Highlights

• Ellex brand surpassed 90% of revenue target
• Two acquisitions:
  - Australia direct sales
  - Ultrasound product line
• Market is accepting new Integre Duo (laser) product
• Japan operation is now solidly profitable
• Attention turns to US sales
• AusIndustry grant signals improved long-term growth prospects
Ellex’s Stated Growth Strategy

- Transition from OEM to direct sales as Ellex Complete
- Become market leader in core business, laser segment #5 to #3
- Leverage the Ellex brand and channel to market, expand beyond lasers Started with acquisition of Innovative Imaging

A $260 million Ophthalmic Laser Market

- Ellex 16%

A $2.6 billion Ophthalmic Device Market

- Lasers 10%
Growth – Product Line

**Core:** Seven laser products + one more in 2007 = Industry’s most complete laser product line

**New:** Innovative Imaging acquisition expands products beyond lasers

- **Glaucoma:** SLT photoregeneration
  - Tango
  - Solo

- **Cataract:** Photodisruption
  - Super Q
  - Ultra Q

- **Retina:** Photocoagulation
  - Solitaire
  - Integre
  - Integre Duo

- **Diagnostic Ultrasound**
Core Business – Laser Market Share

Highlights

• Ellex moves to #3 position and remains the fastest growing brand in this segment

• Share increases from 12% PCP to 16%

• Lumenis and Iridex share decreasing due to focus on aesthetic market

• Ellex is positioned to pass #2 Lumenis in FY08
Growth of Ellex Brand Laser Sales

- FY05 1st Half
- FY05 2nd Half
- FY06 1st Half
- FY06 2nd Half
- FY07 1st Half
New Integre Duo Gains Market Acceptance

Advantage: Ellex has the newest product line in the market

“Almost all patients with retinal diseases can be treated by these 2 colors.”
Professor Francesco Bandello, Italy

“The viewing of the fundus is sensational!”
Professor Michael Stur, Austria
**New Business – Ultrasound Market Share**

*Data from Market Scope LLC, USA*

- A$26M total annual market
- US is largest market representing 47%
- Japan pricing 25% higher than global average
- 70% of revenue derived from retina surgeons
- Ellex is expanding manufacturing capacity
- Opportunity to leverage Japan, US and Europe distribution investments
- Critical addition to product line to support transition to direct sales in the US
Innovative Imaging’s Premier Ultrasound

Advantage: Ellex enters market with premium product

<table>
<thead>
<tr>
<th>Ultrasound waves are transmitted from a probe placed on the cornea into the eye.</th>
<th>Sound waves reflected back by ocular structures create a picture</th>
</tr>
</thead>
</table>

Ellex differentiators

- Highest resolution
- Fastest sampling rate for movie display
- Expert clinical training

Ultrasound of an ocular tumor.
Balancing Growth Investments and Profits
Trend over time will favor profit growth, but it is a gradual process

<table>
<thead>
<tr>
<th>Recent Investments</th>
<th>Need and Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing engineering</td>
<td>Gross margin uplift &amp; capacity</td>
</tr>
<tr>
<td>Global service</td>
<td>Support direct sales, differentiate</td>
</tr>
<tr>
<td>Europe technical center</td>
<td>Support growing installed base</td>
</tr>
<tr>
<td>Two US direct sales reps</td>
<td>Capture share and margin</td>
</tr>
<tr>
<td>Business development</td>
<td>Support acquisitions</td>
</tr>
<tr>
<td>Global marketing</td>
<td>Drive market share and growth</td>
</tr>
</tbody>
</table>
Investments Aligned with Opportunity
Core Laser Business

Ellex Installed
Total Installed Base
Platform for Growth

LEVERAGING THE PLATFORM

- Expand Product Offering Through Acquisitions
- Expand Distribution to Capture Share and Margin
- Expand Eye Care Market Through Advanced Research

BUILDING THE PLATFORM

<table>
<thead>
<tr>
<th>FY</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY06-07</td>
<td>$2m</td>
<td>Mfg. Facility and Process Upgrades</td>
</tr>
<tr>
<td>FY05-06</td>
<td>$3m</td>
<td>Distribution/Sales/Service/Brand</td>
</tr>
<tr>
<td>FY04-06</td>
<td>$5m</td>
<td>Ellex Japan</td>
</tr>
<tr>
<td>FY03-07</td>
<td>$15m</td>
<td>R&amp;D to Expand Laser Product Line</td>
</tr>
</tbody>
</table>
Financial Highlights

- Revenue from Ordinary Operations up 26% to $21.2 million
- NPBT up 28% to $1.4 million
- NPAT up 13% to $1.2 million
- Ellex brand revenue up 56% on prior year
- Ellex brand revenue 95% of total revenue
- Excluding impact (benefit) of capitalised R&D NPAT up 74%
## Key Objectives & Performance

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieve 15% growth in revenue over prior year.</td>
<td>Revenue growth of 26% achieved.</td>
</tr>
<tr>
<td>Improve profitability.</td>
<td>NPBT up 28%.</td>
</tr>
<tr>
<td>Ellex brand sales exceed 90% of total revenue.</td>
<td>Ellex brand sales grew 56% on PCP and represented 95% of total revenue.</td>
</tr>
<tr>
<td>Improve margins through transition to Ellex brand sales and higher margin product mix.</td>
<td>High Q1 manufacturing cost and weak Yen resulted in margins consistent with PCP. Expect improvement in second half.</td>
</tr>
<tr>
<td>Improve inventory management.</td>
<td>Inventory turn improved from 1.7 to 1.8. Target further improvement by June 2007.</td>
</tr>
</tbody>
</table>
## Summary P&L

<table>
<thead>
<tr>
<th></th>
<th>FY07</th>
<th>FY06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$M</td>
<td>21.2</td>
<td>16.8</td>
</tr>
<tr>
<td><strong>Gross Margins</strong></td>
<td>$M</td>
<td>9.4</td>
<td>7.5</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>44%</td>
<td>44%</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td>$M</td>
<td>2.2</td>
<td>1.7</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>NPBT</strong></td>
<td>$M</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>NPAT</strong></td>
<td>$M</td>
<td>1.2</td>
<td>1.0</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Revenue Contribution by Region

FY06
- Direct channels now contribute over 50% of total revenues
- Australia emerging as a strong opportunity
- Continue to see strong growth opportunities in US and Japan
- Distribution network, particularly Europe, very strong

FY07
- OEM 5%
- Aust 8%
- US 20%
- Dist Partners 44%
- Japan 23%
- Dist Partners 38%
Balance Sheet

• Strong Q2 result skewed receivables at December 2006
  - Opportunity to release cash in second half
• Funding to meet needs of acquisitions and working capital have increased borrowings
• Focus on reducing debt to provide capacity for new growth initiatives
Outlook FY07

• Full Year revenue growth of 20-25% over FY06 – previous guidance 15% growth

• Improved profitability driven by
  - Gross margin improvement
  - Completing integration of new acquisitions

• Initiatives to improve balance sheet and cash flow focusing on receivables and inventory

• Continue to identify opportunities to leverage stronger distribution