**SOLUTION**

Sterilox Endoscopy Systems provide a safe and natural liquid biocide—hypochlorous acid—that is effective for high-level disinfection of endoscopes in automated endoscope reprocessors (AERs). The Sterilox Solution is safe, effective, and fast acting.

**OPPORTUNITY**

The market for disinfectants and AERs is expected to exceed annually $150 million in Europe and $250 million in the US by 2009. The size of the AER market is growing more than 9% a year, driven by the increasing demand for colorectal screening and the emerging standards in favour of safer decontamination processes.

In the UK, Puricore targets the 440 NHS hospitals and now increasingly private hospitals and primary care networks with endoscopy units. Alternatives to Sterilox Solution include gluteraldehyde (withdrawn from the UK by the primary manufacturer more than five years ago and now restricted) and other oxidative agents, including chlorine dioxide. The Sterilox Solution remains the only disinfectant technology that is completely safe for healthcare workers and the environment. Our comprehensive product portfolio includes the Sterilox Systems (which generate our Sterilox Solution), multiple automated reprocessors, and related consumables to the marketplace.

**RESULTS**

We are very pleased with the performance of this business unit, growing at its fastest pace ever despite clearly challenging economic times and in a relatively mature market. Revenues for Sterilox Endoscopy grew 34.9% in 2008 (46% at constant currency). This strong sales growth reflects increased unit placements as well as a focus to develop recurring revenue from lease contracts, service agreements, and related consumable products. We estimate that our UK Endoscopy business now has at least one product in approximately 45% of all NHS hospitals with endoscopy units. Puricore’s strategy to grow its recurring revenue base is yielding positive results: recurring revenue for 2008 in our UK Endoscopy business increased 24% over 2007. The UK Endoscopy business was able to achieve this significant growth whilst greatly reducing operating expenses throughout the year.

In the US, our Endoscopy pilot site concluded with very favourable feedback on the health and safety benefits of the Sterilox chemistry and demonstrated a reduction of disinfection cycles times in the automated reprocessor. We did, however, experience more scope degradation than anticipated, and therefore in 2009, confident of the market’s future demand for our product, we will continue to focus for the US market on our various scope compatibility programs and technologies.

**2009 OUTLOOK**

We are confident in the continued success of this core business targeting principally non-elective medical procedures. In 2009, Puricore’s Endoscopy focus will continue to be primarily focused in the UK market. We will endeavor to continue to increase sales whilst reducing costs and improving gross margins. Additionally, we will expand our recurring revenue through the sales of service agreements, full-spectrum decontamination services (including water testing), consumables, and rental contracts. We will also launch a new pass through automated reprocessor, the SAFERplus. We expect to have positive operating income in our UK Endoscopy business in 2009.