

## Chairman's Address

### Medical Developments International Limited 2006 AGM

#### **A strong result for this financial year**

The foundations for future growth are still being built but MVP is starting to deliver. Net Profit after Tax for the year was up 60% and revenues were up over 20%. We expect significant and ongoing revenue and profit growth.

MVP's result for this year was largely built on continued growth in existing markets.

Sales of Pentrox to ambulance services, defence, sports and first-aiders all increased. Sales of medical devices were also strong - particularly asthma management products in New Zealand and oxygen equipment in Australia.

We also introduced Pentrox into new areas. At the last AGM I noted that MVP had just entered the dentistry market. Fast forward to today, and some 20% of Australian dentists have now purchased Pentrox, and we had similar prorata take-up in New Zealand.

#### **Excellent prospects for the future**

Budgeting for MVP is a difficult proposition because of the "lumpiness" of new registrations and how quickly new markets can be penetrated. Even without this, we expect to achieve at least double digit growth through existing markets and new therapeutic areas in those markets. Our internal budget reflects this and as at the end of October we are ahead of that budget. The big question is how and when we will add new foreign markets through registration.

MVP has a clear strategy to deliver growth in profitability and market capitalisation in the short, medium and long-term. The Pentrox strategy has four key planks:

1. New therapeutic areas
2. New country registrations where the regulator accepts our existing file and/or there is mutual recognition
3. New country registrations where further testing and data are required
4. Introduction of methoxyflurane into veterinary medicine

#### **Domestic (Aus/NZ) growth in the near term through new therapeutic areas**

After the launch of Pentrox into the dental market, we have targeted several other therapeutic areas that are associated with short and painful procedures, including aesthetic surgery, phlebology, oncology, and burns dressings and wound management. We have had initial sales into each of these areas and are in the final stages of appointing distributors.

#### **International registrations which accept our current file and/or there is mutual recognition**

MVP are targeting international jurisdictions that view the Australian Therapeutics Goods Administration as a benchmark Regulatory Authority, making the pathway to registration faster. Registration in the Gulf Co-operation Countries (United Arab Emirates, Saudi Arabia, Bahrain, Oman, Qatar and Kuwait) has recently been granted. Other countries already in the registration pipeline include Pakistan, Turkey, Chile, Guatemala, Russia, Singapore and Romania. In addition to this pipeline, our file is being reviewed by regulatory consultants in Thailand, the Philippines, Vietnam, Malaysia, Indonesia and South Africa.

The number of countries in our pipeline is growing. As further jurisdictions are added to the list of successful registrations the benefits of mutual recognition across international boundaries will be expanded, for example the GCC registration should have a positive influence in

Lebanon, Egypt and Pakistan. If the Chile registration is successful, it may influence other Central and South American countries.

### **International registrations where further testing/data will be required**

This is primarily the US and Europe. We have an FDA registration program in place and have also commenced the process in Europe. Our initial move into the US is planned to be in the oncology market where there are short, painful procedures for which treatment with Pentrox is ideal. In a pilot study at the Peter MacCallum Cancer Centre in Melbourne most patients who were administered Pentrox rated their analgesia as 'highly' or 'moderately' effective.

### **Introduction of Pentrox into Veterinary**

We currently sell anaesthetic machines into the veterinary market, and in addition sell methoxyflurane to US research institutions under an FDA "personal import license". Following the purchase of Schering-Plough's FDA license for methoxyflurane and subject to completing FDA paperwork and a successful audit of our manufacturing site, MVP will actively market and sell methoxyflurane into the large US vet market.

We will also use the FDA registration to leverage the opportunity into veterinary medicine in other countries.

The size of the opportunity is difficult to gauge, but – at the time that the manufacture of methoxyflurane was ceased by Schering-Plough's supplier in 1999 around 2,000 litres a year were being sold, with volumes in early years significantly higher. By way of comparison, we currently sell a total volume of approximately 600 litres/year.

The above strategy is focused on Pentrox, but we are not diminishing our efforts in the other areas of devices and vet equipment. We have recently appointed a senior manager to drive these two divisions. Revenue in asthma grew 25% over the past year and our range of medical devices are being re-launched with new packaging and marketing materials which emphasise their unique points of difference. We have strengthened relationships with our key distributors; EBOS in Australia where our products are sold under the brand name Allersearch, with AirFlow in New Zealand where we hold the single tender supply through the Government, and we have grown to a market leading position in Singapore in partnership with Asia Medical. Asia Medical have also begun to penetrate the Hong Kong and Taiwan markets and we expect growth of our asthma range in the region. In the UK, we have launched into hospitals and will enter Western Europe this coming year.

The strategies I have just outlined provide a bright future for Medical Devoplmnts and for our ability to deliver increased value to shareholders.

### **Further Information:**

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