



Half Year Results  
March 2007

# Highlights

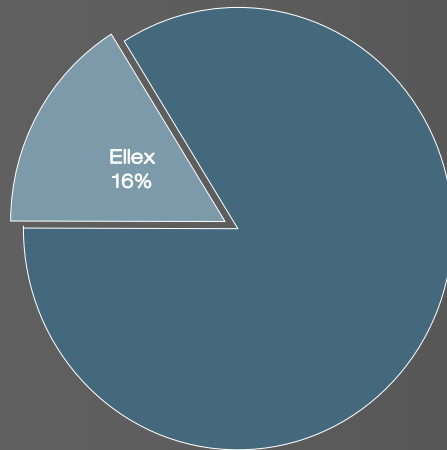
- Ellex brand surpassed 90% of revenue target
- Two acquisitions:
  - Australia direct sales
  - Ultrasound product line
- Market is accepting new Integre Duo (laser) product
- Japan operation is now solidly profitable
- Attention turns to US sales
- AusIndustry grant signals improved long-term growth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



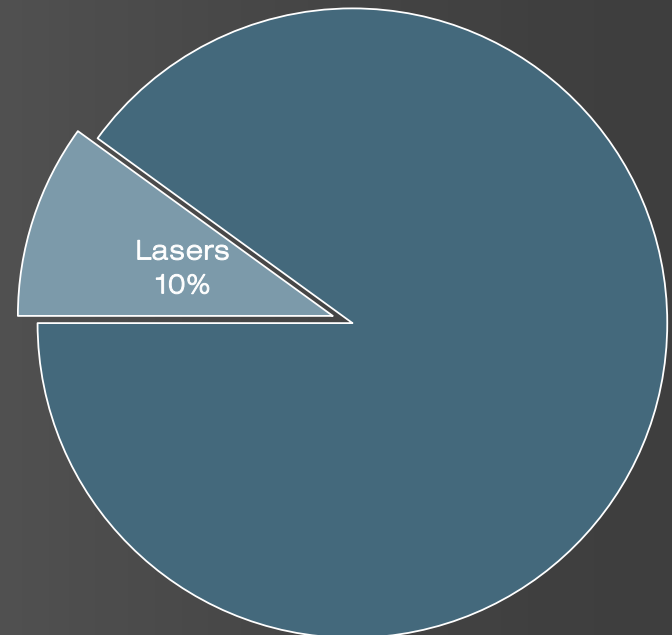
# Ellex's Stated Growth Strategy

- 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



A \$2.6 billion Ophthalmic  
Device Market



# 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

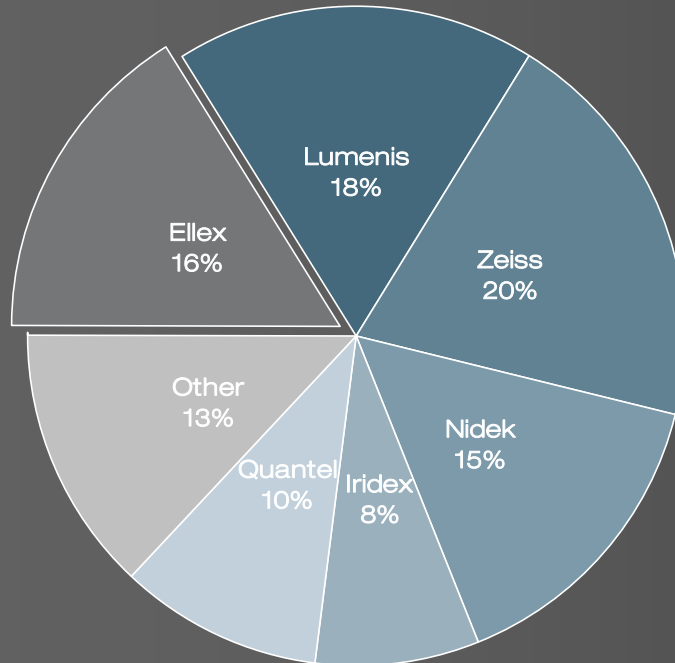


Integre Duo

## diagnostic ultrasound



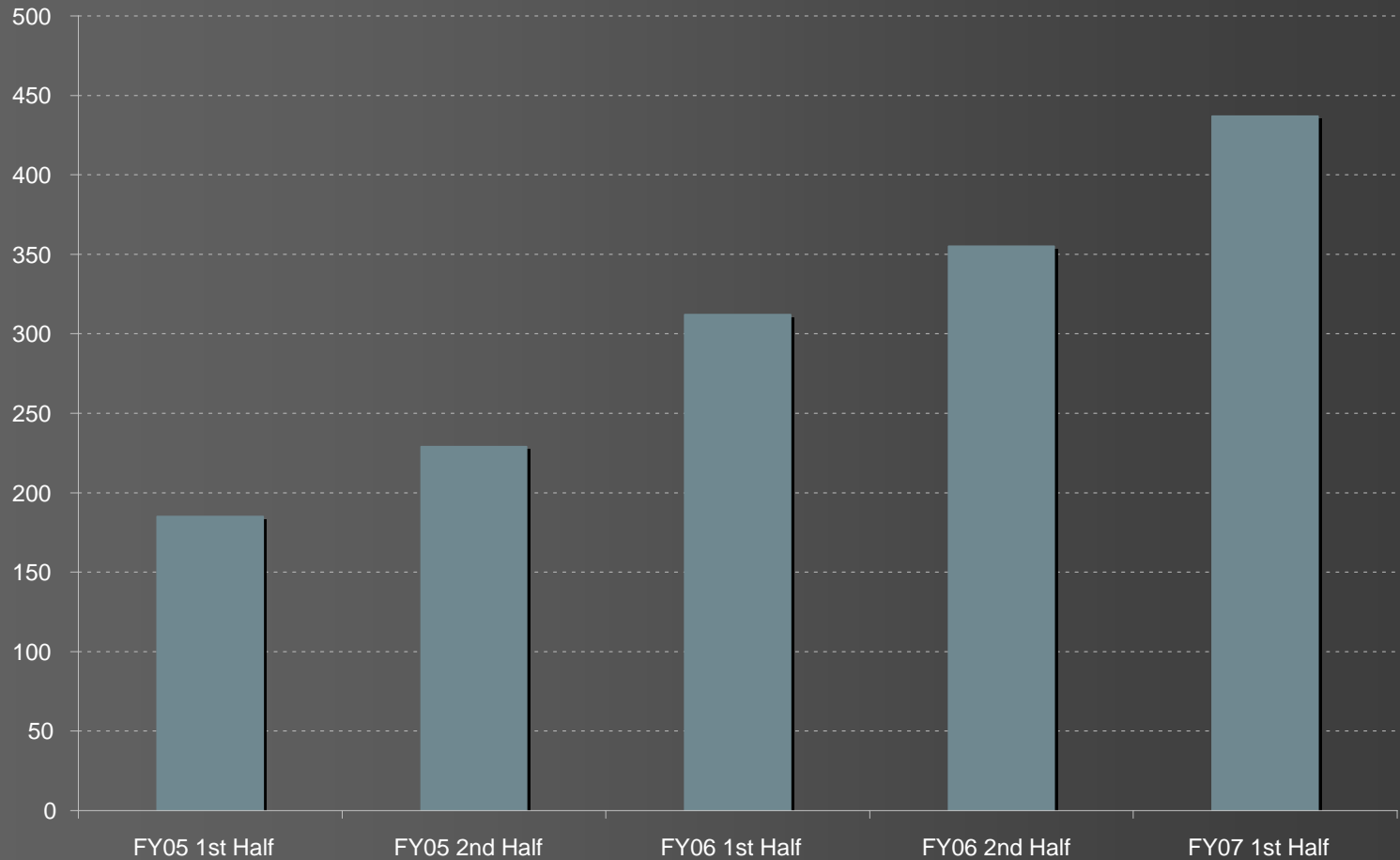
# Core Business – Laser Market Share



## 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



# 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

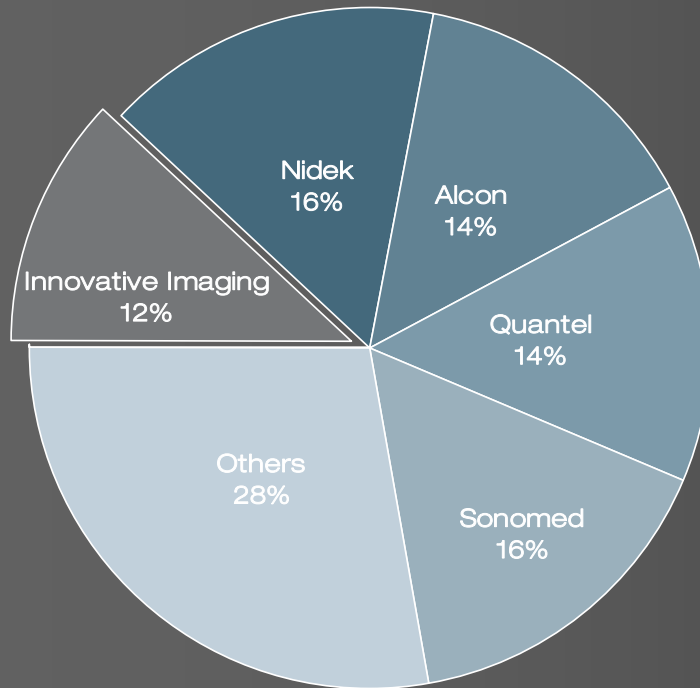
*“The viewing of the fundus is sensational!”*

Professor Michael Stur, Austria



# New Business – Ultrasound Market Share

*\* Data from Market Scope LLC, USA*



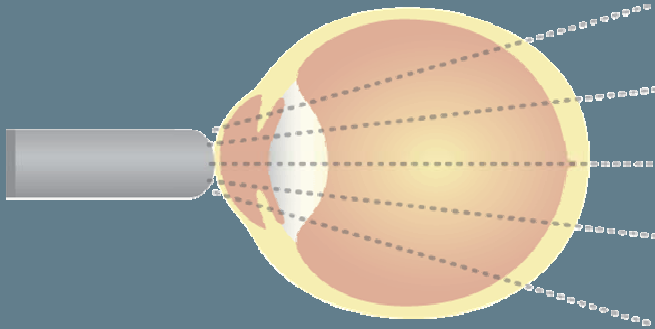
- A\$26M total annual market
- US is largest market representing 47%
- Japan pricing 25% higher than global average
- 70% of revenue derived from retina surgeons
- Ellex is expanding manufacturing capacity
- Opportunity to leverage Japan, US and Europe distribution investments
- Critical addition to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



# Innovative Imaging's Premier Ultrasound

Advantage: Ellex enters market with premium product

Ultrasound waves are transmitted from a probe placed on the cornea into the eye.



Sound waves reflected back by ocular structures create a picture



Ultrasound of an ocular tumor.

## Ellex differentiators

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



# Balancing Growth Investments and Profits

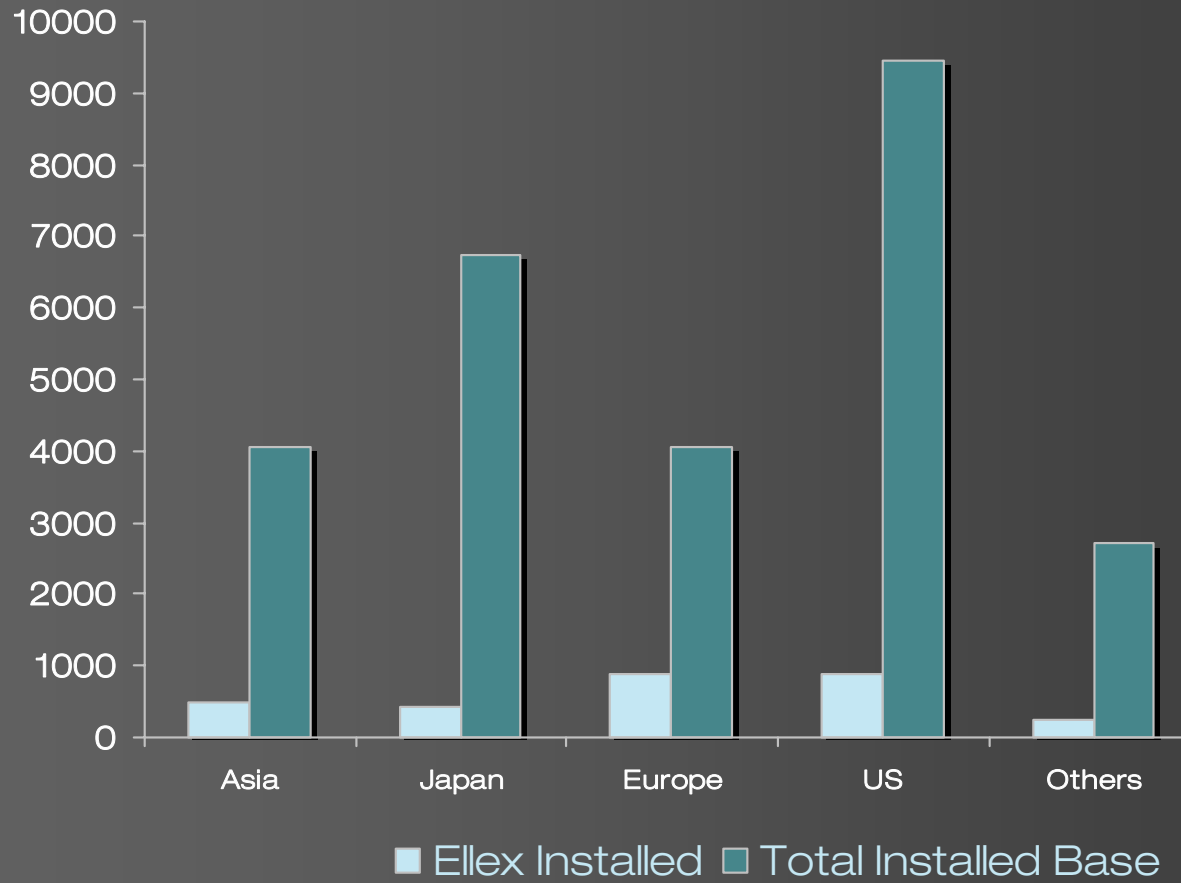
Trend over time will favor profit growth, but it is a gradual process

<u>Recent Investments</u>	<u>Need and Benefit</u>
Manufacturing engineering	Gross margin uplift & capacity
Global service	Support direct sales, differentiate
Europe technical center	Support growing installed base
Two US direct sales reps	Capture share and margin
Business development	Support acquisitions
Global marketing	Drive market share and growth



# Investments Aligned with Opportunity

## Core Laser Business



# 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

FY06-07	\$2m	Mfg. Facility and Process Upgrades
FY05-06	\$3m	Distribution/Sales/Service/Brand
FY04-06	\$5m	Ellex Japan
FY03-07	\$15m	R&D to Expand Laser Product Line



## 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

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



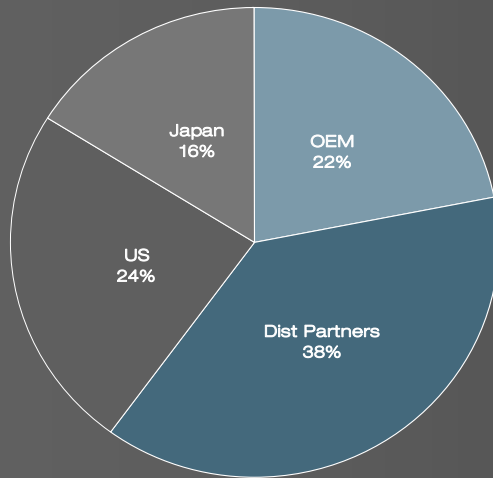
## Summary P&L

		<b>FY07</b>	<b>FY06</b>	<b>Change</b>
Revenue	\$M	21.2	16.8	+26%
Gross Margins	\$M	9.4	7.5	+30%
	%	44%	44%	
EBITDA	\$M	2.2	1.7	+27%
	%	10%	10%	
NPBT	\$M	1.4	1.1	+28%
	%	7%	6%	
NPAT	\$M	1.2	1.0	+13%
	%	6%	6%	



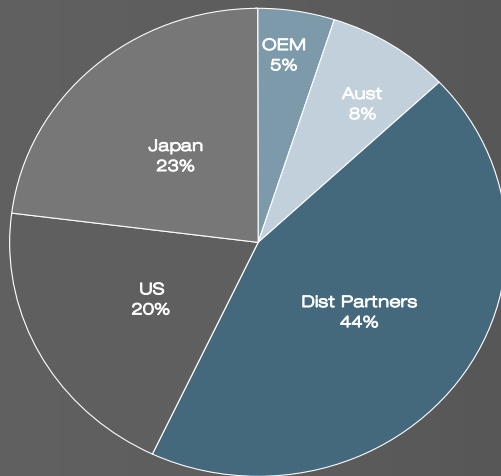
# Revenue Contribution by Region

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





# 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