

Ellex Medical Lasers Ltd

**Annual General Meeting
25th November 2004**



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Today's Briefing

- Ellex Vision
- Review of the Business model
- The Growth Strategy
- FY'04 performance summary
- FY'05 Outlook



The Ellex Vision

- Last year was an important year in the history of Ellex
- Ellex has embarked on a path to become the No.1 Global Ophthalmic Laser supplier (excluding vision correction)
- This is an ambitious aim



Market History

- The 1990's were strong growth years for the ophthalmic laser
- Double digit growth for a decade
- Fuelled by aging population
- Improving healthcare in third world



Business Model - History

- Growth by focus on narrow niche – Lasers for Capsulotomy (Secondary Cataract)
- From 0-45% market share in this niche in 10 years
- By 2001, 51% of business dependent on two OEM contracts
- Sales of the Laserex brand through third party distributors
- Ellex growth in excess of 15% CAGR from 1990 - 2000
- Ellex highly profitable



Why Change the Model?

- Reliance on the Capsulotomy Laser niche a limit to company growth
- Market contraction resulted in Distribution Partners focussing on their own core businesses at the expense of Ellex sales
- Financial collapse of our OEM partner exposed our reliance on third parties
- Strong A\$ reduces profit



Industry Landscape

- Contraction in the Ophthalmic Laser Market
 - 7% CAGR contraction in 2002
 - 6% CAGR contraction in 2003
- Market Leadership previously held by Coherent Medical was lost
- Confusion in market
.....result is contraction



The Growth Strategy

- Expand to parallel market segments
.....with new product development
- Secure direct distribution in major markets
.....being USA and Japan
- Prepare distribution channels
.....for broader product offering



How is Ellex positioned

Ellex is positioning to become the
Market Leader in Ophthalmic Lasers

with:

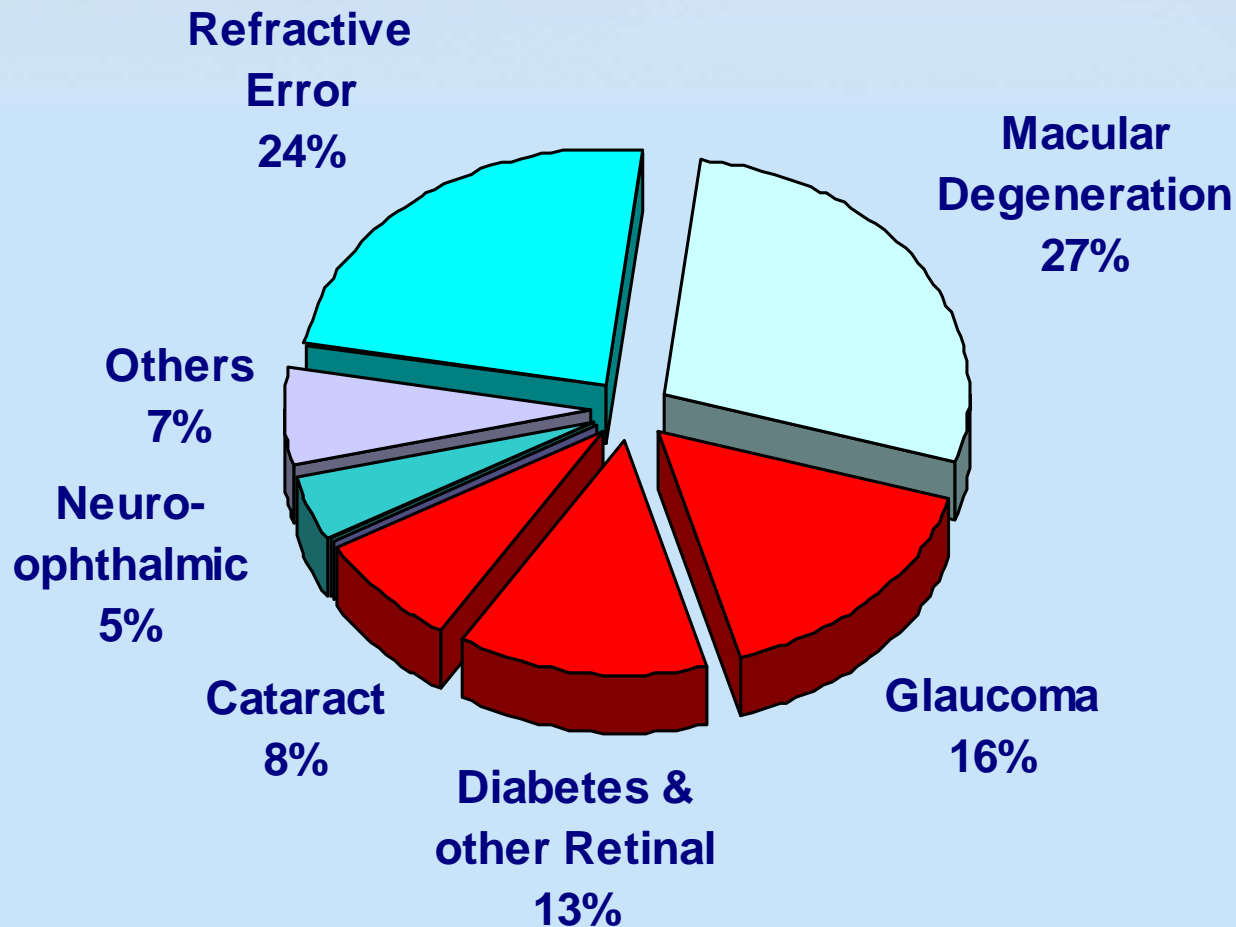
- The best range of Secondary Cataract Lasers
- A strong range of Glaucoma Lasers
- An new range of Retinal Lasers



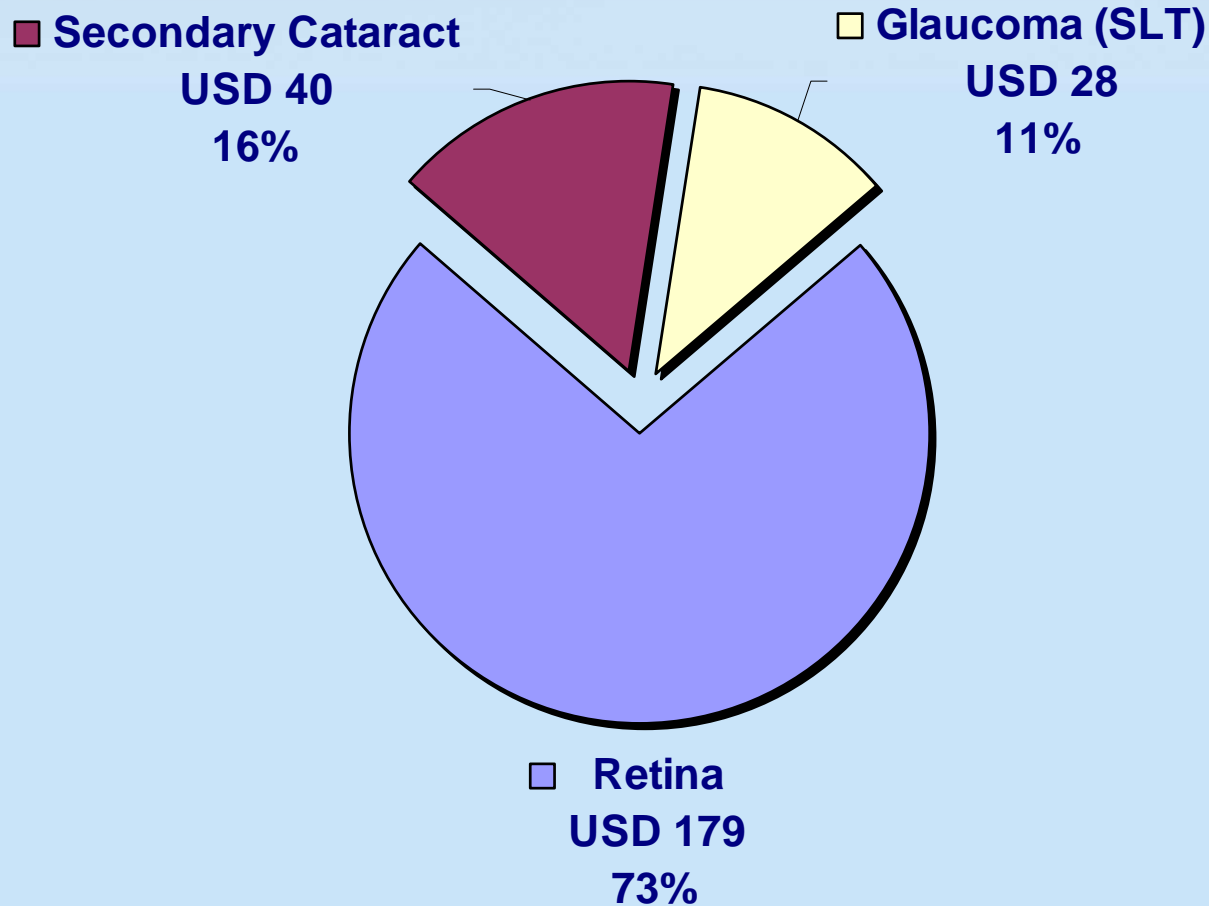
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Market Segment Coverage '04

Causes of Blindness



Laser Market Segment Size



Achievements to date

- Japanese sales company established with 12 staff to date
- Key Japanese regulatory approvals received
- Solitaire™ Retinal Laser favourably received at AAO'04 (Nov) in New Orleans
- New distributors appointed in key international markets



FY'04 Performance Highlights

- Sales \$26.6M (2003 \$26.1M)
- NPAT \$0.9M* (2003 \$2.7M)
- Cash flow \$0.8M (2003 \$2.7M)
- R&D Spend \$5M (2003 \$3.1M)

* pre Goodwill



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FY'04 Year Results

	Jun 04 Full Year	Jun 03 Full Year
Revenue (\$m)	26.6	26.1
EBITDA pre R&D (\$m)	6.3	6.9
as a % of revenue (%)	23.7%	26.4%
R&D (\$m)	5.0	3.1
EBITDA (\$m)	1.3	3.8
as a % of revenue (%)	4.8%	14.6%
NPBT (\$m)	(0.38)	2.2
as a % of revenue (%)	-1.4%	8.4%
NPAT (\$m)	(0.21)	1.6
as a % of revenue (%)	-0.8%	6.1%
NPAT pre goodwill (\$m)	0.9	2.7
as a % of revenue (%)	3.4%	10.4%



Focus for next 3 years

Best in the Business

- Release full range of Retinal Lasers
- Manage our Japanese sales business to profitability
- Expand our US sales business
- Establish our brand as the best in the business



Progress and Outlook

- Excellent positive feedback received from customers
- The plan is ambitious, challenging and dynamic
- Plans are delayed by approx 6 months
- Japanese subsidiary positive cash flow before end FY'05
- Expect strong revenue growth once key fundamentals are established
- Long term profitability target of 15% of revenue



FY'05 Outlook

- Some revenue growth expected
- Continued investment in R&D and distribution will curb profits
- Continued positioning of Ellex for growth



FY'05 Outlook Cont'd

Key factors likely to affect performance

- Reaction of OEM partners
- Rising \$A
- Penetration of Glaucoma market
- Successful release of Retinal products
- Successful establishment of our brand in Japan

