

# **IDT AUSTRALIA LIMITED**

## **ANNUAL GENERAL MEETING: FRIDAY 30th OCTOBER 2009**

### **CHAIRMAN'S ADDRESS**

I am very pleased to welcome shareholders to our Annual General Meeting for the year ended 30 June 2009.

In a moment I will be asking our Managing Director Dr Robyn Elliott to address you and outline some of the activities of the company over the past year and to present our future business strategy. However I will take the opportunity now to highlight important aspects of our company's performance.

The global financial crisis began to impact on IDT's financial performance in the last quarter of the 2009 financial year. Through the increasingly difficult business conditions IDT delivered a sound result showing strong profitability.

For the year ended 30 June 2009, revenue was \$26.7 million resulting in a net profit after tax of \$6.4 million.

We have paid a fully franked final dividend for the year of 5.0 cents per share. This brings the dividend for the full year to 10.5 cents per share and maintains the dividend payout ratio in line with the previous year.

A major accomplishment in 2008/2009 was the commissioning and validation of the 4000L active pharmaceutical ingredient (API) facility for use in the manufacture of antibiotic API. The facility has now been utilized in the successful manufacture of an antibiotic active pharmaceutical ingredient for use in Pfizer clinical trials.

A number of other active pharmaceutical ingredient and finished dosage form projects requiring containment continued to move through the clinical pathways required for registration and commercialization. Although, in some cases, the financial crisis has meant that our clients have slowed their clinical programs, these products will ultimately add to IDT's manufacturing base on approval.

Significant clinical revenue growth was achieved in the second half of the 2008/09 financial year for IDT's CMAX clinical trial unit in Adelaide. CMAX is Australia's premier phase one trial unit and as such successfully undertook the CSL clinical trial for the world's first commercial swine flu vaccine.

Let me now talk a little about the prospects for the current year. As expected and previously advised, IDT has experienced a challenging beginning to the 2009/2010 financial year as the full impact of the global financial crisis has been felt by the biotech and pharma industry. A slowing of current development projects and increased competition for new projects due to global plant availability has led to a reduction in IDT's underlying manufacturing and development revenues.

As we have previously advised, all work on the Pfizer project was halted in December 2008. Furthermore, Pfizer confirmed in August, 2009 that they would no longer pursue the development of this antibiotic drug. At the moment, negotiations are being held in relation to the significant Pfizer capital commitment invested on the IDT Boronia site. We understand this investment to be in excess of \$20 million at cost.

On current indications, IDT expects an underlying loss of between \$500,000 and \$1 million from business operations for the first half to December, 2009. However, due to the potential significant financial upside from the currently unresolved accounting and taxation implications of the Pfizer negotiations, a definitive half year profit forecast cannot be provided at this time. On the basis of initial estimates, the size of this potential benefit would more than offset the current anticipated loss.

IDT's continuing low debt position gives the company stability and an opportunity to use its strong balance sheet for future growth.

Your Board of Directors thanks the management and staff of IDT for their loyalty and dedication at a challenging time for the company.

I would now like to ask our Managing Director Dr Robyn Elliott to report in more detail on the operations of the Company.

**Dr Graeme L Blackman OAM**  
Chairman

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### **MANAGING DIRECTOR'S ADDRESS**

#### **SLIDE 1**

I thank you for coming to IDT today to provide the company an opportunity to discuss the 2008/2009 year and its plans for the future.

#### **SLIDE 2**

At Boronia, IDT continues to focus on the contract development, manufacturing and testing of both active pharmaceutical ingredients and finished products requiring containment. Additionally through the CMAX site in Adelaide, IDT undertakes clinical evaluation of new pharmaceutical products for clients to ensure product safety and efficacy.

#### **SLIDE 3**

There were a number of highlights in the 2008/2009 financial year:

- As Dr Blackman mentioned, the successful completion of the Pfizer 4000L facility and the manufacture of the required antibiotic drug were milestone achievements in the history of IDT.
- In partnership with a client, IDT also achieved its first Paragraph IV "first to file" generic drug submission to the FDA. It represents a great opportunity to be the first US approved generic drug manufacturer for the product.
- A number of IDT's long term development projects moved through the clinical process during 2008/2009 with IDT undertaking the validation and clinical programs required to enable our clients to submit world wide registration applications for the products.
- CMAX undertook the worlds' first commercial swine flu vaccine clinical trial for CSL.
- During May/June 2009 IDT's facilities and systems were audited by both the USA's Food and Drug Administration and Australia's Therapeutic Goods Administration. In both cases the audits were extremely successful which confirmed IDT's international quality status. This is an important aspect when international companies are deciding whether to bring their projects to Australia.
- Financially, IDT delivered a sound profit in a deteriorating business climate

#### **SLIDE 4**

IDT's long term vision is to provide sustainable profit growth and return on investment that reflects outstanding performance. It has become clear however that this will be difficult to achieve in the short term due to the current unprecedented global financial crisis and its effect on US companies which are IDT's major clients.

#### **SLIDE 5**

The medium term drivers for business growth in the outsourcing industry have not changed since last year. Large pharmaceutical companies are closing plants and reducing overheads by outsourcing development and manufacturing. Smaller biotech companies must outsource as they do not have the infrastructure to undertake the required drug development and clinical activities. Finding the cure for cancer is still the major focus of many pharmaceutical companies.

#### **SLIDE 6**

However the short term business conditions for pharmaceutical service providers has changed significantly since the last AGM. Large pharmaceutical companies have been involved in mergers and acquisitions leading to drug portfolio reviews, cancellation of projects and delay in clinical programs. Biotech companies have in general been unable to raise capital over the last 12 months to progress their clinical programs.

**SLIDE 7**

The effects of the resultant clinical program delays on IDT's short term financial results have been compounded by the increased difficulty in obtaining drug approvals, the high Australian dollar and an increase in overseas competition.

**SLIDE 8**

The global financial crisis is expected to ease internationally over the next year. Within this environment, IDT has put a number of strategies in place to ensure that in the medium term IDT will meet its goal of sustainable profit growth.

**SLIDE 9**

- It is important to find new projects with new clients. IDT is working with international representation organizations to find and win these projects. **SLIDE 10** IDT has a world class suite of containment facilities available for the development and manufacture of potent and cytotoxic drugs in which these new projects can be placed.

**SLIDE 11**

- It has been previously announced that IDT is in negotiations with Pfizer in order to finalize the ownership arrangements of the new facilities originally built at IDT Boronia for the Pfizer project. **SLIDE 12** On successful completion of the contract negotiation, these facilities are likely to provide IDT with a range of new opportunities for both contract and in-house drug development and manufacturing programs.

**SLIDE 13**

- IDT has implemented a number of cost saving measures over the last 9 months to help minimize the effects of the difficult business conditions. Reviews will continue to ensure that we are taking all steps to maximize profitability.

**SLIDE 14**

In summary the last year has no doubt been challenging. Throughout this period the staff and management of IDT have worked tirelessly to ensure a positive future outcome for the company. I thank them for the enormous commitment they have shown and look forward to the year ahead with cautious optimism.

**Dr Robyn Elliott**  
Managing Director