

ANNUAL GENERAL MEETING – 7 NOVEMBER 2003

Ladies and Gentlemen, the time being 10.00 and there being a quorum present, I declare the meeting open.

My name is Mel Ward, the chairman of your company.

On behalf of the Board, it is my pleasure to welcome you to today's Annual General Meeting.

Let me first introduce to you the Directors of Pro Medicus:

Mr Peter Jonson –Deputy Chairman.

Mr Philip Molyneux – Non Executive Director.

Mr Sam Hupert – CEO, Founder, and Executive Director.

Mr Anthony Hall – Technical Director and Founder.

I would also like to introduce:

Mr Danny Tauber – Head of Operations, and

Mr R Bruce Dungey - Auditor from Ernst and Young.

FINANCIAL SUMMARY.

The 2002/03 year has been both an exciting and challenging year for the company.

It has been another profitable year for the company, with margins which are outstanding on any measure. It has however failed to deliver in a timing sense the results which it has striven so hard to achieve. Much hard work has been put into the development of new high quality systems and products, and in the development of markets, but the benefits of these is only now starting to materialize.

We have been able to achieve an after tax profit of \$4.54m, which is within 5.5% of last year's record profit. Pro Medicus is still the most profitable e-health/medical IT company in Australia. This was achieved despite the deferral of some significant installations which we had expected would be required late in the second half of the 2003 financial year. The company reasonably expects that these installations will take place in the 2004 financial year.

Revenue at \$9.50m was some 9% down on the previous year. This was partially due to deferrals, and partially because of a product mix change from hardware sales to higher margin software sales.

Despite revenue being down, the margin of net profit before tax to operating revenue increased from 66.5% to 70.7% - a very pleasing result. It is also notable that over 55% of the company's revenue came from recurring sources.

The balance sheet has continued to strengthen with shareholder funds increasing by 44% to \$10.75m. The company is cash flow positive and has increased its cash reserves to \$9.58m. It remains operationally debt free.

The company is therefore in a strong position to take opportunities for inorganic growth through acquisitions which may present themselves, and your Board continues to look for such opportunities. We will however only act if we can find investments which add real shareholder value and which are consistent with our core competencies. From our strong balance sheet we are also able to confidently undertake continued R&D, and to seek geographical market extension.

This confidence has also been reflected in the Board's decision to raise the Dividend Payout Ratio to distribute between 60 and 70% of profit after tax. The final dividend declared was 2c per share fully franked, which brings the full year dividend to 3.25c per share. This is an increase of 30% on the previous years dividend.

It will have been as evident to you, however, as it is to us that the stock market has not treated Pro Medicus kindly. With the stock trading generally around the 80c mark, we all have reason to feel disappointment. It is evident that we are subject to thin trading with resulting volatility when an institution decides to rationalize its holdings. We feel that the stock is undervalued when its strong financials are considered, but we must continue to seek ways to increase the liquidity of stock. In this regard, the increasing number of retail shareholders on our register is encouraging (now over 1300) but more needs to be done.

It is important to keep in mind the strengths of this company and the significant moves it has made during the year:

- The core practice management systems and support services have continued to have a dominant position in private radiology in Australia. This gives a high level of recurring revenue.
- Promedicus.net continues to show strong growth and is contributing well to profits. It now handles over 200,000 transactions per month and is well used and regarded by about 60% of medical practitioners.
- The use of .net services is also moving to other groups such as non-radiology specialists.
- Our software has maintained its leading edge position by continuing upgrades to meet new government or customer requirements.
- Our partnership with the global medical imaging group, Agfa HealthCare Limited, has progressed well with completion of a full suite of integration software to allow a radiology practice to transition from an analogue, film based technology to a fully digital environment. The benefits of this transition are quite remarkable, as has been shown to the medical profession at the first site to be installed at Lake Imaging in Ballarat.
- The company is in advanced negotiations with a number of clients regarding the move to full digital operation.
- Our software Appointments product is now in use in a significant number of radiology practices, and its use ties in with the move to PACS integrated digital imaging. There is still a lot of scope for takeup of this product and strong sales are expected in this year. The use of Appointments software is included in a previously announced Memorandum of Understanding with Mayne Health Diagnostic Imaging (a division of Mayne Group Limited) for use throughout their practices.
- The move with MIA to install Pro Medicus software systems in the UK through MIA Lodestone has been most successful. This is one of the UK's largest private

radiology groups, and our successful integration has shown clearly that our systems can migrate overseas with confidence.

Overall, much was achieved during this year and we expect sales benefits to follow.

You will probably have seen in the press the attention that is being given to the subject of corporate governance. In particular the ASX brought forward a series of guidelines and recommendations for the best practice corporate governance of companies. Your Board has examined these thoroughly and is pleased to report that it complies in all major respects. An Audit Committee has been formally established under the chairmanship of Philip Molyneux, and it exercised its mandate in the preparation of these accounts. The Board has elected to not establish a separate Nominations and Remuneration Committee, but rather to treat these matters by the Board as a whole. It could be noted that there have been no increases in remuneration of either Executive Directors or Non-Executive Directors since the floating of the company.

Pro Medicus is a small company with only 17 staff, but it has produced remarkable outputs and results. On behalf of the Board, I would like to thank the CEO, the Technical Director, the Head of Operations, and all Staff for their dedicated service. The Board and management are focused on achieving company growth and growth in TSR, and our staff are dedicated to technical excellence and to providing superior customer service.

It has been then a consolidation year, with much achieved and with Pro Medicus ready for industry adoption of new technology and services but frustrated by industry delays. Your board believes however that the evolution to digital operation in radiology practices is inevitable and that the productivity and efficiency gains to be made will see an accelerating rate of conversion.

Thank you for your attention, and now may I introduce our CEO, Dr. Sam Hupert, to expand on our operational results.