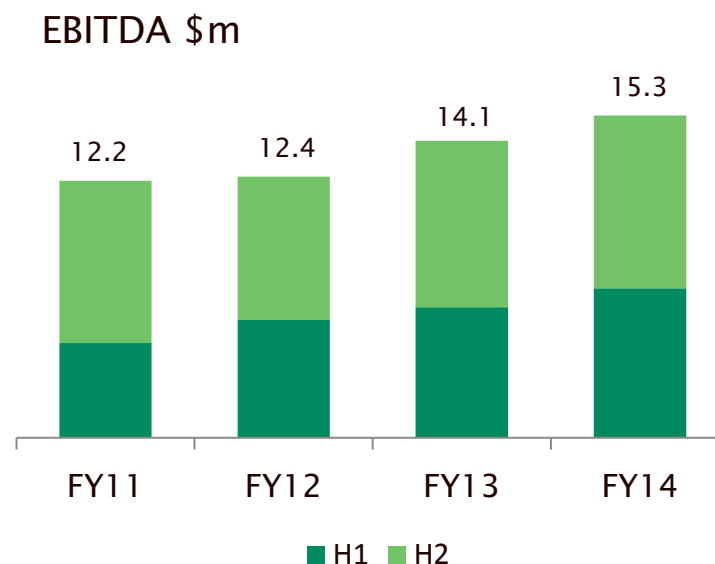
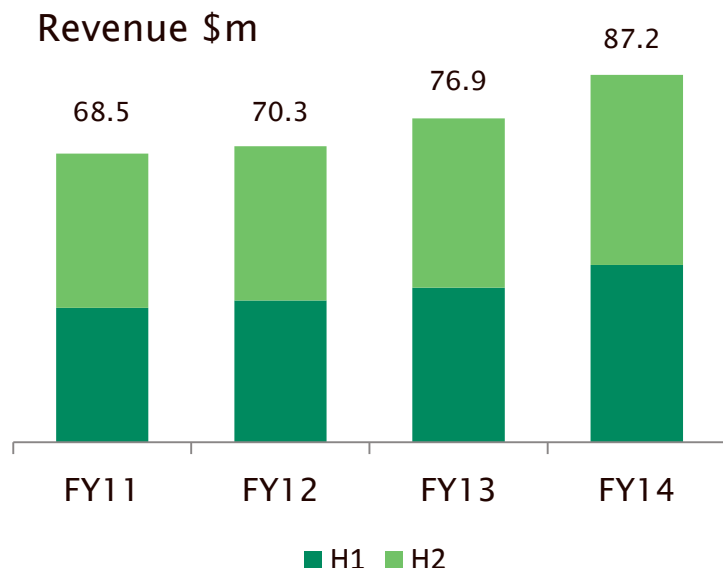


Annual General Meeting
Chief Executive Officer's Address
28 October 2014

LifeHealthcare 



FY14 Overview



- LifeHealthcare performed well across all divisions in the 2014 financial year with revenue growth of \$10.3m (13.4%) growth on prior year
- Gross profit was up by \$3.5m (8.0%) on prior year with a gross margin of 54% (prior year 56%). The change in gross margin reflected the increased mix of capital equipment sales (at lower average margins relative to implants). Gross margin for implants was in line with forecast levels
- Earnings before interest, tax, depreciation and amortisation was up by \$1.2m (8.4%) on prior year. This was lower than revenue growth due to investment in existing and new market segments ahead of revenue to establish a strong base for growth in the 2015 financial year
- The prospectus earnings forecast of \$7.5m net profit after tax was achieved and a fully franked dividend of 7.5 cents per share exceeded prospectus forecast of 6.7 cent per share

FY14 Operational Highlights

Continued Growth in Spine

- New product introductions such as Everest and Aleutian Lordotic
- Greater surgeon engagement resulting in a net increase of 6 new active surgeons throughout the year

Expansion into Interventional Cardiology

- Leveraging leading position in cardiac ultrasound to enter Interventional Cardiology market
- Establishment of distribution agreement with Biosensors for their drug eluting stent

Successful Launch of New Capital Equipment

- Rollout of new ProAxis specialist orthopaedic operating theatre table
- Launch of EPIQ cardiac ultrasound platform

Introduction of Leading Technology in Spine & Neurosurgery

- 1st Mazor Renaissance Robotic System installed with over 20 cases performed to date
- Extensive media coverage with over 1 million viewers

New Product Introductions

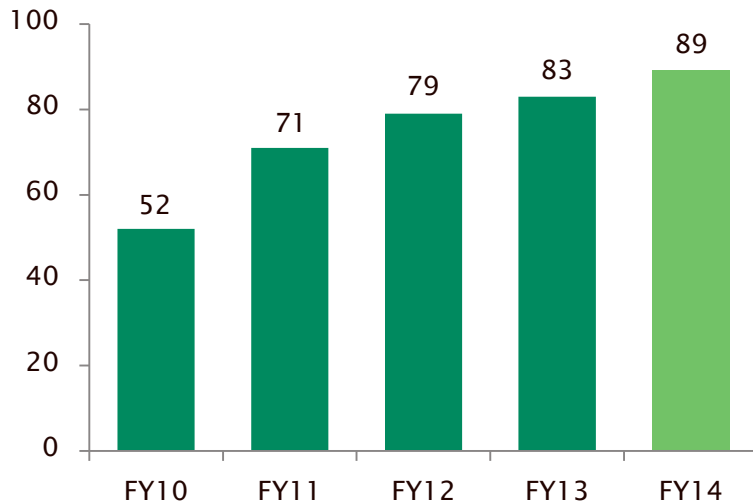
- 8 new products were introduced throughout the year and have had a significant level of uptake

Expansion into Imaging

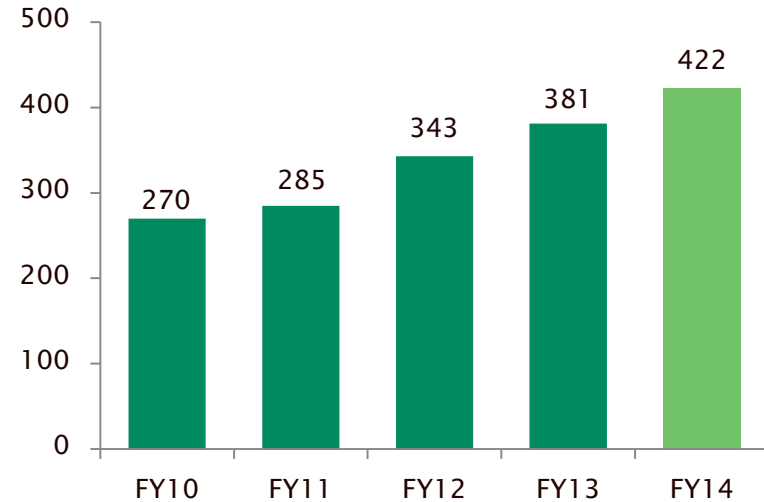
- Providing a range of innovative products to the market including the BodyTom portable intraoperative CT scanner

FY14 Surgeon Performance

Total Number of Active Surgeon Customers



Average Revenue per Active Surgeon (\$'000)



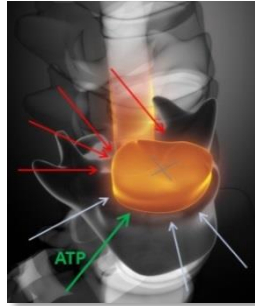
- Surgeon support has been strong, the average revenue per active surgeon achieved was higher than the prospectus forecast along with a net increase of six new surgeons during the 2014 financial year
- Total revenue from implantable devices grew 18.8% with an increase in active surgeons (7.2%) and strong growth in revenue per active surgeon (10.8%) driving the performance
- There were 7 surgeons marginally (less than one case per year) below the \$50,000 active surgeon threshold

Notes:

Active Surgeons are surgeons who generate \$50,000 or more of revenue in that year for LifeHealthcare

New Product Update

ATP



- The ATP (Anterior to Psoas) procedure was developed in FY14 through a joint venture partnership with a leading surgeon
- This has been rolled out with 12 surgeons undertaking the procedure to date. Over 30 cases have been performed in Q1 FY15

Aleution Lordotic



- The Aleution Lordotic has been co-developed with K2M to specifically address the needs of Australian surgeons and patients relating to degenerative spine conditions
- There has been uptake by 6 surgeons to date with 15 cases performed in Q1 FY15

Affiniti Ultrasound System



- The Affiniti ultrasound system was launched this month with significant interest from existing and prospective customers
- The Affiniti system allows LifeHealthcare to compete in the mid range cardiac ultrasound market and will further strengthen the vascular offering

Outlook

- Strong result in Q1 FY15 with significant growth over FY14 as a result of early investment in new products and people during FY14
- Spine is expected to continue to grow strongly and take further market share from major competitors
- The capital business continues to perform well following the introduction of the proAxis specialist spine operating table and the EPIQ 5 & 7 ultrasound systems
- There has been early traction in the Orthopaedic strategy focussed on the primary hip market with uptake from a number of new surgeons
- We are hedged at an effective average \$A/\$US rate of 90.4c, this policy together with our pricing strategy and buy price negotiations, fully mitigates any movement in the exchange rate over FY14
- With a strong result in Q1 and positive momentum into Q2, we are highly confident of achieving H1FY15 prospectus forecast and continuing to execute our growth strategy into H2FY15

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