



ADVANCED SURGICAL DESIGN & MANUFACTURE LIMITED

CEO and Managing Directors Report

ASDM continues to perform strongly in the highly competitive medical device marketplace and in bringing new products to the Australian market. We have also strongly grown our sales results with new products through innovation and through partnering with international innovators.

During the financial year ended 30 June 2011, the company added to its past, significant milestones through:

- Conducting a thorough strategic review;
- Growing our core product sales by more than 20% year on year;
- Winning the distribution rights for Arthrosurface Products from December 2010 and then leading the international sales results for that company;
- Winning the distribution rights for the PARCUS range of sports medicine implants and obtaining regulatory and reimbursement approval for these devices, which are new to Australia;
- Winning the distribution rights, for Australia and New Zealand, for the Orthofix range of spinal implants, our first entry into a market of \$250M in Australia;
- Appointment of Jenny Swain as National Sales Manager; and
- Maintaining a positive operating cash flow position

The main strength of ASDM's home grown product portfolio, our Orthopaedic products, have been added to by the new ranges we are distributing. This creates significant synergies, allowing our sales team to visit surgeons more frequently and with a greater variety of products. ASDM's Active Knee is approaching its 20 year milestone of successful clinical use, one of just a handful of prostheses to have achieved this anywhere in the world and with pioneering innovative features, such as the "gender" knee, ultra-polishing and "hi-flex" femoral design.

Over the period of use of the Active Knee we have added a cemented version, posterior stabilising and a revision surgery range, to cater for virtually all surgical eventualities. We have one of the largest ranges of implant sizing to ensure the ideal fit for each patient. Combined with our other product developments, high tibial osteotomy systems, uni-compartmental knee systems and ACL reconstructions, as well as our range of innovative products from international scientists and doctors, we are able to assist in the treatment of the knee from the womb to the tomb.

ASDM continues to support the clinical trial of the limb saving PAD innovation and stands ready to support the use of this device in chemotherapy applications, the clinical trial for which was approved after the year end.

The foundation of our success is our people. Our progress over this year and the achievement of a number of significant milestones would not have been possible without the exceptional efforts and dedication of our management team and highly specialised staff. I am extremely grateful for their important contributions. We are executing well on all aspects of our growth strategy, including new innovation development, sales growth through distribution and financial and resource management.

We continue to be recognised as an organisation with the ability to deliver innovations to market and as a result are now highly sought after by industry, research organisations and early stage companies. Many of these innovations are still in the early stages but are expected to lead to

commercially available medical devices within the new few years continuing to develop our product pipeline.

In the year ahead we will continue to drive both the commercial and development aspects of our business to ensure we remain focused on the goal of building shareholder wealth.

Dr Greg Roger
Chief Executive Director
25 October 2011