‘Everyday things, like doing your shoelaces, to taking the dog for a walk, create a huge change in the quality of life for someone who has suffered hip or knee pain.’ – 32yo female M-COR recipient

PORTLAND ORTHOPAEDICS

2007 AGM Presentation - CEO

Corporate Highlights

- Released the Equator Plus cup in January 2007 following M-COR Sept 06 release
- US sales have grown 345% overall in the 12 months to Sept 07
- US surgeon users have grown 620% overall in the 12 months to Sept 07
- US distributors now exceed 15 agencies across the US
- US surgeon retention and clinical results are above expectation

Corporate Highlights

PORTLAND ORTHOPAEDICS

- Move to outsourcing is working with significant margin improvements
- Capacity shackles are now removed
- Strong new product innovation and release schedule set for 2008/2009
- Opened St Clair Michigan office June 07
- Strategy is strong and milestones are being met

Orthopaedic Market

‘Large, growing and profitable’

Orthopaedic Market-US

- Total Orthopaedic Rev US$29b (2006)
- Reconstruction Rev US$10.5b (2006)
- US is 53% of global revenue

- 2.3m joints done per year
- 1.2m hips 956,000 knees
- US Volume is 47%

First M-COR/EQ+ implant

Florida USA

- Access to health care improving as the population of the developed world ages
- Hip fracture and other degenerative conditions is rising at the rate of 6-10% pa
- Osteoarthritis is the common cause
- Osteoarthritis affects 21 million people in the US
- Knee growth estimated at 673% by 2030 Hip to 175%

Products

‘Differentiation is the key to market penetration’

Strategy drivers

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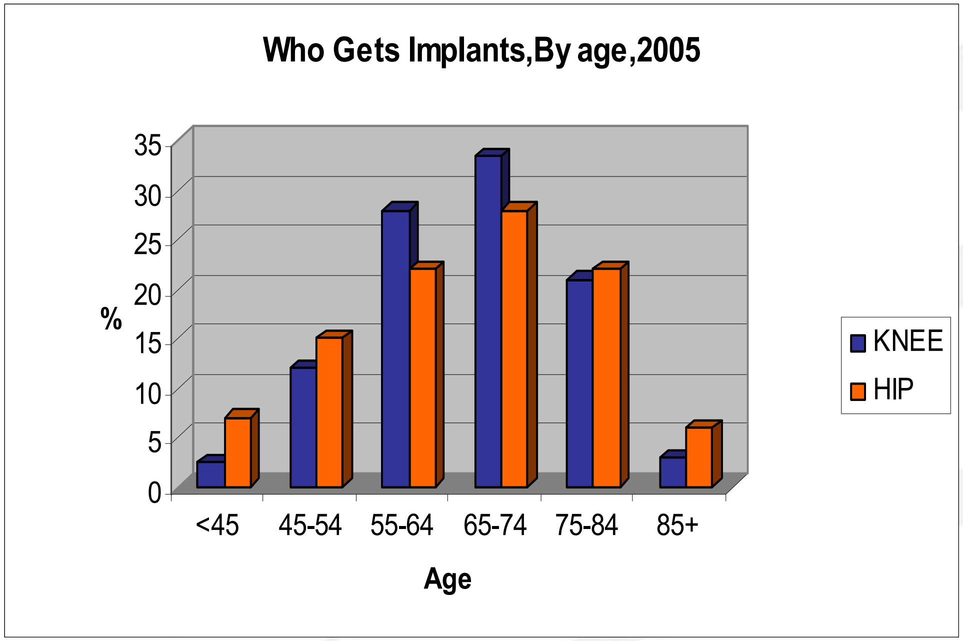

- Focus on implants and materials that allow surgeon to balance/tailor make implant to each individual
- Balance leads to reduced wear
- Reduced wear leads to longer lasting implant

- Focus on replacing the replacements
- Revision sector is 25% of market

- Focus on young and well insured patient
- Low price sensitivity and opportunity to upsell into contracted hospitals

Suite of Products *Advanced Development*

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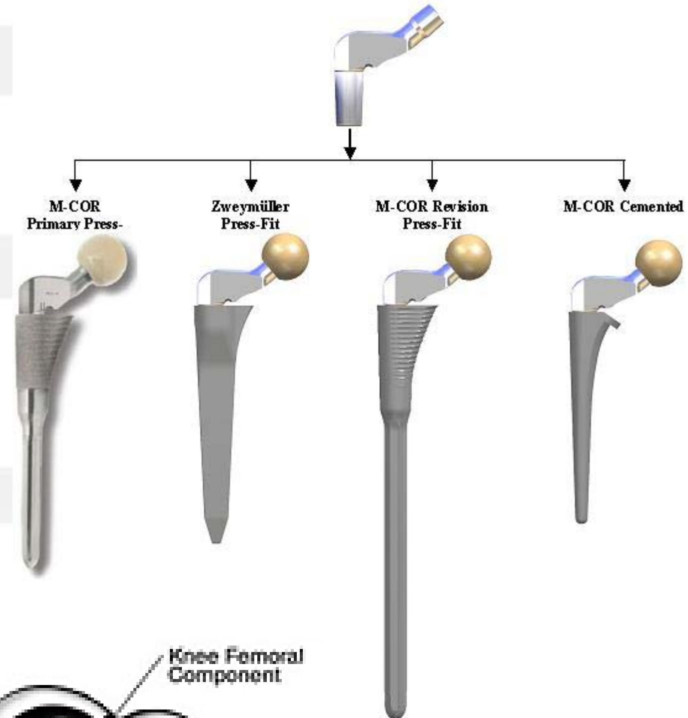
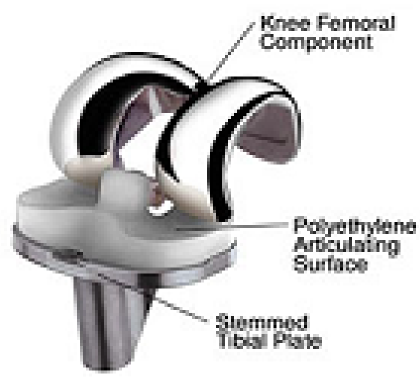
M-COR
MODULAR CENTER OF ROTATION HIP SYSTEM

EQUATOR +
EQUATOR PLUS ACETABULAR CUP SYSTEM





Full modularity is the key

Strategy for success – new products

"This relationship between the salesperson and surgeon has a tendency to determine which brand the surgeon will buy. Historically, the surgeon's loyalty typically has been with the orthopedic sales rep, rather than the company. If a sales rep decides to switch companies he or she is going to represent, there is a good chance the surgeon will switch as well. While these statistics have never been produced, we estimate that about two out of three surgeons that have been working with a distributor for more than eight years would follow a distributor to a new brand. The surgeons are loyal to their distributors because they see these individuals nearly every day, and the sales reps have effectively become part of the surgical team.

Healthpoint Capital – Devices, Distribution and Dollars 2005

- Move to add general complementary hip and knee lines in 2008
- Aim to offer a "full bag" products to distributors in 2008/09

Strategy for market penetration

'Play to our strengths'

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Strategy for success

Focus on new technologies to expand on population available i.e. younger more more active patients with premium pricing

Incremental rather than disruptive innovation

Develop, acquire and partner new products into our channel

Offer product "*family*" solutions

Deployment

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- Target Opinion Leaders

CLINICAL ADVISORY BOARD and CHIEF INVESTIGATORS

1. Senior Surgeon – UCLA
2. Senior Surgeon – Yale/St Raphael
3. Senior Surgeon – Tampa General Hospital and HCA
4. Senior Surgeon in Spokane WA
5. Senior Surgeon in Kenosha WI
6. Senior Surgeon in Bullhead AZ
7. Prof Royal Melbourne

- Use clinical studies for collation of data and peer review articles
- US distribution with 15 distributors

Plus Orthopedics USA

PLUS ORTHOPEDICS

- 6^{th} largest joint replacement company in the world
- Had independent distribution in the USA
- Purchased by S&N in March 2007
- Did 4 months of technical and regulatory DD
- Distributed for 6 months pre take over
- Had out of the box demand during agreement period
- Termination on very favourable terms from July 07

Business Performance

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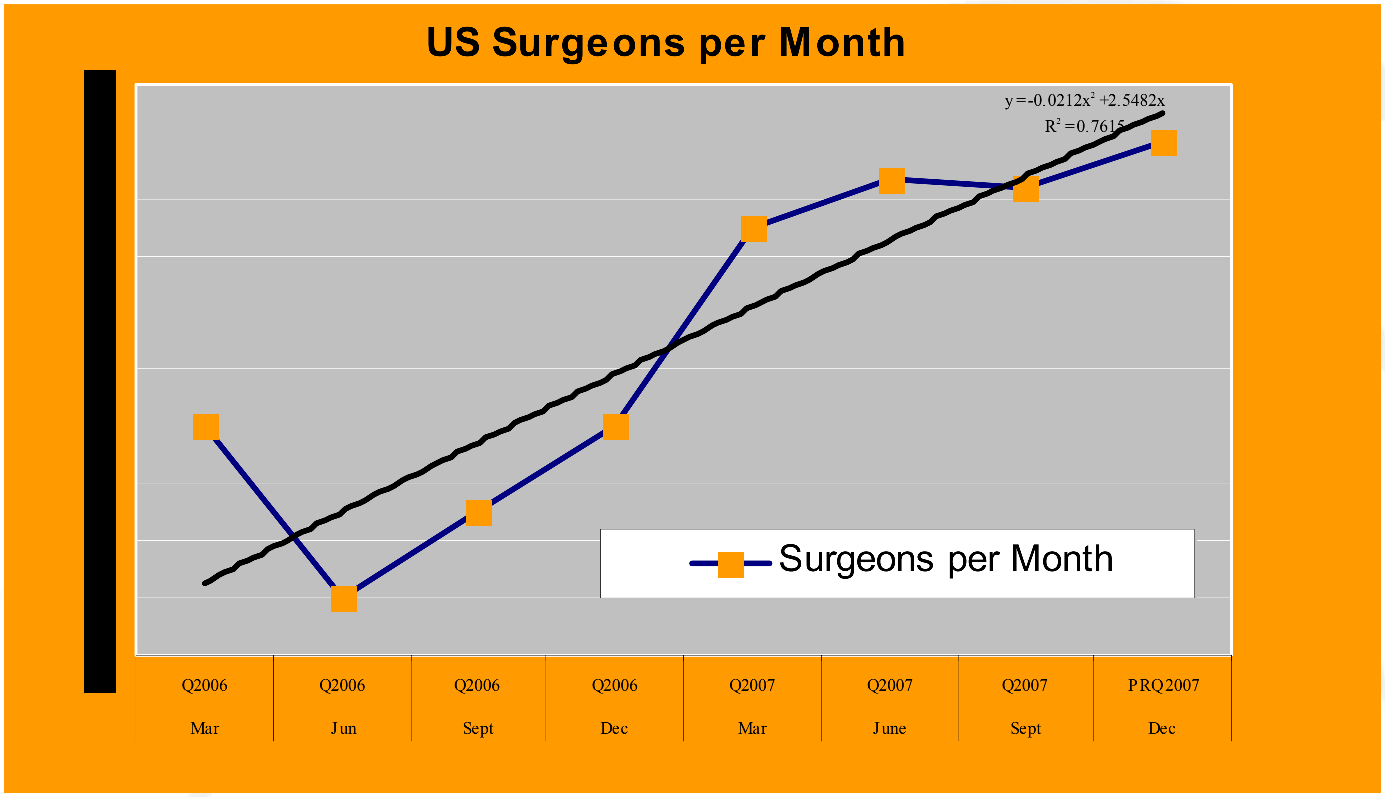
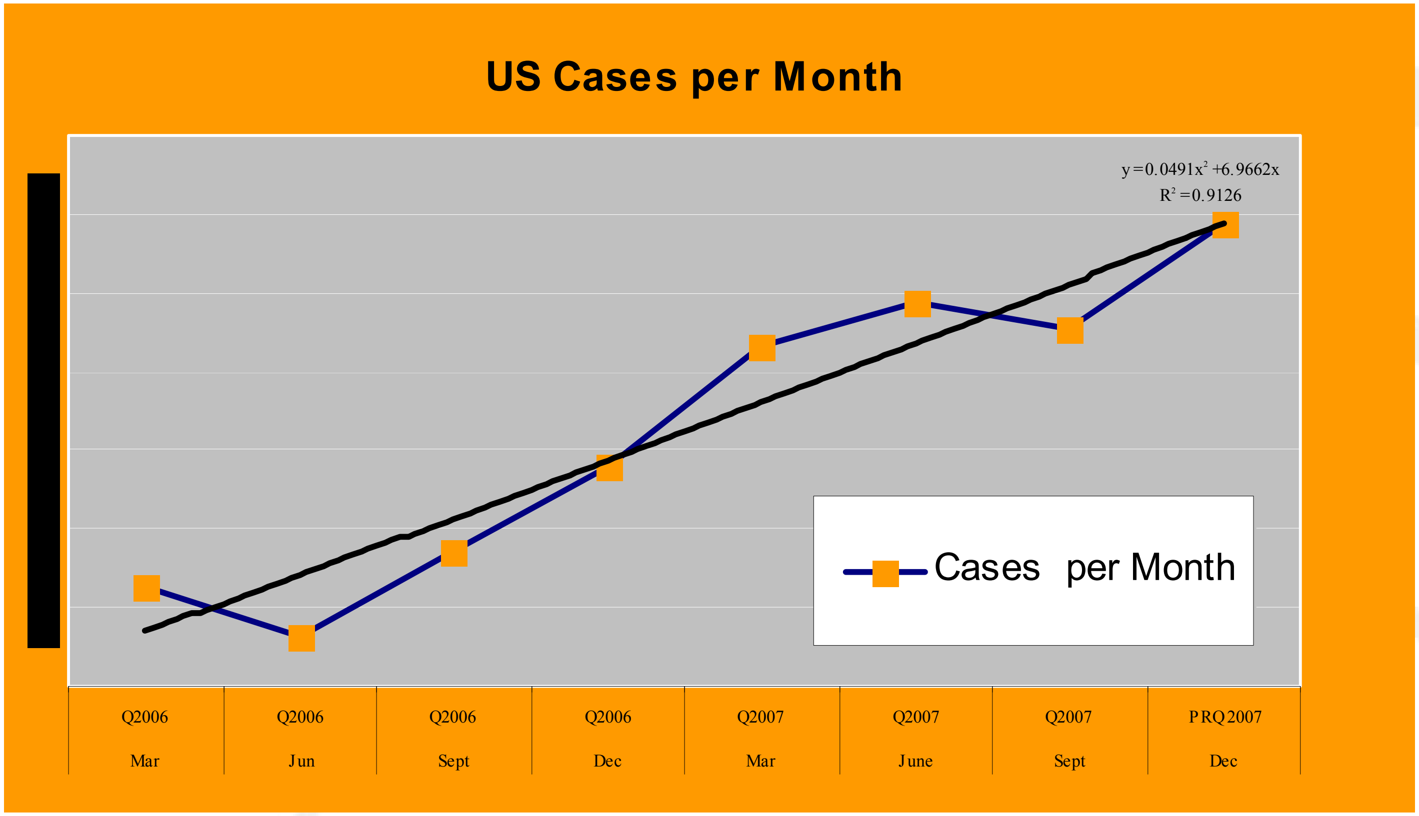
Business Performance-US Surgeons



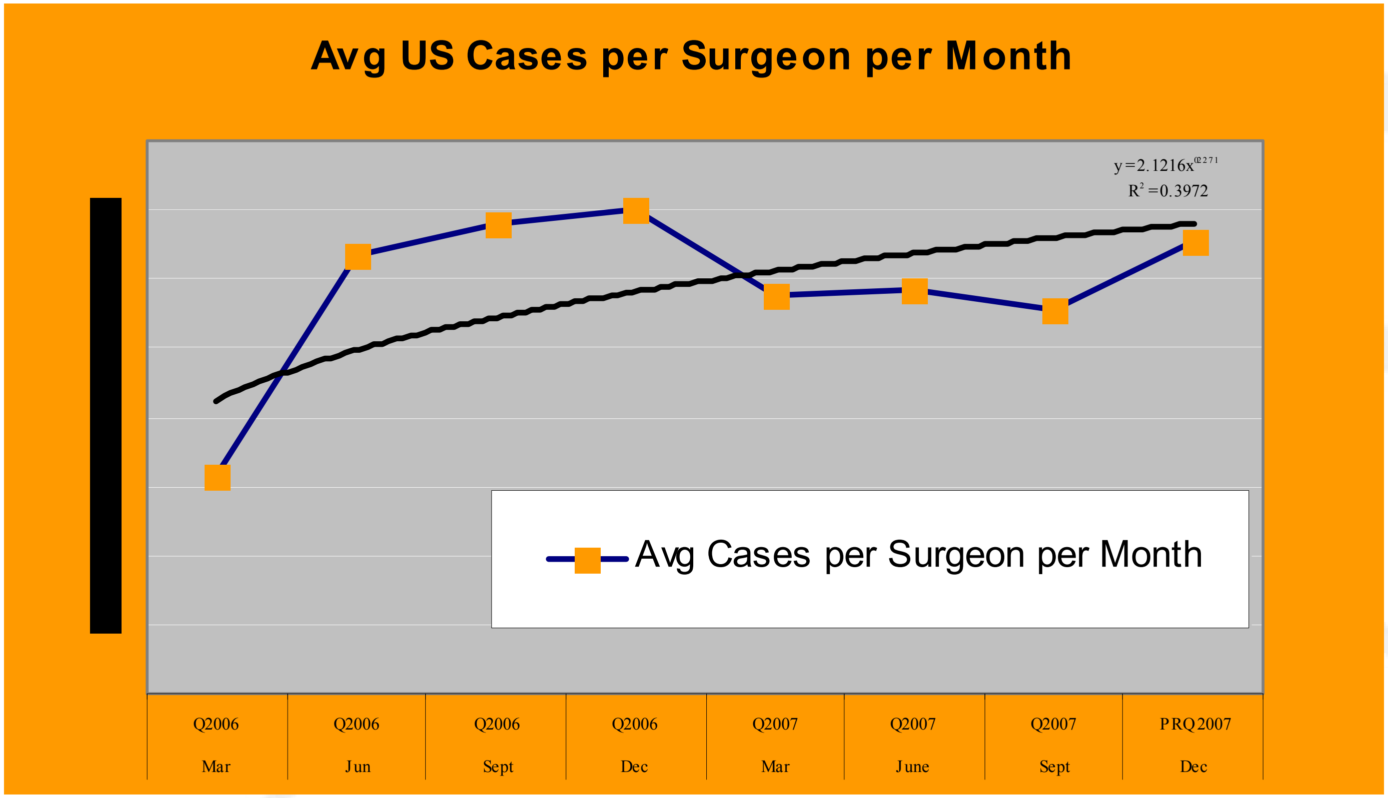
- Surgeon take up is the key to growth
- Retention remains at 100% for M-COR and >90% for Eq+

Business Performance-US Surgeons



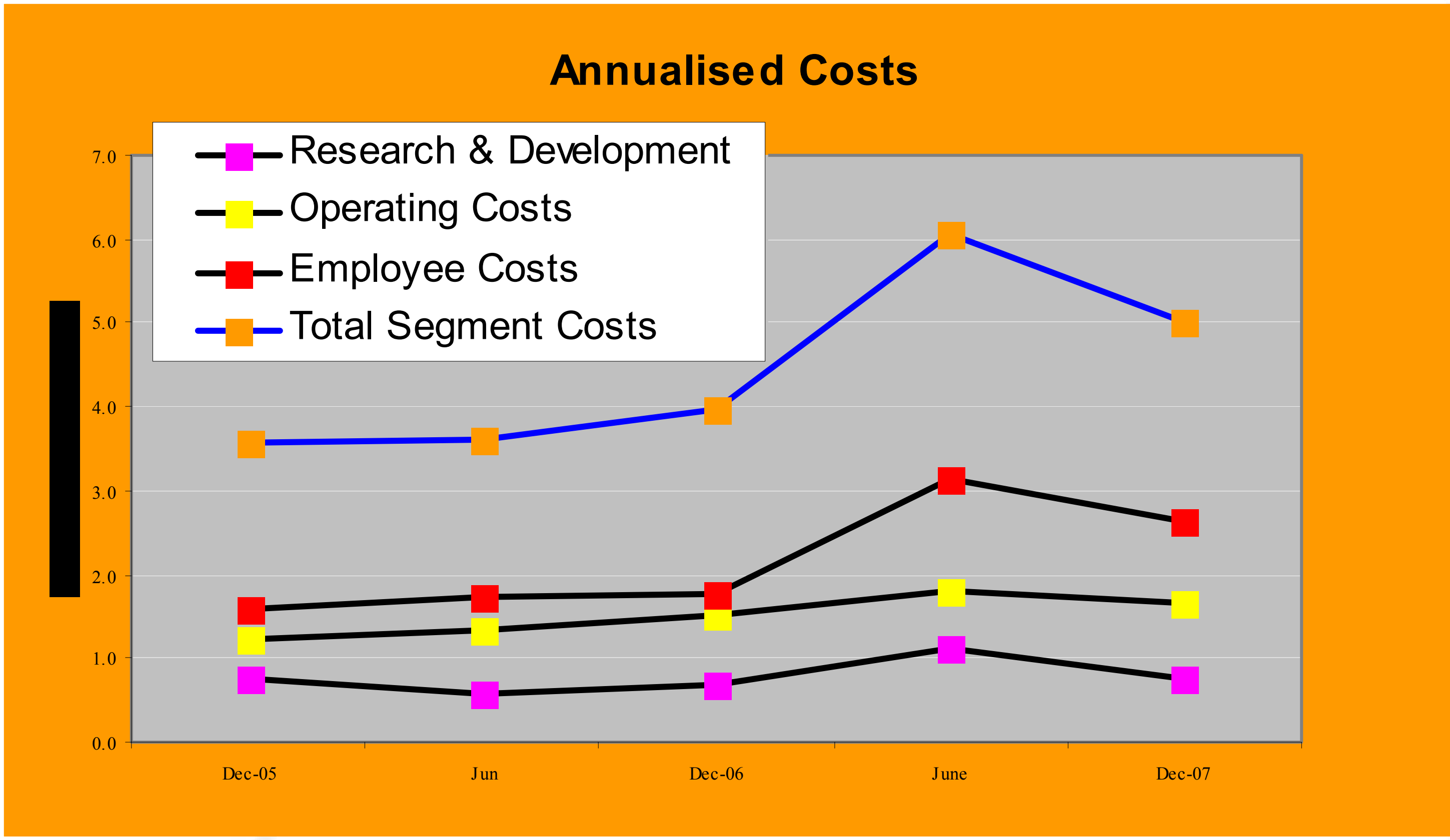
- Reflective of the growth in surgeon numbers
- Cross selling now available with more than one product

Business Performance



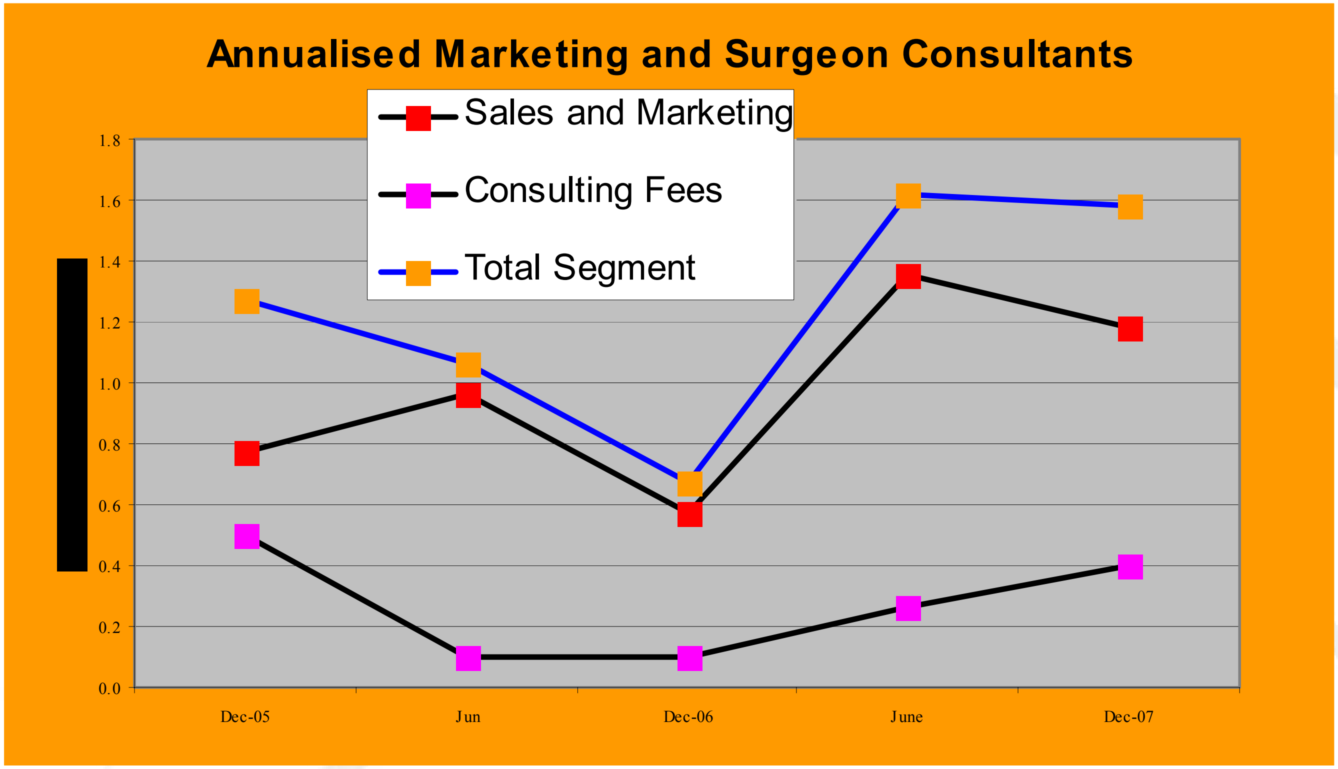
Early champions are large users now giving way to general users who are demonstrating ability to expand case volumes with experience

Business Performance



• 2007 was unique because of shift to lean production from R&D

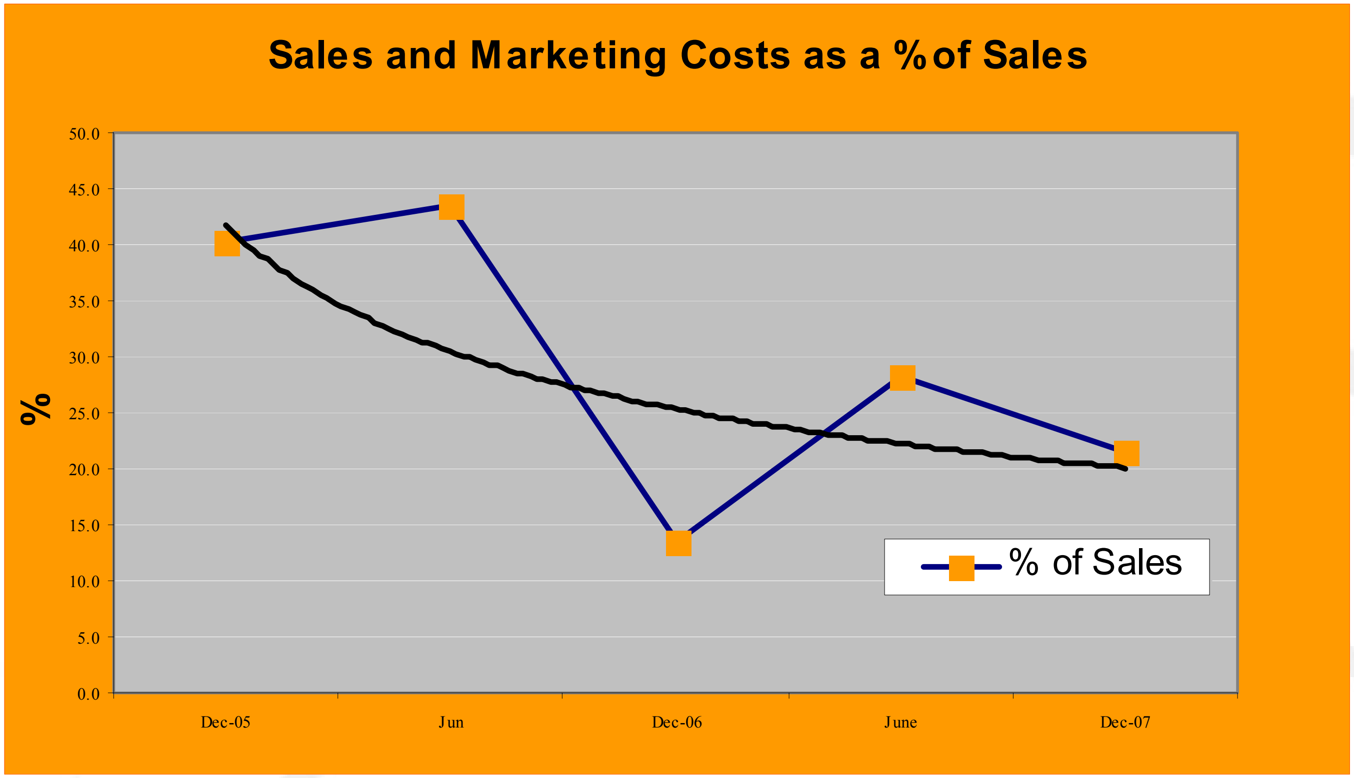
• Expenses in all segments are coming down through active management of cost centres



Expenses in all segments are coming down through active management of cost centres

No need to increase cost centres as growth in sales occurs

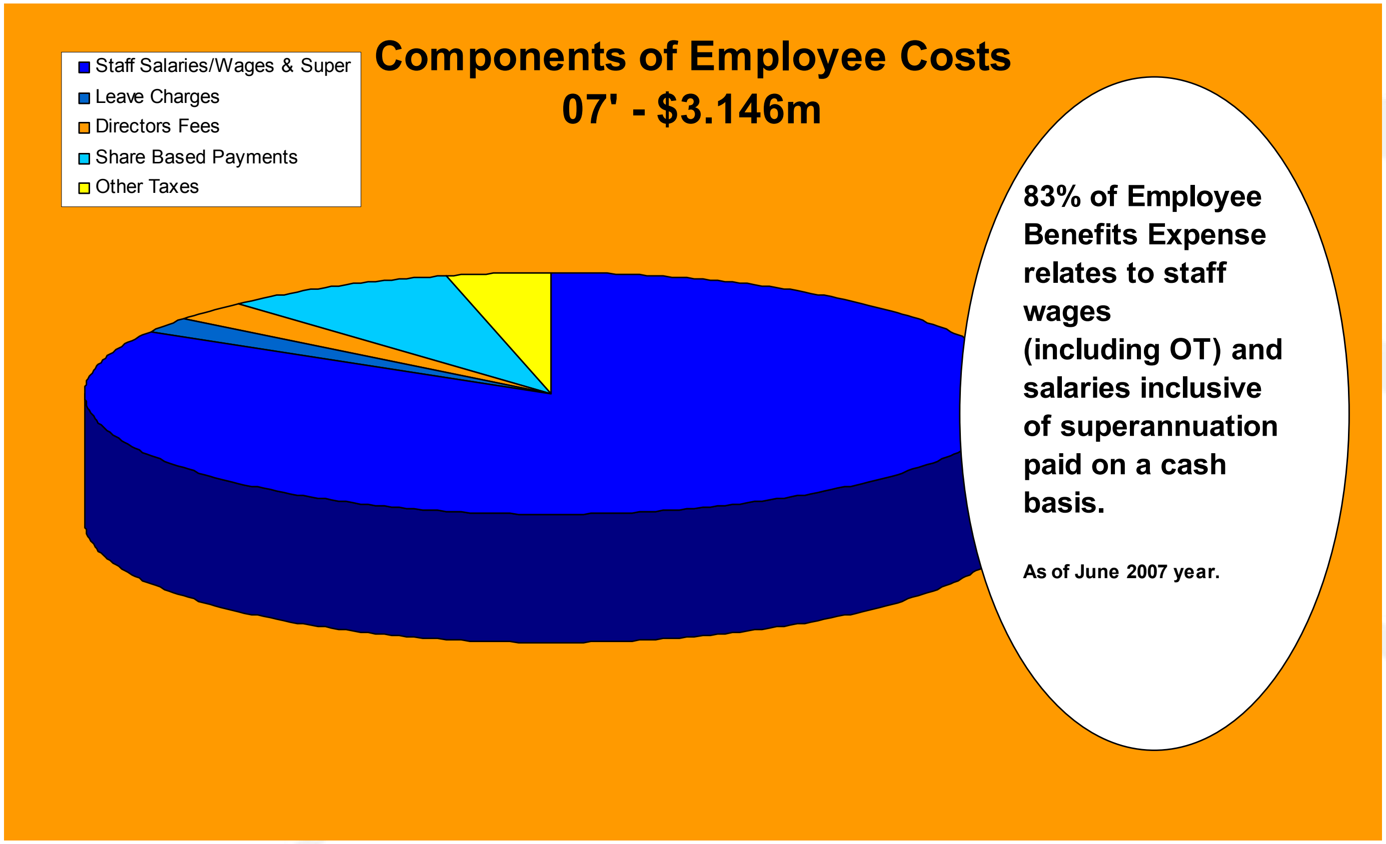
Business Performance



Sales and marketing fixed/sunk costs now being absorbed over higher revenues

Proportion of cost to sale will continue to fall with growth

Business Performance



83% is broadly consistent with previous and 08 year

Business Performance

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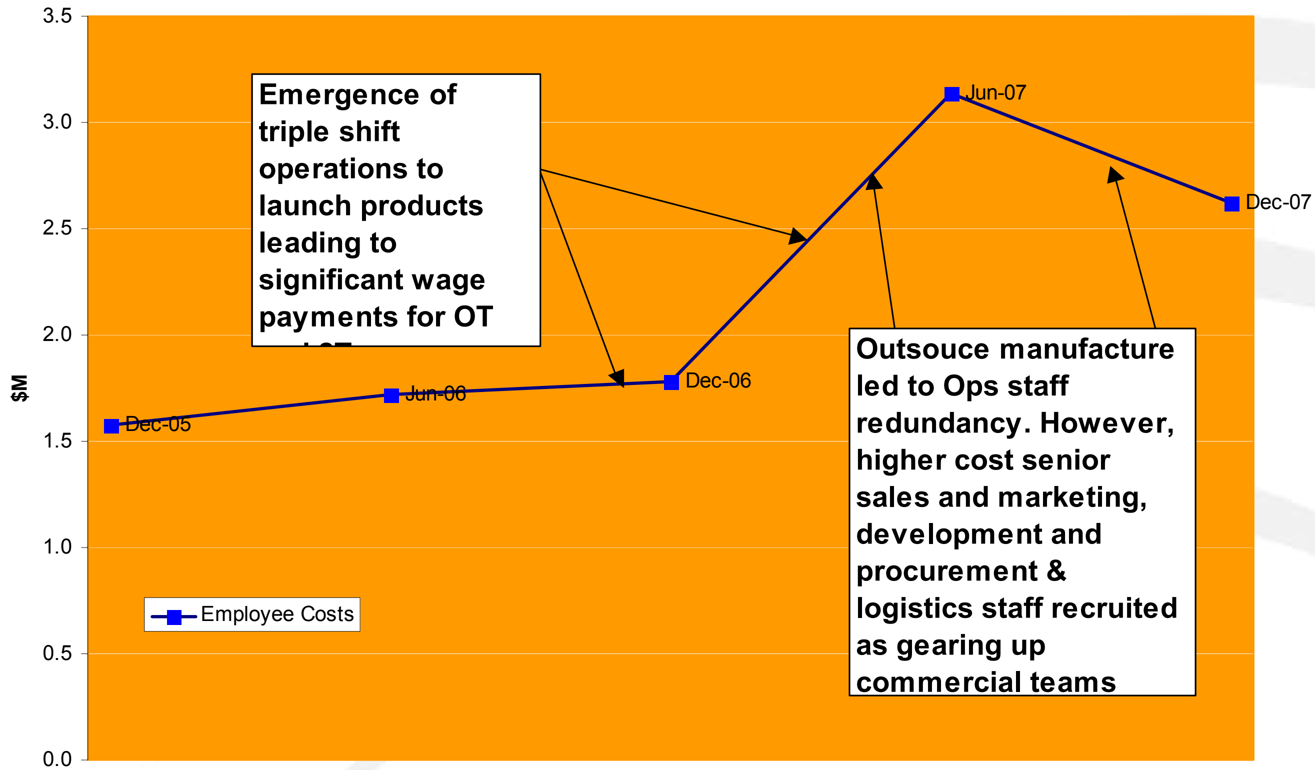
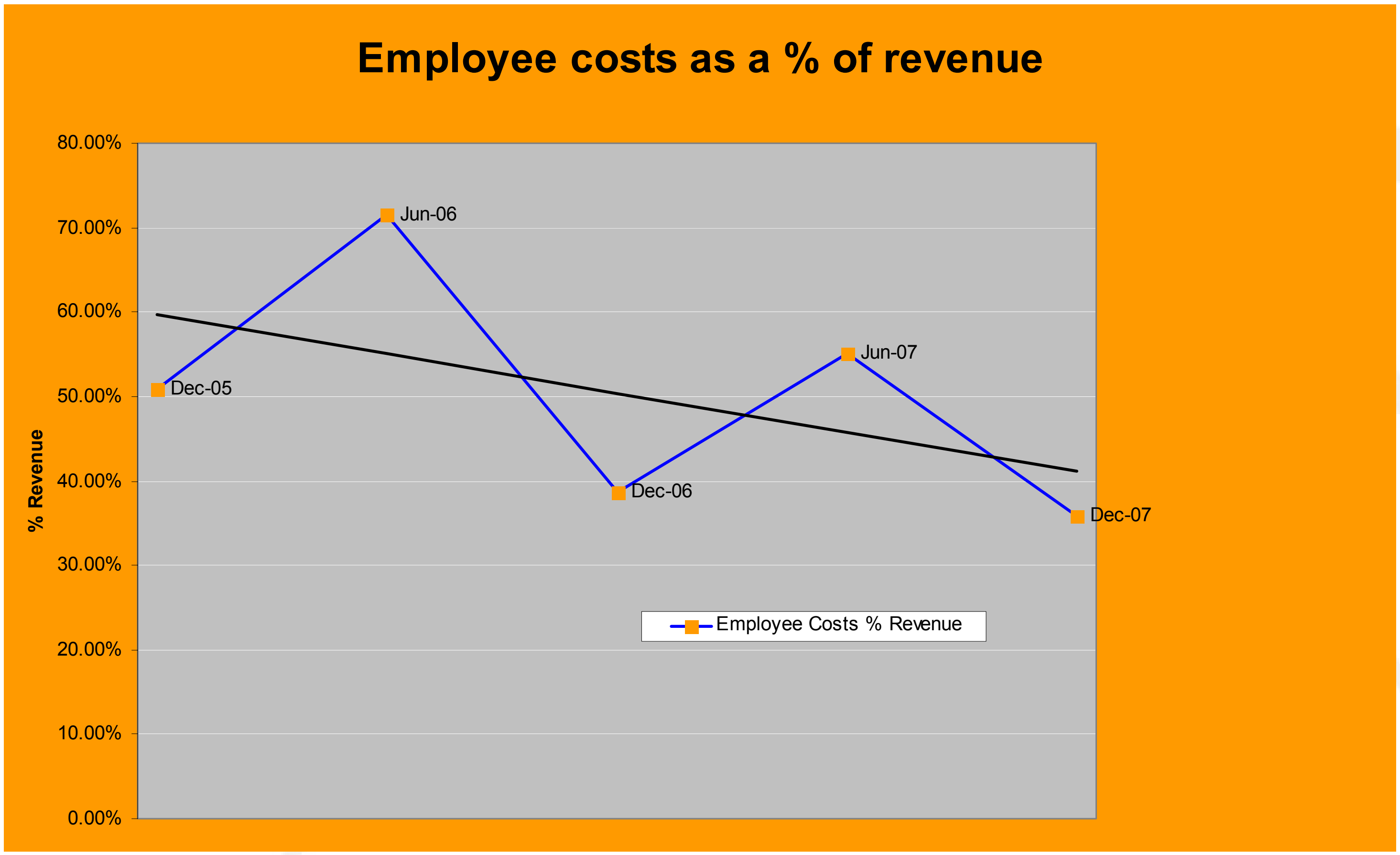
Annualised Employee Costs



Movement in Dec 06 as ramped up production

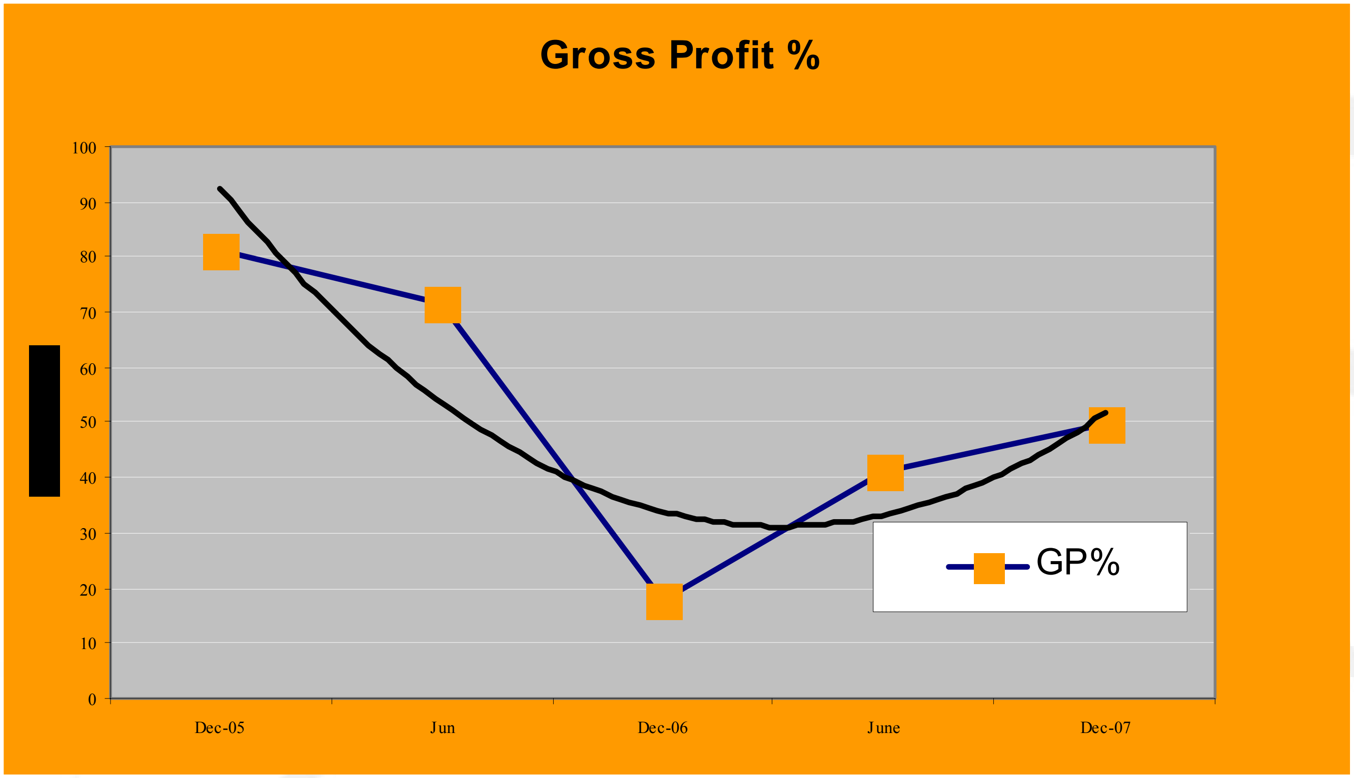
Changes in March 07 as moved to outsource but lag effect to Jun 07

Business Performance



Target 30% for ’08 and beyond

Financial Performance-Gross Margin



Move to outsourcing has led to significant margin improvements

Early GP expected to be low as move from R&D to lean production

Plus consignment stock to be phased out and higher margins experienced into 2008

Conclusion

‘Foundations are in place for strong market penetration in US’

Key messages

- Market dynamics remain strong
- Our products now have a history and are working
- Surgeons and distributors have been sticky
- Margin improvements substantial with outsourcing impact
- Strategy proven in US market and real focus on US clinical advisory teams

Thank You

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