Vision Eye Institute Limited
FY13 Results Presentation

Year ended 30 June 2013

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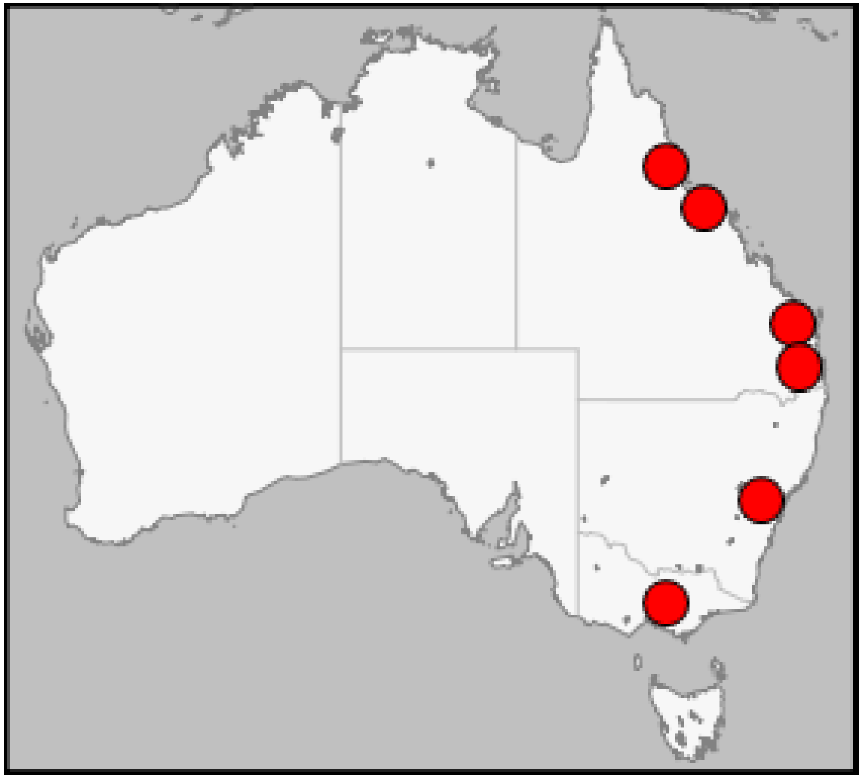
Non-IFRS Information

This presentation makes reference to certain non-IFRS financial information. Management use this information to measure the operating performance of the business and has been presented as this may be useful for investors. This information has not been reviewed by the company's auditor.

Our Business

- Vision Eye Institute Limited is Australia's largest provider of ophthalmic care, diagnosing and treating people with eye disorders and diseases
- The Group has 34 Doctor Partners, 19 Associates, and 15 Visiting Surgeons offering a broad range of services including specialist eye care in the areas of cataract surgery, vitreo-retinal surgery and treatment for macular degeneration, refractive surgery, glaucoma treatments, corneal surgery, and ocular plastics treatment and surgery

- NSW – 5 consulting clinics
  – 2 day surgery clinics
  (2 operating theatres)
  – 3 laser refractive clinics
- VIC – 6 consulting clinics
  – 3 day surgery clinics
  (3 operating theatres)
  – 1 laser refractive clinic
- QLD – 7 consulting clinics
  – 3 day surgery clinics
  (6 operating theatres)
  – 3 laser refractive clinics



FY13 Highlights

Key Highlights

- EBITDA* $25.3 million in line with EBITDA earnings guidance range of $25-$26 million
- Net Profit after tax* increased 5.6% reflecting significantly lower interest expense
- Capital raising was a catalyst for significantly reducing debt levels and reducing cost of funds
- Bank debt reduced from $85 million to $47.5 million (at 31 July $42.5 million)
- Loan facility extended for 3 years on more favourable commercial terms with annual repayments of $5 million
- Net debt at the end of July 2013 was $37.0 million

*adjusted for goodwill impairment $26.3 million

Key Priorities (Scorecard)

✓	Recapitalisation	▪ $27.2m capital raising has significantly deleveraged the Group ▪ $37.5m bank debt repaid since 30 June 2012 ▪ Strong re-rating in VEI's share price post the raising
✓	Bank Debt Facilities	▪ 3 year facility ▪ Lower cost of debt on improved terms & conditions ▪ Reduced amortisation commitments
✓	Clinical / Day Surgery Labour	▪ Collective bargaining agreements in place with nursing staff in QLD and VIC. NSW will remain under modern award ▪ Orthoptic staff now remunerated under a model based on experience
✓	Procurement / Technology	▪ Co-ordinated buying power now delivering benefits in purchasing medical supplies and equipment ▪ Four femtosecond cataract lasers now installed and operational ▪ Will look at emerging technology developments
✓	Overheads	▪ Tightly managed and reducing (indirect operating expenses declined 3.4% from FY12)
Ongoing	Day Surgeries	▪ Targeted revenue growth by attracting visiting surgeons ▪ Improving efficiency and utilisation of existing facilities ▪ Look to expand footprint
Ongoing	Doctor Remuneration	▪ Variable doctor remuneration equivalent model continues to increase levels of doctor engagement in the business with over 70% of consulting and surgical revenue generated by doctors on the model ▪ Maintain profit based focus ▪ Inevitable that doctor share of clinic profit pools will increase ▪ Challenge is to grow profit pools and maximise efficiencies

Earnings Summary

		FY13	FY12	% change
Revenue	$m	107.1	111.2	(3.7%)
Gross profit	$m	42.2	44.6	(5.4%)
Gross profit margin	*%*	*39.4%*	*40.1%*	
EBITDA	$m	(1.0)	27.1	n/a
EBITDA pre goodwill impairment	$m	25.3	27.1	(6.6%)
EBITDA pre goodwill impairment margin	*%*	*23.6%*	*24.3%*	
EBIT	$m	(6.6)	21.8	n/a
EBIT pre goodwill impairment	$m	19.7	21.8	(9.6%)
Net finance costs	$m	(6.0)	(8.6)	(30.2%)
Profit before tax & goodwill impairment	$m	13.7	13.2	3.8%
Profit after tax before goodwill impairment	$m	9.4	8.9	5.6%
Profit (loss) after tax	$m	(16.9)	8.9	n/a
EPS	cents	(11.4)	10.2	n/a
ROCE[1]	*%*	*14.9%*	*16.3%*	

[1] EBIT adjusted for impairment/(Total equity + net debt)

[2] Adjusted for goodwill impairment

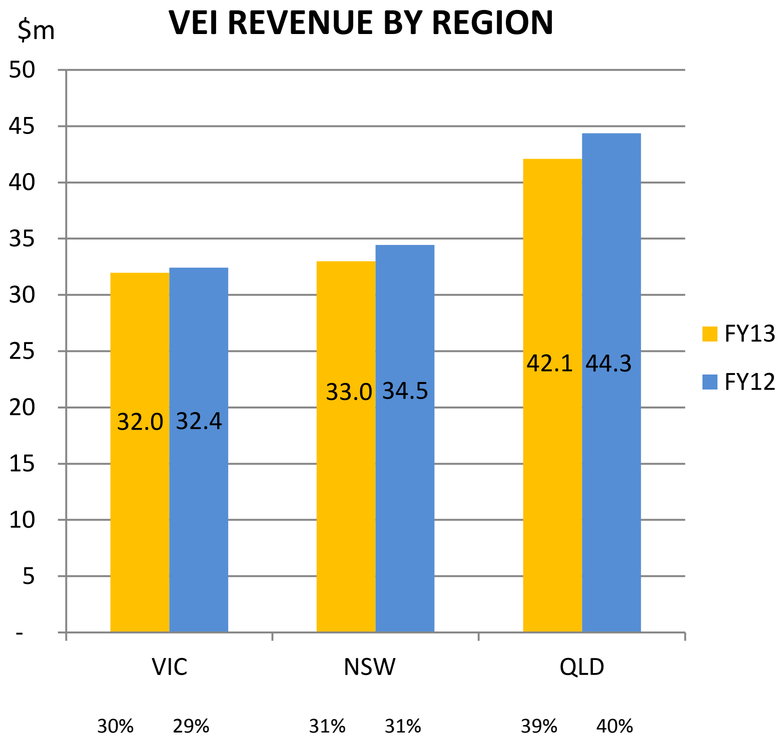
- Group revenue down 3.7% predominately driven by the impact to theatre fees of the banding change to intravitreal injections (IVI), the planned exit from the Mackay day surgery business in January 2012, and continued decline in discretionary refractive revenue
- Gross profit margin reduced as costs were generally kept in line with activity levels
- EBITDA[2] margin declined slightly, reflecting the Group's lower revenue for the period offset by lower direct and indirect costs
- Net finance costs decreased 30% as the Group reduced its gross bank debt by $37.5 m and benefited from lower interest rates and margins

Goodwill Impairment

- Notwithstanding a combined positive goodwill excess of $49.5 million in the net present value of the Victoria and Queensland cash generating unit (CGU), the New South Wales CGU suffered a goodwill impairment of $26.3 million in accordance with the accounting standard.

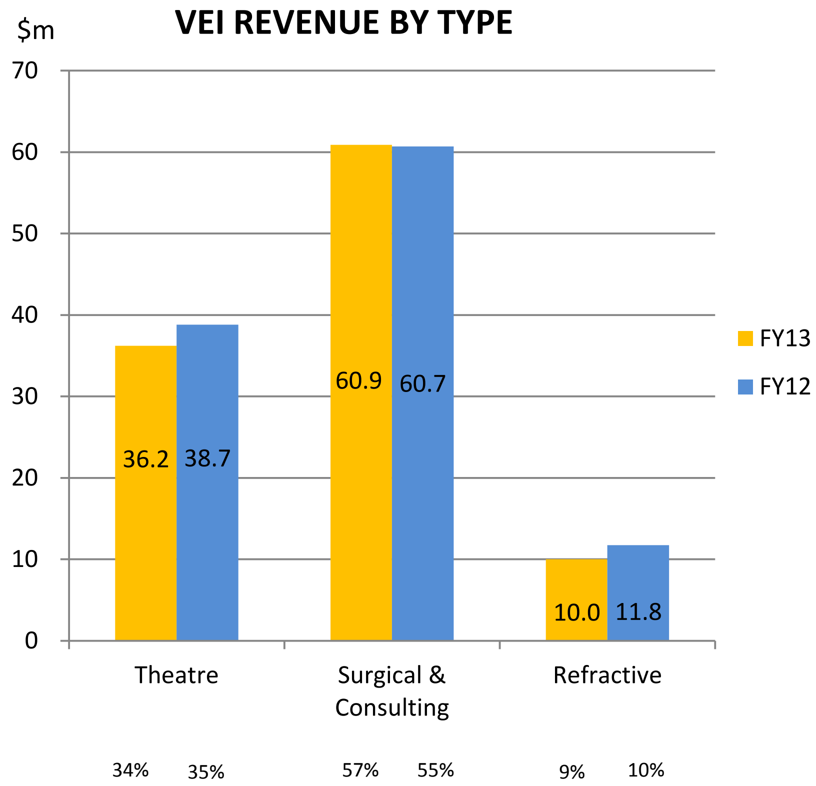
- The impairment to goodwill arose from a reduction to forecast earnings and cash flows of the New South Wales CGU. The reduction in forecast earnings is due to the lower health fund fees from IVI, the continued contraction of the refractive market, the ongoing impact of the doctor partner remuneration equivalent model, and an expected reduction in doctor work hours in one clinic.

Revenue Composition



- Total revenue down 3.7%, and after adjustment for impact of lower health fund fees from IVI, planned exit from Mackay Day Surgery and continued decline in refractive revenues, there was only a slight increase in underlying revenue as the Group was affected by a reduction to doctor work hours
- Revenue for Victoria fell $0.4m, with impact of IVI offset by additional consulting revenue at Camberwell and Eastern clinics
- NSW revenue declined $1.5m, significantly impacted by decline in refractive revenue and also IVI fee reduction
- Queensland revenue decreased $2.2m, mainly due to planned exit from Mackay Day Surgery, lower refractive revenue, mix of doctor partner and associate revenue, and impact of doctor absence in last quarter of FY13. Health fund IVI fee reduction impact was largely offset by increase in volumes

Revenue Composition



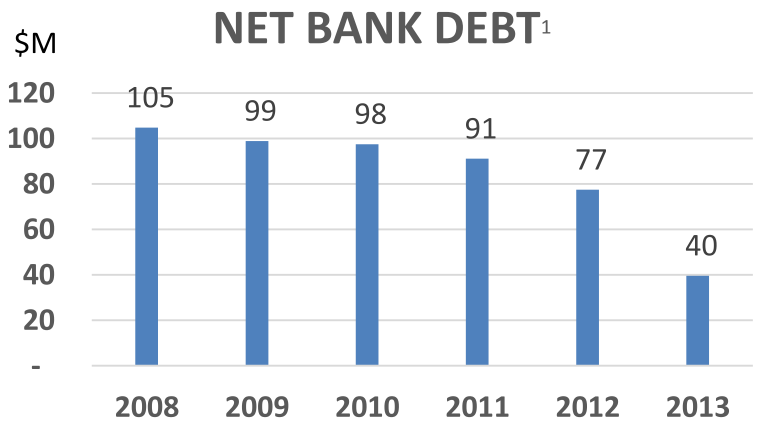
- Theatre revenue accounted for 34% of the Group's total revenue and after adjusting for health fund IVI fee impact and the planned exit from Mackay Day Surgery, increased marginally. Case mix was the driver.
- Consulting and Surgical revenue growth overall was flat year on year.
- Refractive revenue has continued to contract since December 2011.

Capital Management

		FY13	FY12
Gross bank debt [1]	$m	47.5	85.0
Net bank debt	$m	39.7	77.7
Total equity	$m	66.2	56.4
Net interest expense[1]	$m	(6.0)	(8.6)
Interest cover [2]	x	3.3x	3.1x
Net bank debt to equity	%	60%	138%
Net bank debt to EBITDA [3]	x	1.6x	2.9x

1. Excludes establishment fees
2. EBIT adjusted for goodwill impairment/Net interest expense
3. EBITDA adjusted for goodwill impairment

- During the year, the Group reduced bank debt by $37.5m to $47.5m
- Since 30 June 2013 the Group has repaid a further $5.0m of its bank debt
- On 31 July 2013 the Group refinanced its debt facility for a 3 year term on significantly better terms and conditions
- Net bank debt at the end of July 2013 was approximately $37.0m



1. Bank debt less cash

Cashflow

		FY13	FY12
Receipts from customers (GST inclusive)	$m	108.8	112.1
Payments to suppliers and employees (GST inclusive)	$m	(83.2)	(81.9)
Income tax paid	$m	(3.7)	(3.6)
Net cash inflows from operating activities	**$m**	**21.8**	**26.6**
Purchase of plant and equipment	$m	(3.8)	(4.1)
Acquisitions	$m	-	(0.9)
Proceeds from sale of equipment	$m	0.3	0.4
Net cash flows used in investing activities	**$m**	**(3.5)**	**(4.6)**
Repayment of lease liability	$m	(0.3)	(0.1)
Net proceeds from placement	$m	25.7	-
Net interest paid (including establishment fee)	$m	(5.7)	(8.7)
Repayment of borrowings	$m	(37.5)	(15.0)
Other	$m	-	0.2
Net cash flows used in financing activities	**$m**	**(17.8)**	**(23.6)**
Net increase in cash and cash equivalents	**$m**	0.5	(1.6)
Cash and cash equivalents at end of period	$m	**7.8**	**7.3**

- The Group's operating cash flow decreased from FY12 due to lower EBIT and significant collection improvement achieved in FY12
- Interest paid reduced by $3 million reflecting lower debt, interest rates and margin
- Cash held constant year on year

Dividend Outlook

- Debt reduction has been priority in FY13
- New banking terms and lower funding costs are now in place
- Solid cashflow continues
- Growth opportunities to be explored
- Dividends will be considered by the Board in June 2014
- Franking credit balance has now increased to $32.1 million

Outlook and Guidance

- Priority on driving greater utilisation of day surgeries
- Ability to now consider expansion of existing footprint
- Lower debt and reduced funding cost will see the company interest expense reduce considerably
- Pressure upon doctor remuneration levels will continue
- We intend to communicate earnings guidance at the upcoming AGM in late October

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