



ADVANCED SURGICAL DESIGN & MANUFACTURE LIMITED

Ladies and Gentlemen:

Welcome to the 2011 AGM of ASDM.

The 2011 financial year was a difficult one, but included many achievements such as consolidation of our sales in Australia and the expansion of our product range offered to surgeons. During this year we have established ASDM as a premier sales organisation with innovative and manufacturing capabilities; unique amongst Australian orthopaedic enterprises.

ASDM completed a strategic review of its direction early in the 2011 year. This combined with the completion of the PAD Vascular development efforts represented significant expense to ASDM. In the second half of the financial year the refocusing of ASDM on executing on the strategy has delivered encouraging results and is set to accelerate in the current financial year. The resultant position, including the one off expenses mentioned, is a loss for the year of \$3.3m, with a reduction of cash on hand of \$0.9m.

Our sales growth in Australia has been significant and has been spearheaded by a refreshed sales team. Jenny Swain, our National Sales Manager, brings decades of experience and strong connectivity to the market. This has already translated into increased sales and the commitment of a number of companies to use ASDM as their preferred partner in the Australian market.

Complementing the growth in sales capability, ASDM has partnered with a number of companies in the US to bring exciting and innovative products to Australian surgeons. This has added to sales volume as well as the diversity of our product range and surgeons using ASDM represented products. Since the end of the last financial year the latest of these companies, Orthofix, has joined with ASDM to address the \$250M spinal sales market in this country.

ASDM continues to develop innovative medical devices in partnership with Australian surgeons. This year saw the first in human use of our new Carpal Fusion plates and Clavicle fixation system, both developed with local surgeons and using patented technologies. These advances are continuing with growth in these product ranges, sales and further engagement with innovative surgeons eager to emulate these successes.

Growth in Australian sales has been strong and has occupied the main focus of ASDM's efforts. This past financial year saw our domestic core product sales grow more than 20%, matching the value of the previous year's IP sale to Stryker. This has given revenue for the FY11 of \$7.4m, steady in overall terms, but a marked increase in core product sales.

Your company is in a stronger position to move ahead, with a growing orthopaedic business and the ability to bring new products to market using our innovative skills in design, our expertise in manufacturing and regulatory controls and our local and international sales and marketing abilities.

I take this opportunity to thank our shareholders for their support and my fellow board members for their continued contribution to the growth and guidance of the Company and we look forward to improved financial results as ASDM continues on its path of being a key partner with innovators to deliver healthcare solutions to patients.

Peter Kazacos
Chairman
25 October 2011