



Innovating Technologies for Life

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ITL Half Year Market Update

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ITL had a difficult 2007 after strong growth for a number of years. The company has experienced growing pains and management has been focused on numerous initiatives to allow us to continue to grow while at the same time having to address a number of significant challenges.

During the period our three operating divisions have encountered challenges including:

- the impact on the Australian Procedure Pack operation by the 3rd party sterilisation issues;
- the withholding of funds for public hospital projects in Malaysia; and
- the inability to meet capacity for a major product line in our Malaysian manufacturing.

The company highlighted at the Annual General Meeting in October 2007 a Net Loss before Tax of \$258k for the first quarter and has adjusted to the changed conditions with a major internal restructure which was completed in December 2007.

The restructure has reduced the company's overhead costs by approximately \$1.5m per annum with 50% in the P&L and 50% on development projects affecting the Balance Sheet. The restructure cost totaled \$615k and has been expensed in the first half results.

While the revenue and profit performance over 2007 has been down, the restructuring initiatives have been finalized and many of our strategic and infrastructure projects have been completed.

Some of these include:

Restructuring Initiatives

- Recruited a new CFO in June and over the six months broadened his role to include oversight of day to day operations
- Recruited a General Manager for our Australian Healthcare Division based in Melbourne
- Stabilised our Australian sales force
- Relocated our VP for Manufacturing to our Malaysian manufacturing facility
- Expanded the team in North America to ensure resources are closer to market
- The amalgamation of two ITL Sydney offices into the Australian Technology Park
- Downsized the head office staffing levels and overheads

Strategic and Infrastructure Projects

- Phase 1 deployment of corporate wide ERP software systems providing enhanced financial, production and customer relationship management thus laying the foundation for deployment of future capabilities including warehouse automation, demand/resource planning and e-commerce
- Enhanced IT platforms and networks to support new business and communication systems
- Finalised deployment and commissioning of Steriliser in Melbourne
- Completed new office fit-outs in Sydney and head office in Canberra
- Deferred new factory build in Malaysia and instead undertook expansion of existing Malaysian manufacturing cleanrooms & offices
- Upgraded the Australian manufacturing Quality Management System to meet the TGA's new regulatory requirements

While significant action has been taken to restructure and reduce overheads we are continuing to take steps to grow the business. Two key contracts awarded recently are:

- Preferred supplier to Ramsay Hospital Group (70+ hospitals in Australia) for 2 + 2 years
- Supply of an innovative product with HemaQuebec for 3 + 1 years

Full Year Outlook

Our expectations for the full year result are now Revenue of \$30m to \$33m and Net Profit after Tax of \$750k to \$1m.

Management believes the impact of the recent challenges has been addressed through the measures taken and we can look forward to an improved performance as we are now well positioned for future growth.

Bill Mobbs
CEO

ITL (ASX: ITD, www.itl-limited.com) is a diversified company within the healthcare industry. Specialising in innovative medical devices and procedure packs for global healthcare markets, ITL manufactures in Australia and Malaysia, and has sales offices in Australia, North America, Europe and Asia.

ITL's patented medical devices have a presence in over 35 countries and protect healthcare workers in millions of procedures annually. ITL supplies its range of customised procedure packs to over 200 hospitals across Australia, and within Asia supplies procedure packs, capital equipment and instruments to over 160 hospitals.