



| | | | | |
|------------------------|-----------------------------|---------------------|-------------------|----------------------------|
| WWW.HAWKASSOCIATES.COM | EXACTECH@HAWKASSOCIATES.COM | | | |
| | 227 ATLANTIC BLVD | KEY LARGO, FL 33037 | TEL: 305.451.1888 | IR CONTACT: JULIE MARSHALL |

**News Release:
FOR IMMEDIATE RELEASE**

Exactech Q2 Revenue Up 38% to \$43.7M; Net Income \$3.0M vs \$1.4M

YTD Revenue Up 37% to \$83.5M

GAINESVILLE, Fla. -- July 30, 2008 -- Exactech, Inc. (Nasdaq: EXAC), a developer and producer of bone and joint restoration products for hip, knee, shoulder, spine and biologic materials, announced today that revenue for the second quarter of 2008 increased 38% to \$43.7 million from \$31.6 million in the second quarter of 2007. Diluted earnings per share for the quarter was \$0.24 based on net income of \$3.0 million. This compares with net income of \$1.4 million or \$0.12 diluted EPS a year ago.

Second Quarter Highlights and Segment Performance

- Second quarter revenue increased 38% to \$43.7 million
- Organic growth, excluding acquisitions and distribution terminations, was 28%
- Net income increased 115% to \$3.0 million
- Knee implant revenue increased 21% to \$20.5 million
- Hip implant revenue increased 4% to \$5.7 million
- Biologic services revenue increased 21% to \$4.7 million
- Shoulder implant revenue increased 69% to \$3.9 million
- Sales of spinal products from our acquisition were \$1.9 million
- Other revenue of \$8.9 million included revenue from our French distributor acquisition
- Exactech was added to the Russell 3000 Index June 30, 2008

Exactech's second quarter 2007 net income included an impairment charge of \$1.5 million. Excluding this charge, the second quarter 2008 diluted earnings per share was \$0.24 compared to \$0.20 in the second quarter of 2007.

For the first six months of 2008 revenue was \$83.5 million, an increase of 37% over \$61.2 million for the comparable period last year. Net income for the first six months of 2008 was up 78% at \$5.8 million compared to \$3.3 million for the first six months of 2007, including the second quarter 2007 impairment charge of \$1.5 million.

Exactech Chairman and CEO Bill Petty said, "This was a good quarter for Exactech. Our robust sales reflected strong organic growth, good performance from our newly acquired French distributor and contribution from Exactech Spine. Sales of knee products, our largest business segment, were the strong driver in the quarter, up 21% to \$20.5 million from \$16.9 million during the second quarter of 2007. Our hip implant sales for the second quarter were \$5.7 million, a 4% increase from revenue of \$5.4 million in the second quarter of 2007. We saw excellent performance from our biologic and shoulder segments. Biologic services revenue was up 21% to \$4.7 million from \$3.9 million in the same quarter last year, and shoulder implant revenue increased 69% to \$3.9 million from \$2.3 million in the second quarter of 2007, as the demand continues to build for our Equinoxe[®] reverse shoulder products."

Exactech President David Petty said, "U.S. sales grew 24% to \$28.8 million from \$23.3 million in the comparable quarter in 2007. Our international business received a boost from the contributions of our European distributor start-ups, with second quarter sales increasing 79% to \$14.9 million from \$8.3 million in the second quarter of 2007. International sales for the quarter represented 34% of total sales, compared with 26% in the same quarter last year."

Chief Financial Officer Jody Phillips said, "Gross margin percentage for the quarter was 62.6% compared to 62.7% for the comparable quarter last year but was ahead of our expectations due to higher manufacturing volumes. Total operating expenses in the quarter were \$21.8 million, up 26% from \$17.3 million in the comparable quarter last year. The significant increase in operating expenses was primarily due to the addition of the distribution costs from acquisitions and higher legal expenses. We are encouraged that we were successful in improving the capitalization of the company by enhancing our revolving credit facility and completing an additional equity offering during the quarter."

Looking forward, the company said it anticipates 32% to 36% revenue growth for the full year 2008, targeting a range of \$164 million to \$169 million and diluted earnings per share for the year 2008 in the range of \$0.94 to \$0.98. For the third quarter ending September 30, 2008, the company targets 23% to 33% revenue growth to the range of \$37 million to \$40 million

and diluted earnings per share in the range of \$0.21 to \$0.23. The foregoing statements regarding targets for the quarter and full year are forward-looking and actual results may differ materially. These are the company's targets, not predictions of actual performance.

Exactech will hold a conference call on **Thursday, July 31 at 10:00 a.m. Eastern Time**. To participate in the call, dial **800-762-8779 any time after 9:50 a.m. Eastern on July 31**. International and local callers should dial **480-248-5081**. While in conference, if callers should require operator assistance, they can press the **star** followed by the **zero** button. This will call an operator to the line.

A live webcast of the call will be available at <http://viavid.net/dce.aspx?sid=000051E5>. A podcast will be available approximately one hour after the event ends and can be accessed at <http://viavid.net/mp3/000051E5.mp3>. Both will be archived for approximately 30 days.

The financial statements follow.

About Exactech

Based in Gainesville, Fla., Exactech develops and markets orthopaedic implant devices, related surgical instruments and biologic materials and services to hospitals and physicians. The company manufactures many of its orthopaedic devices at its Gainesville facility. Exactech's orthopaedic products are used in the restoration of bones and joints that have deteriorated as a result of injury or diseases such as arthritis. Exactech markets its products in the United States and Australia, in addition to more than 30 markets in Europe, Asia and Latin America. Additional information about Exactech, Inc. can be found at <http://www.exac.com>. Copies of Exactech's press releases, SEC filings, current price quotes and other valuable information for investors may be found at <http://www.exac.com> <http://www.hawkassociates.com>.

An investment profile on Exactech may be found at <http://www.hawkassociates.com/profile/exac.cfm>.

Investors may contact Chief Financial Officer Jody Phillips at 352-377-1140 or Julie Marshall or Frank Hawkins, Hawk Associates Inc., at 305-451-1888, e-mail: exactech@hawkassociates.com. To receive future releases in e-mail alerts, sign up at <http://www.hawkassociates.com/about/alert>.

This release contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which

represent the company's expectations or beliefs concerning future events of the company's financial performance. These forward-looking statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements. These factors include the effect of competitive pricing, the company's dependence on the ability of third party manufacturers to produce components on a basis which is cost-effective to the company, market acceptance of the company's products and the effects of government regulation. Results actually achieved may differ materially from expected results included in these statements.

EXACTECH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | (unaudited) | | (audited) |
|---|--------------------|---------------------|------------------|
| | June 30, | December 31, | |
| | 2008 | 2007 | |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 4,265 | \$ 2,038 | |
| Accounts receivable, net of allowances of \$822 and \$663 | 33,658 | 23,106 | |
| Prepaid expenses and other assets, net | 2,019 | 1,185 | |
| Income taxes receivable | 1,356 | 27 | |
| Inventories | 54,617 | 44,201 | |
| Deferred tax assets | 464 | 306 | |
| Total current assets | 96,379 | 70,863 | |
| PROPERTY AND EQUIPMENT: | | | |
| Land | 1,242 | 1,140 | |
| Machinery and equipment | 20,094 | 17,364 | |
| Surgical instruments | 33,369 | 29,165 | |
| Furniture and fixtures | 2,625 | 2,366 | |
| Facilities | 13,377 | 12,312 | |
| Projects in process | 844 | 609 | |
| Total property and equipment | 71,551 | 62,956 | |
| Accumulated depreciation | (29,729) | (26,649) | |
| Net property and equipment | 41,822 | 36,307 | |
| OTHER ASSETS: | | | |
| Notes receivable – related party | — | 4,394 | |
| Deferred financing, net and other non-current assets | 2,039 | 1,041 | |
| Other investments | 1,172 | (37) | |
| Product licenses and designs, net | 7,748 | 1,355 | |
| Patents and trademarks, net | 2,435 | 2,184 | |
| Goodwill | 8,101 | 352 | |
| Total other assets | 21,495 | 9,289 | |
| TOTAL ASSETS | \$ 159,696 | \$ 116,459 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 14,585 | \$ 9,423 | |
| Income taxes payable | — | 103 | |
| Accrued expenses and other liabilities | 10,329 | 5,995 | |
| Current portion of long-term debt | 1,556 | 1,646 | |
| Total current liabilities | 26,470 | 17,167 | |
| LONG-TERM LIABILITIES: | | | |
| Deferred tax liabilities | 950 | 2,505 | |
| Line of credit | 7,100 | — | |
| Long-term debt, net of current portion | 8,395 | 9,025 | |
| Other long-term liabilities | 786 | 124 | |
| Total long-term liabilities | 17,231 | 11,654 | |
| Total liabilities | 43,701 | 28,821 | |
| SHAREHOLDERS' EQUITY: | | | |
| Common stock | 126 | 116 | |

| | | |
|---|--------------------------|--------------------------|
| Additional paid-in capital | 49,811 | 27,388 |
| Accumulated other comprehensive loss | 21 | (57) |
| Retained earnings | 66,037 | 60,191 |
| Total shareholders' equity | <u>115,995</u> | <u>87,638</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ <u>159,696</u> | \$ <u>116,459</u> |

EXACTECH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

| | Three Month Periods | | Six Month Periods | |
|---|---------------------|-----------------|-------------------|-----------------|
| | Ended June 30, | | Ended June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| NET SALES | \$ 43,695 | \$ 31,559 | \$ 83,486 | \$ 61,155 |
| COST OF GOODS SOLD | <u>16,356</u> | <u>11,760</u> | <u>31,122</u> | <u>22,621</u> |
| Gross profit | 27,339 | 19,799 | 52,364 | 38,534 |
| OPERATING EXPENSES: | | | | |
| Sales and marketing | 13,233 | 9,299 | 25,568 | 18,415 |
| General and administrative | 4,307 | 2,936 | 8,245 | 5,906 |
| Research and development | 2,391 | 2,011 | 4,942 | 3,710 |
| Impairment loss | — | 1,519 | — | 1,519 |
| Depreciation and amortization | <u>1,886</u> | <u>1,533</u> | <u>3,612</u> | <u>3,015</u> |
| Total operating expenses | 21,817 | 17,298 | 42,367 | 32,565 |
| INCOME FROM OPERATIONS | <u>5,522</u> | <u>2,501</u> | <u>9,997</u> | <u>5,969</u> |
| OTHER INCOME (EXPENSE): | | | | |
| Interest income | — | 85 | 3 | 154 |
| Other income | — | — | 485 | — |
| Interest expense | (304) | (347) | (599) | (767) |
| Foreign currency exchange gain (loss) | <u>2</u> | <u>(27)</u> | <u>(52)</u> | <u>(48)</u> |
| Total other expenses | (302) | (289) | (163) | (661) |
| INCOME BEFORE INCOME TAXES | <u>5,220</u> | <u>2,212</u> | <u>9,834</u> | <u>5,308</u> |
| PROVISION FOR INCOME TAXES | <u>2,178</u> | <u>692</u> | <u>3,890</u> | <u>1,836</u> |
| INCOME BEFORE EQUITY IN NET LOSS OF OTHER INVESTMENTS | 3,042 | 1,520 | 5,944 | 3,472 |
| EQUITY IN NET LOSS OF OTHER INVESTMENTS | <u>—</u> | <u>(107)</u> | <u>(98)</u> | <u>(179)</u> |
| NET INCOME | <u>\$ 3,042</u> | <u>\$ 1,413</u> | <u>\$ 5,846</u> | <u>\$ 3,293</u> |

| | | | | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| BASIC EARNINGS PER SHARE | <u>\$ 0.25</u> | <u>\$ 0.12</u> | <u>\$ 0.49</u> | <u>\$ 0.29</u> |
| DILUTED EARNINGS PER SHARE | <u>\$ 0.24</u> | <u>\$ 0.12</u> | <u>\$ 0.47</u> | <u>\$ 0.28</u> |
| SHARES - BASIC | 12,207 | 11,540 | 11,947 | 11,547 |
| SHARES - DILUTED | 12,676 | 11,793 | 12,402 | 11,799 |

Adjusted net income and diluted earnings per share to exclude the effect of the asset impairment charge:

| | | |
|---|-----------------|-----------------|
| Net Income | \$ 1,413 | \$ 3,293 |
| Adjustments for impairment charges | | |
| Impairment loss, pre-tax | 1,519 | 1,519 |
| Income tax benefit | <u>542</u> | <u>542</u> |
| | <u>977</u> | <u>977</u> |
| Adjusted net income - excluding impairment charge | <u>\$ 2,390</u> | <u>\$ 4,270</u> |
| Diluted earnings per share | \$ 0.12 | \$ 0.28 |
| Adjustment of impairment charge, net | <u>0.08</u> | <u>0.08</u> |
| Adjusted diluted earnings per share | <u>\$ 0.20</u> | <u>\$ 0.36</u> |