross profit of \$25,000, or 7.9% of product sales, for the comparable prior year period. The decrease in gross profit dollars and gross profit as a percentage of product sales in the three month period is primarily due to increased raw material and overhead costs incurred in the production of certain polymer products. Gross profit on product sales for the six months ended September 30, 2010 was \$41,000, or 5.4% of product sales, compared with a loss of (\$75,000), or (13.5%) of product sales, for the comparable prior period. The improvement in gross profit dollars on product sales and gross profit as a percentage of product revenues for the six month period is attributable, in part, to i) continued overhead cost containment and control measures, ii) improved efficiencies in the production process, and iii) increased product sales. This improvement in gross profit was offset by the increased raw material and overhead costs incurred in the production of certain polymer products during the three months ended September 30, 2010.

Research and development expenses for the three months ended September 30, 2010 were \$158,000 as compared with \$159,000 for the comparable prior year period, a decrease of \$1,000 or less than 1.0%. Research and development expenses for the six months ended September 30, 2010 were \$335,000 as compared with \$341,000 for the comparable prior year period, a decrease of \$6,000 or 1.8%. Our research and development efforts continue to be focused on developing new applications for our biomaterials. We continue to maintain a relatively stable research and development budget, which management believes meets the needs of our customers and internal development needs.

Selling, general and administrative expenses for the three months ended September 30, 2010 were \$686,000 as compared with \$610,000 for the comparable prior year period, an increase of \$76,000 or 12.5%. The increase is primarily attributable to costs incurred for (i) expansion of domestic sales territories through engagement of two independent sales representatives, (ii) attendance at trade shows in Europe and China to expand the Company's international sales reach, (iii) investigation of sales representation in the Asia-Pacific territories, and (iv) engagement of a strategic consultant.

Selling, general and administrative expenses for the six months ended September 30, 2010 were \$1,289,000 as compared with \$1,396,000 for the comparable prior year period, a decrease of \$107,000 or 7.7%. The decrease is primarily attributable to our cost containment measures which included continued reductions in outside consultants, legal and accounting costs. These decreases were offset by (i) increased costs in sales and marketing to continue to promote our products and acquire new customers, both domestically and internationally and (ii) engagement of a strategic consultant.

Mr. Adams concluded, "We are keenly focused on the expansion of our marketing and sales activities so as to attract new customers globally. We continue to be responsive to our customers' needs for innovative polymer products as a means of differentiating ourselves from the competition. We believe the continued execution of our overall business strategy will be our path to prosperity and lead to an increase in shareholder value over the long-term. We continue to be optimistic that the steps that have been taken, and which we will continue to take, should move us closer towards our ultimate goal of achieving profitability. In addition, we believe our current cash along with other available assets that could be monetized, provide the capital necessary to fuel the Company's anticipated growth."

As of September 30, 2010, we had cash and cash equivalents of \$1,855,000 as compared with \$3,055,000 as of March 31, 2010.

### **About AdvanSource Biomaterials Corporation**

AdvanSource Biomaterials Corporation manufactures advanced polymer materials which provide critical characteristics in the design and development of medical devices. The Company's biomaterials are used in devices that are designed for treating a broad range of anatomical sites and disease states. AdvanSource's



business model leverages its proprietary materials science technology and manufacturing expertise in order to expand its product sales and royalty and license fee income. More information about AdvanSource is available at its website: [www.advbiomaterials.com](http://www.advbiomaterials.com).



### **Forward-Looking Statements**

AdvanSource Biomaterials Corporation believes that this press release contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause results to differ materially from the forward-looking statements. For further information on such risks and uncertainties, you are encouraged to review the Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and its Quarterly Report on Form 10-Q for the quarters ended June 30, 2010 and September 30, 2010. The Company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

### **For further information contact:**

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**[FINANCIAL TABLES FOLLOW]**



**AdvanSource Biomaterials Corporation**  
**Condensed Balance Sheets**

*(Unaudited - in thousands, except share and per share amounts)*

	<b>September 30,</b>	<b>March 31,</b>
	<b>2010</b>	<b>2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,885	\$ 3,055
Accounts receivable-trade, net of allowance of \$5 as of September 30, 2010 and March 31, 2010	145	117
Accounts receivable-other	52	105
Inventories, net	465	456
Prepaid expenses and other current assets	168	92
Total current assets	2,715	3,825
Property, plant and equipment, net	2,926	3,049
Total assets	\$ 5,641	\$ 6,874
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 174	\$ 187
Accrued expenses	211	207
Deferred revenue	108	64
Total current liabilities	493	458
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$.001 par value; 5,000,000 shares authorized; 500,000 shares issued and none outstanding as of September 30, 2010 and March 31, 2010	-	-
Common stock; \$.001 par value; 50,000,000 shares authorized; 21,312,238 and 21,278,386 shares issued, and 21,235,546 and 21,201,694 shares outstanding as of September 30, 2010 and March 31, 2010, respectively	21	21
Additional paid-in capital	37,882	37,798
Accumulated deficit	(32,725)	(31,373)
	5,178	6,446
Less: treasury stock, 76,692 shares at cost at September 30, 2010 and March 31, 2010	(30)	(30)
Total stockholders' equity	5,148	6,416
Total liabilities and stockholders' equity	\$ 5,641	\$ 6,874



**AdvanSource Biomaterials Corporation**

**Condensed Statements of Operations**

*(Unaudited - in thousands, except per share amounts)*

	<b>For the Three Months Ended September 30,</b>		<b>For the Six Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenues:				
Product sales	\$ 361	\$ 316	\$ 763	\$ 555
License, royalty and development fees	130	202	231	413
	<u>491</u>	<u>518</u>	<u>994</u>	<u>968</u>
Cost of sales	357	291	722	630
Gross profit	<u>134</u>	<u>227</u>	<u>272</u>	<u>338</u>
Operating expenses:				
Research, development and regulatory	158	159	335	341
Selling, general and administrative	686	610	1,289	1,396
	<u>844</u>	<u>769</u>	<u>1,624</u>	<u>1,737</u>
Loss from operations	(710)	(542)	(1,352)	(1,399)
Other income (expense):				
Interest income	-	4	-	4
Other expense	-	-	-	(35)
Other income (expense)	-	4	-	(31)
Net loss from continuing operations	(710)	(538)	(1,352)	(1,430)
Income from discontinued operations - sale of subsidiaries, net of tax of \$0	-	729	-	942
Net income (loss)	<u>\$ (710)</u>	<u>\$ 191</u>	<u>\$ (1,352)</u>	<u>\$ (488)</u>
Net income (loss) per common share, basic:				
Net loss per share, continuing operations	\$ (0.03)	\$ (0.02)	\$ (0.06)	\$ (0.06)
Net income per share, discontinued operations	-	0.03	-	0.04
Net income (loss) per common share, basic	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>
Net income (loss) per common share, diluted:				
Net loss per share, continuing operations	\$ (0.03)	\$ (0.02)	\$ (0.06)	\$ (0.06)
Net income per share, discontinued operations	-	0.03	-	0.04
Net income (loss) per common share, diluted	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>
Weighted-average shares used in computing net income (loss) per common share:				
Basic	21,289	21,136	21,280	21,132
Diluted	<u>21,289</u>	<u>21,137</u>	<u>21,280</u>	<u>21,132</u>