



ADVANCED SURGICAL DESIGN & MANUFACTURE LIMITED

2008 Annual General Meeting

Chief Executive Officer's Report

Ladies and Gentlemen. It is now nearly a year since the successful listing of ASDM on the Australian Securities Exchange. In FY08 we attained a 21.8% increase in total revenue, achieved an EBITDA of \$0.9M and yet managed successful R&D programs with excellent commercial potential. Furthermore, FY08 saw ASDM operating cash flow positive, and we envisage a similar outcome for this Financial Year.

ASDM has a long history of bringing innovation in medical devices to the Australian public and the world and this process requires investment. Over the past year ASDM has been careful in its R&D investments, seeking to limit expense and maximise outcome wherever possible. This discipline will be maintained without losing sight of the excellent commercial opportunities we are working on.

Last year we set out to increase the use of the Active Knee in Australia and to introduce the knee in international markets in a controlled fashion. We have achieved both. More surgeons use the Active Knee now than ever before. Since appointing a sales agent in Victoria we have grown quickly and continue to grow there. In the UK we have established a direct sales arm and an office in London and this year a number of cases have been done in Cambridge, with more cases booked and more surgeons likely to start using the knee throughout this year. We also set out to upgrade our instruments, to attract more surgeons to our knee, and this has been achieved. Further instrument sets, to allow growth into new markets, are in production.

During the course of this coming year we aim to further increase sales of the knee within Australia and to establish more markets, expanding in the UK and starting in a number of European countries. This growth requires investment in inventory and instruments and so must be measured against available cash and planned well in advance.

ASDM managed the Clinical Trial of the Peripheral Access Device, PAD, and its ongoing development in FY08. This device is integral to a new treatment, developed by Dr Rod Lane of AllVascular, which aims to restore circulation to legs afflicted with peripheral vascular disease, commonly the result of smoking and/or diabetes. It is to be remembered that more than 1,000 limbs are amputated in the Western world each day because of this disease. ASDM personnel are involved during the surgery, during the in hospital treatment and in collating the Clinical Evidence data from this trial.

While maintaining a prudent and careful approach to this new technology and treatment we have expanded numbers in this trial and only last month performed the

first case in Europe, which was a success for the surgeon and the patient alike. Further trials are planned at the Goethe-Universitat Hospital in Frankfurt under the supervision of Prof Schmitz-Rixen. In this initial case ASDM provided engineering and clinical support in Frankfurt, vital to ensure the smooth progress of the case.

Similarly the first case has been scheduled in Victoria with a leading vascular surgeon aiming to establish the treatment for more Australians at risk of limb amputation.

Through the rest of this financial year ASDM aims to establish a number of clinical centres of excellence in Europe and the UK to expand the utilisation of this novel treatment and to save as many limbs as possible. We anticipate that, as new surgeons start using the device and the treatment, a number of further innovations will be presented to ASDM, creating further opportunities for us in line with our history of medical devices to life.

Finally, the management and staff of ASDM would like to thank our shareholders for their support and the Board for its guidance over the past year.

Greg Roger
Chief Executive Officer
12 November, 2008