



## **2010 Annual General Meeting Chairman's Address**

Ladies and Gentlemen:

Welcome to the 2010 AGM of ASDM our third as an ASX listed entity.

The 2010 financial year was a strong year for ASDM and we believe reflective of the years ahead of us. During the year ASDM grew strongly, both in terms of geography and product. We have engaged new surgeons with strong and successful clinical outcomes for our core product, the "Active Total Knee". We have also continued our focus during the year on new and innovative product.

Our pipeline of products in development and strong collaboration with the medical community ensure that ASDM has a bright future.

Our key focus however is the Hip and Knee replacement market which is large and growing rapidly, particularly as the general population ages. In Australia alone; the market is estimated to generate product sales in excess of \$400m annually.

As you may be aware, ASDM recently executed a number of exciting distribution agreements. I am sure that our Managing Director Dr Greg Roger will talk further to these agreements as part of his address to the AGM. In any event, these new agreements will enable ASDM to rapidly fill our sales and marketing resource pipeline with a number of new, highly complementary and extremely well credentialed products. Importantly, our new and growing product base are potentially highly profitable and leverage our existing and growing user base of orthopaedic surgeons.

Our immediate strategy is extremely clear ..... take a significantly larger share of the market, quickly and extremely profitably.

ASDM is an established and resource rich organisation which is positioned for substantial growth in revenue and profit. This underlying strategy is one that management is extremely focused on delivering.

### **Highlights for the year in Review**

During the year we achieved a number of revenue focused milestones including:

- Completed 25 new Active Knee instrument sets, a major investment in the future of our company
- Completed the sale of intellectual property relating to the Uni-Compartmental Knee to Stryker Corporation;

- Obtained regulatory approval for the Active Total Knee system as a CE marked Class III implantable device;
- First sales of the Active Total Knee Replacement system into Continental Europe a result we are hopeful will continue to grow over time;
- United States FDA Registration for our Posterior Stabilised Active Knee Range;
- Established a direct sales presence in Europe through the UK distributor acquisition;
- Expanded distributor sales into the US market - a tremendous effort where there is monthly increases in sales and profitability; and
- Invested in expanding our sales force in South Australia and Queensland

These achievements continue the development of our sales platform and have a direct impact of future sales generating capacity.

ASDM continues to carefully manage and support the development of the Peripheral Access Device “PAD” with our partner organisation AllVascular.

During the year we:

- Obtained regulatory approval for the PAD as a Class IIa device where the device is not attached to the pump, and
- Importantly ASDM also gained hospital ethics approval to commence a multi-centre trial for the PAD with a number of patients treated.

ASDM has an exclusive manufacturing agreement for the PAD which covers all indications for use and we are committed to assisting AllVascular in their aim of delivering this product to market.

### **Financial Position**

Revenue for the year ended 30 June 2010 (FY10) was \$7.4m, a 16% increase from the 2009 financial year (“FY09”). Pricing across product lines remain strong.

As a result, earnings before interest, tax and depreciation and amortisation, pre research and development costs recorded a profit of \$1.9m compared to a profit of \$0.4m in FY09, an improvement of \$1.5m on FY09.

During the year we invested approximately 18% of revenue into Research and Development (“R&D”) an increase of 3% on FY09, with a significant focus being the continued development of the PAD. R&D costs for this project have now largely been completed. Moving forward R&D we will continue to tightly manage with costs focused on projects where there is significant potential for the creation of shareholder value.

Corporate and administration costs decreased in line with expectations to \$2.1m from \$2.5m in FY09. During FY09, our first full year as a listed entity, a number of costs were incurred which were not recurring in 2010.

Cash management continues to be a key priority and during the year we continued to remain operating cash flow positive ending the year with \$0.7m in cash.

## **Board update**

During the year ASDM was pleased to announce a number of changes to its board. We welcomed Mr John O'Meara as a non-executive director in March 2010 and Mr Michael Spooner in September 2010.

John is a seasoned strategy and project manager with over 25 years experience in strategic planning and the execution of large scale, complex and deadline dependent projects.

Michael is a well-known and respected business leader who has an extensive network of relationships with investment firms and business communities across the globe, having spent the majority of the past 25 years living and working internationally.

Both new board members add tremendously to the depth we now have at ASDM. It is our firm intention to continue the process of building key skills in both management and at Board level.

We also farewell Walter Kmet who retires as a director at the conclusion of this meeting. In almost 4 years Walter has been an asset to the board and management and we thank him for his efforts and wish him all the best in his future endeavours.

## **Outlook**

2011 will see a number of strategic announcements as we build our capacity to transform ASDM into a large and profitable medical device company.

Since year end we have entered into strategic partnerships with ArthroSurface Inc., Permedica S.p.A. and Parcus Medical. These agreements will provide a variety of product mix that will further drive revenue growth.

Our core product range of orthopaedic implants is continuing to receive acceptance in various markets and will be complemented with the additional products from ArthroSurface, Permedica and Parcus Medical.

I would like to thank you, our shareholders, for your support, our committed, determined and innovative team and my fellow board members. I strongly commend the hard work your management is putting into the company and look forward to the promising year ahead as we work towards our commitment of transforming ASDM into a large and profitable medical device company.

Peter Kazacos  
Chairman

5 November, 2010