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UPDATE

SPECIAL
AGM EDITION

A LANDMARK YEAR

CHIEF EXECUTIVE OFFICER TOMMAS BONVINO REVIEWS 2007
AND LOOKS AHEAD TO A BRIGHT FUTURE FOR IM MEDICAL

This has been a landmark year for IM Medical. In future years, shareholders will look back on 2007 as the year that the company acquired its DNA, the characteristics that will shape its long-term future.

Since last year's AGM, the company has purchased a local technology that has the potential to provide a significant point of difference in a big market on a global scale.

And we have taken the first steps towards introducing our *Intelliheart* product in the international marketplace.

As the calendar year draws to a close, we are preparing to announce the beginning of our push into the consumer market. And there is good news on the horizon for our workplace testing and other aspects of our business.

As the chairman noted in the Annual Report, the company's progress and cash position has not moved as quickly as everyone would have liked. But this is partly due to the strategic realignment caused by the purchase of the Cardanal technology in February.

The Cardanal-*Intelliheart* integration opens up the possibility of much greater long-term shareholder benefits because it can place our product on the world stage. But the development, introduction and marketing of the Cardanal-boosted *Intelliheart* is taking some time and resources and has meant a reassessment of some aspects of our initial business in the GP clinics.

There have been a number of positive developments since the end of the Financial Year:

- The first stage of the Cardanal technology was integrated into the *Intelliheart* system in September. The first stage allows doctors to analyse the heart's electrical activity over a longer period and provides a fuller picture compared to the snapshot provided by traditional electrocardiograms. It also allows real-time internet transmission and storage of ECG signals, paving the way for remote diagnosis of heart problems. To coincide with the integration of the first stage of Cardanal with *Intelliheart*, IM Medical recast the test reports to make them



IM Medical CEO
Tommas Bonvino

- simpler and easier for doctors to use following feedback from medical clinics.
- Trials of the second stage of Cardanal were submitted for publication in the medical literature. The second stage involves the Cardanal Predictive Index (CPI), which provides a simple and improved prediction system for heart problems based on *Intelliheart* data. The CPI has enormous commercial potential, but IM Medical believes it would be prudent and more effective to delay the introduction and marketing of the CPI until doctors can read peer-reviewed material in the medical literature.
- IM Medical is in discussions with Sigma in relation to its consumer rollout which will be conducted on an exclusive basis with Sigma through community pharmacy. Anticipated timing is early in the New Year.

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■ Finally, *Intelliheart* is entering the European market in February with the beginning of a two-month pilot program under a prominent cardiologist at a public hospital in the Italian province of Umbria. This opens the door for possible expansion into the rest of the health system in Italy, which has a population of 60 million, as well as other European countries. Discussions are being held with health officials and possible partners in Germany, Switzerland and Spain as well as Malaysia, New Zealand and other parts of the Asian-Pacific region. The significance of the Italian program should not be underestimated. While the program will not produce immediate revenue streams, the project had already demonstrated a model to introduce IM Medical technology overseas at extremely low cost. The fee involved local distribution companies buying machines from IM Medical and paying a licence fee for each test. Moreover, IM

Medical would analyse and store the data in Melbourne, thereby helping to secure long-term repeat business from doctors using IM Medical's unique technology to compare ECG waves and other data at the click of a mouse.

In the clinics business, the company remains confident that it can achieve a network of 200 clinics by the end of the current financial year. Activity in some of the clinics was paused mid-year as we re-engineered the data reports to co-incide with the integration of Cardanal and upgraded the testing procedures in preparation for *Intelliheart's* consumer rollout. But activity is getting back on track.

It has been a challenging year, but an exhilarating year. The short-term cash goals have not been achieved. But the potential long-term benefits and opportunities have been magnified many times over and the management and staff are committed to converting the potential into reality.

WORKPLACE A TARGET FOR NEW REVENUE

Intelliheart testing in the workplace has been targeted as a growing revenue stream for IM Medical.

The Chief Executive Office, Mr Tommas Bonvino, said there were clear signs that corporate Australia was recognizing that helping their workers stay healthy was good for business.

Mr Bonvino said: "The office and the factory floor are becoming the new battleground in the fight against the epidemics of cardiovascular disease, obesity and diabetes"

He said there were several factors which made workplace testing a stronger commercial opportunity for the company.

"First, there is a growing body of evidence that cardiovascular disease and related chronic conditions like obesity and diabetes are costing employers a lot of money," Mr Bonvino said.

"Second, there have been some high-profile cases of premature cardiac death which has focused attention on the issue.

"Third, in time of low unemployment and skill shortages, companies want to keep their employees in good shape."

Mr Bonvino said IM Medical was offering a flexible range of testing programs involving services ranging from full *Intelliheart* tests to paramedical services such as nutrition and fitness advice.

Clients so far have included Sensis, Catholic Church Insurance, Jeans West and the aerospace systems division of the Department of Defence.

Mr Bonvino said the financial case for cardiac testing and wellness programs in the workplace was overwhelming.

A report by Access Economics and the National Heart Foundation last year showed that people with cardiovascular disease have more disabilities, more hospital stays and more visits to the doctor. The report, *The Shifting Burden of Cardiovascular Disease in Australia*, found that absenteeism due to cardiovascular disease costs Australian companies \$100 million a year.

On average, it costs \$159,405 to replace a worker who dies prematurely from a chronic disease such as diabetes, the report said. The Access report concluded that strategic investments starting with risk assessment can avoid much of the burden of cardiovascular disease.

Another study by Medibank Private study, *Healthy Employees Make a Healthy Business*, found that the healthiest employees are almost three times more productive than their unhealthiest colleagues.

And a study by Wesley Corporate Health, *Future@Work Health Report*, showed that a healthy work environment can increase employee productivity by 15%. And employees with poor healthy behaviors have up to nine times the annual sickness absence of healthy individuals.

WHY HEART TESTS ARE GOOD FOR BUSINESS

- Heart disease absenteeism costs \$100m a year
- People with heart disease have more visits to doctors and more hospital stays
- It costs \$159,405 to replace a worker who dies prematurely from diabetes
- Investment in risk assessments can avoid many costs
- Healthiest workers are three times more productive
- Unhealthy workers have up to nine times more sickness absence
- Healthy work environments can increase productivity by 15%

"The office and the factory floor are becoming the new battleground in the fight against the epidemics of cardiovascular disease, obesity and diabetes"

– TOMMAS BONVINO, CEO