

PORTLAND ORTHOPAEDICS

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Announcement

Portland Orthopaedics Secures Exclusive US Distribution Agreement with Major Company

Portland to accelerate business development by up to three years and move rapidly to profitability

16 March 2006, Sydney, Australia: Portland Orthopaedics Limited (ASX:PLD) has secured a binding agreement with Plus Orthopaedics USA Inc as exclusive distributor of Portland's suite of orthopaedic joint products across the US.

This agreement is expected to significantly increase the volume of sales of Portland's products in the US.

Plus Orthopaedics USA Inc is a fully owned subsidiary of Plus Orthopaedics AG headquartered in Switzerland. Plus AG is the world's sixth largest joint implants company with annual revenue over US\$700 million. It operates in 22 countries and has a fully established distribution infrastructure in 29 states across the US.

Over a contracted minimum three-year period Plus Inc will distribute Portland's range of products including the DTC revision hip, the M-COR primary hip, the Asian hip series and the Equator Plus Cup. Plus Inc's contract will accelerate penetration of the US market by up to three years.

"Plus Inc has been and is committed to expanding its US orthopaedic business and positions itself as a high quality supplier of cutting edge orthopaedic products. This is demonstrated by an extraordinary 125 percent growth in US revenues in 2005 making Plus Inc one of the most successful distributors in the US," said Mr David Sekel, CEO of Portland Orthopaedics.

Distribution of Portland's DTC Revision Hip will commence on 1 April 2006 and Portland expects Plus to place its first order this week for Portland's soon to be released M-COR and Equator Plus systems. Distribution of the new products will begin after a successful three month initial phased rollout. Thereafter Plus is obliged to exclusively distribute all of Portland's products through its 29 locations across the US. Portland anticipates that the distribution agreement will seamlessly adopt Portland's additional upcoming product releases.

Minimum performance guarantees initially apply to some of the products and will progressively be applied to the balance of the products. In the second and subsequent years Plus Inc must achieve at least a 15 percent compound annual growth. Portland is confident that product rollout will substantially exceed the minimums.

"Plus Inc's support of Portland's products is a new opportunity for immediate and substantial market penetration in the US and commercial exposure on a global scale. This is an endorsement by a major international corporation of Portland's technology and product track record," said Mr Sekel.

Portland's products have been designed and principally manufactured at its facility in Sydney. However, due to the product suite expansion and expected sales volume increases Portland has sourced some products from a specialist licensed manufacturer.

"The Board is delighted that David Sekel and his management team have been able to realise such tangible progress in the short time since the company's IPO. We believe that this relationship with Plus provides the ideal springboard for the development of Portland into a substantial company and look forward to replicating this success in other territories," said Ron Rowland, Chairman.

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About Portland Orthopaedics : Listed on the ASX in December 2005, Portland (ASX:PLD) is a developer and manufacturer of specialist hip and knee joint replacements. Portland's first product, the DTC Hip, was conceived in 1991 as standard hip implants proved inadequate in cases with substantial bone loss especially where a hip implant had already been inserted. Portland's first hip implant was trialled in 1997 and so far more than 1,700 implants have been sold, the majority in the US and Australia.

Portland has regulatory approval to sell a range of primary, revision and tumour hip replacement products in the US, Europe, Australia, New Zealand and Israel.

Portland is expanding its business from a single product focus into a multi-product orthopaedics company. The Equator Plus cup and a second and complementary range of primary hip replacements are due for market launches in 2006. A fourth product range of total knee replacement products is also due for release in 2006. The core technologies are all patented and future applications include shoulders, ankles and other joints.
