ASX/MEDIA RELEASE

ASX: MLA 25th January 2011

MLA delivers 18% increase in half year revenue to $4.6 million

- **EBITDA for the half of $350,000 (Versus a loss of $150,000 for same period last year)**
- **Consistent month on month profitability**
- **Significant margin improvement expected to continue**
- **MLA now cash flow positive**
- **Well funded with $700,000 cash at bank**
- **Revenue and earnings weighted to second half**

Sydney 25th January 2011: Medical products manufacturer and distribution company Medical Australia Limited (ASX:MLA) today reported revenue of $4.6 million for the first half of FY2011, an 18% increase on the previous corresponding period. Second quarter revenue was $2.7 million versus $1.9 million in the first quarter, reflecting the early revenue contributions from new Original Equipment Manufacturer (OEM) agreements that have recently been secured.

While the growth in revenue is pleasing, MLA is encouraged by the turnaround in profitability with earnings before interest tax, depreciation and amortisation (EBITDA) for HY2011 of $350,000. This compares to a $150,000 loss in the previous corresponding period and represents a $500,000 turnaround in profit performance. Each of the first six months of FY2011 was profitable.

MLA's EBITDA to sales margin was 13%, driven primarily by a lower cost base and improved efficiencies from the company's supply chain investment. Margin growth is expected to continue.

MLA is now cash flow positive and expects to improve its cash position as the year progresses. The company now has $700,000 cash at bank, versus $77,000 in the previous quarter.

MLA's Chief Executive Officer Mark Donnison commented: "While we are encouraged by the revenue and profit performance, we are still in the very early stages of our growth. Our focus in the first half has been to improve margins, stabilise operations, and continue to focus on supply chain optimisation. The result is pleasing sales growth and a significant turnaround in profitability.

"Revenue for the first half has been achieved via our existing product portfolio and customer base. Now that MLA has a stable operating platform and a lower cost base, our focus will turn to aggressively pursuing revenue growth and expanding our geographical footprint, while at the same time improving margins.

"We are now actively marketing new products to existing customers and pursuing new customer relationships in Australia, the United Kingdom and the Middle East.

"Our OEM strategy is still in the early stages and presents MLA with significant upside. Sales from our partnership with Medivet started to ramp up in December, we are growing sales from the Terumo agreement, and we expect sales from our new partnership with Fresenius Kabi to commence in the current quarter. MLA is now focused on commercialising new products and broadening our customer base, whilst concurrently pursuing additional OEM agreements.

"MLA now has the foundation in place to fast-track organic growth. Our cost base has stabilised, we continue to optimise value from our supply chain, we are expanding our customer base in new and existing markets, and positioning the company as a reliable and trusted OEM partner to a number of the world's leading healthcare companies. MLA is in strong shape with multiple growth channels."

MLA says revenue and earnings will be weighted to the second half of FY2011 due primarily to revenue contributions from new OEM agreements which are now starting to materialise.

ENDS

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Medical Australia Limited (ASX : MLA) is a medical company engaged in the manufacture, distribution and sale of a broad range of medical devices used by healthcare facilities and critical care services in global markets. The Company is a leader in Intravenous (IV) Medication Delivery Systems, Surgical Irrigation, Suction and Oxygen Therapy, Safety Sharps Collection and Reuse Prevention and specialised Diagnostic and Laboratory Equipment. Our products are used in three broad areas of healthcare, Human Health; Biological Collection, Processing and Laboratory; and Animal Health.