

Vision Group Holdings Limited Strategic Update

4 August, 2010

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1. Summary

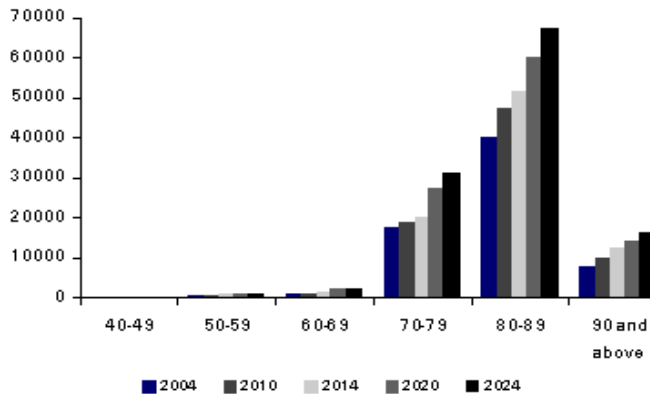
- Vision Group Holdings Limited (the Company) has completed a Strategic Review focused on realising the full potential of the Company for all key stakeholders
- The Company is announcing:
 - A substantial change to the doctor remuneration structure to facilitate longevity of doctor engagement and growth
 - A credit-approved term sheet, amending the existing debt facility, has been agreed with the Company's banks
 - A re-capitalisation and debt reduction process, involving the whole or part of the Company, or the Company's day surgeries, is to be pursued by the Company with the assistance of Credit Suisse (Australia) Limited ("Credit Suisse")
 - Unaudited preliminary results for the year ending 30 June 2010, including prospective goodwill adjustments
- Vision Group, through its committed team of talented doctors and staff, continues to focus on highly profitable services in a growing industry. Operational management has been substantially strengthened, a new doctor recruitment program has been launched and significant cost reductions are being pursued

2. Company Update

Ophthalmology is a Fundamentally Attractive Industry

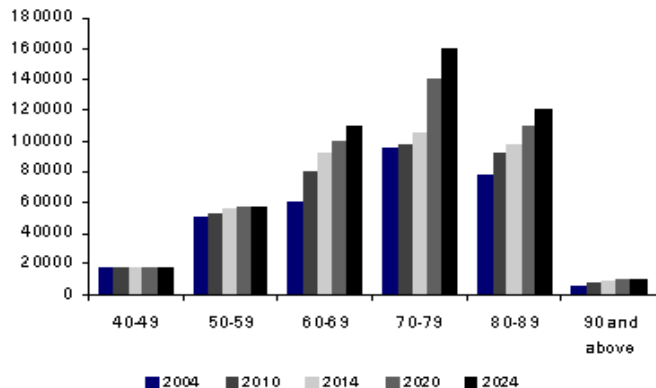
We continue to be well positioned to take advantage of Australia's aging population and industry dynamics

Vision loss due to refractive error by age



Source: Access Economics, Centre for vision research

Vision loss due to cataracts by age



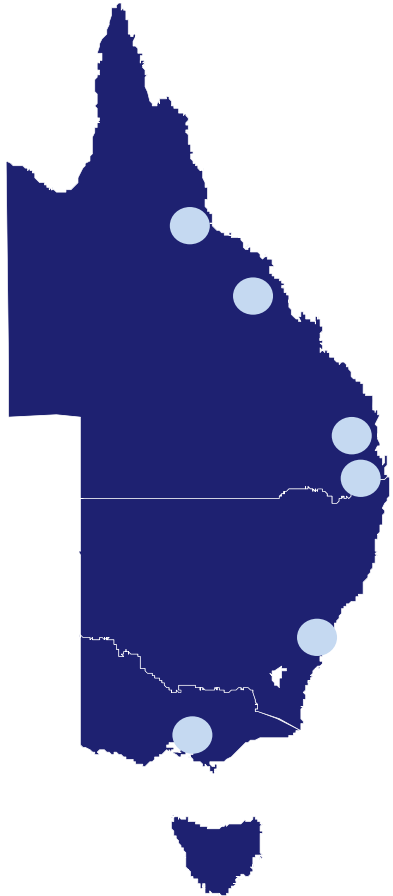
Source: Access Economics, Centre for vision research

Drivers of demand for services

- Prevalence of vision loss continues to grow with the aging population and increased life expectancy
- Public system ophthalmic procedures are on the decline combined with additional Federal funding – leaving open private opportunities
- Private day surgery use is increasing and growing in acceptance
- Sub-specialities are growing e.g. age-related macular degeneration continues to grow from a low base

Vision Group's Approach

Vision Group has currently secured c.10% (by revenue) of the ophthalmology market in Australia by focusing on developing a leading ophthalmology network of high quality Doctors



Approach

- Make Vision Group the 'Entity of Choice' for ophthalmologists, referrers and patients
- Develop a trusted brand for ophthalmology services
- Acquire high quality Doctor practices and seek scale benefits via network integration

Results

- Vision Group is the largest private ophthalmic group in Australia with leading ophthalmologists and a broad sub-speciality mix
- Established and highly regarded ophthalmology clinic and day surgery infrastructure up the eastern seaboard
- Over \$100m in revenues with strong cash flow from operations
- Well resourced team of 40 Doctor Partners and 450 staff

Vision Group's East Coast Positioning

Vision Group offers specialist care in the areas of cataract, refractive, glaucoma, cornea, medical and surgical retina and oculoplastics

All locations have a Vision Group Day Surgery situated at the same premises or within very close proximity offering convenience for our patients

Each region is led by a Regional Doctor Director in conjunction with a State Operations Manager

North and Central Queensland

Dr Lee Lenton (Regional Director)

4 Doctors

Locations: Townsville and Mackay

Brisbane

Dr Mark Loane (Regional Director)

5 Doctors

Locations: Rivercity and Mt Gravatt

Gold Coast

Dr Darryl Gregor (Regional Director)

8 Doctors

Locations: Southport, Varsity Lakes and Coolangatta

Sydney

Dr Chris Rogers (Regional Director)

15 Doctors

Locations: Chatswood, Hurstville, Bondi Junction, Cremorne and Drummoyne

Melbourne

Dr Joseph Reich (Regional Director)

11 Doctors

Locations: Camberwell, Blackburn South, Box Hill, Footscray, Coburg and St Kilda Rd

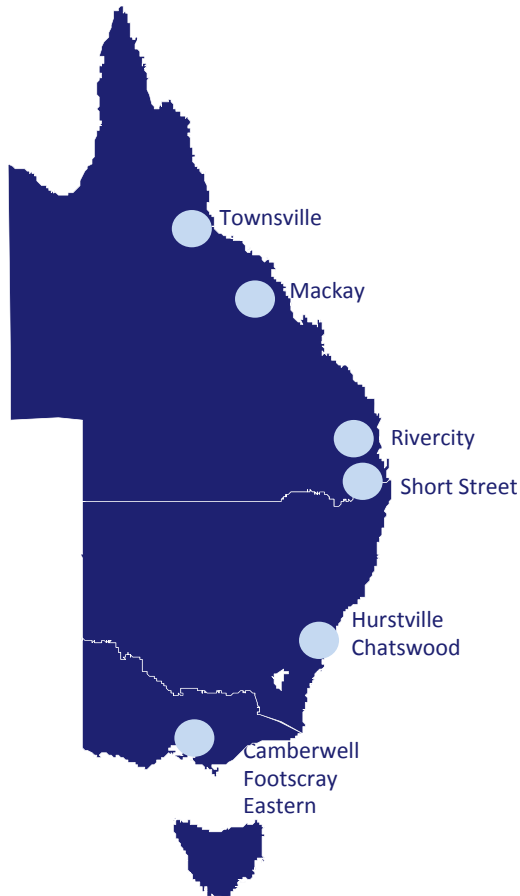
Note: Queensland Doctor numbers include several Doctors who practice in more than one region. Currently there are 40 Doctor Partners in Vision Group

Vision Group's Day Surgery Business

Day surgeries represent a highly profitable and significant area of Vision Group's overall business

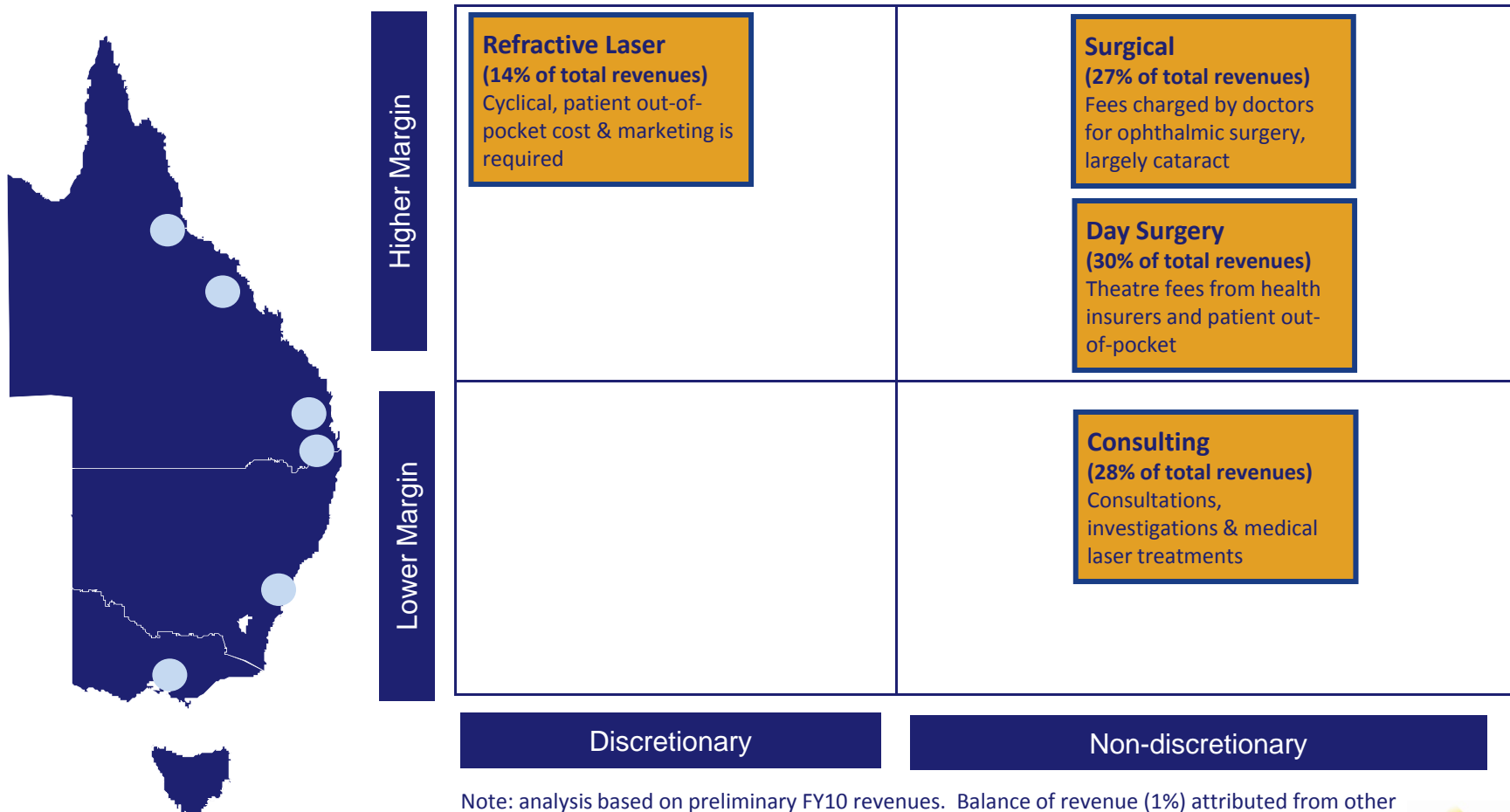
Snapshot of Day Surgeries business:

- Nine day surgeries across QLD, NSW and VIC
- Total FY10 revenue of c.\$33m
- Strong EBITDA margins
- Around 30,000 procedures performed each year
- Total operational staff nearing 300



Ophthalmology Revenue

Vision Group's range of service offering is primarily focused on higher margin non-discretionary revenue streams



Note: analysis based on preliminary FY10 revenues. Balance of revenue (1%) attributed from other sources

The Situation

Continued recruitment of new Doctors and re-contracting of existing Doctors is a key to the success of the business – a model more in-line with industry standards is required

- Vision Group's strategy is to attract high quality and high revenue generating Doctors to the network
- Current Doctor remuneration levels are much lower than comparable industry models
- A number of different models have been considered that could facilitate the re-contracting of existing Doctors, including the consideration of a 'do-nothing' base case
- A new remuneration model needs to be adopted - the Board has approved a revised remuneration model based on 65% of Doctors' personal exertion EBIT (i.e. EBIT from consulting and surgical procedures , not day surgery EBIT)
- This new level of remuneration will be paid to Doctors following the completion of their acquisition related contractual commitments and therefore its implementation is staggered over a number of years
- The linkage to Doctor personal exertion EBIT improves alignment for growing future company profitability
- The Company, although able to meet debt amortisation repayments, is considered to have a high level of debt
- The implementation of the new Doctor remuneration model and need to reduce debt has required the debt facility to be renegotiated with the Banks and initiation of a recapitalisation process (to be executed with the assistance of Credit Suisse)
- The short term focus of Vision Group will be on re-contracting Doctors and pursuit of options to reduce debt

Short/Medium Term Strategy

The short term focus is on restructuring the company and restoring shareholder value. Growth opportunities will be pursued in the medium to longer term

6 – 9 months

Restructuring Strategy

- Implement new remuneration model for Doctors (phased implementation) *(discussed in further detail in section 3 of this presentation)*
- Execute recapitalisation process to reduce debt *(discussed in further detail in section 7 of this presentation)*
- Operational initiatives that do not distract from the restructuring and provide financial bottom line benefits *(discussed in further detail in section 6 of this presentation)*

9 – 18 months

Growth Strategy

- Recruitment of individual doctors into the network
- New practice acquisitions
- Strengthening relationships with referrers
- Increasing range, effectiveness and efficiency of treatments
- Optimise day surgery utilisation
- Expansion of sub-specialities

3. Doctor Remuneration and Re-contracting

A new remuneration model is required...Doctor confidence is paramount

- In its Company Update on 4 May 2010, the Company announced that it was reviewing its Doctor remuneration model with the goal of developing an updated model which would contribute to maximising shareholder value by:
 - Assisting with the continued successful recontracting of Doctor Partners
 - Further promoting the Company's long-term foundation for organic growth
 - Assisting in attracting new Doctors to the Vision Group model
- The Company remuneration review, considered:
 - Market benchmarking
 - Extensive feedback from Doctor Partners and from the Doctor Partner leadership group
 - A review of pre-acquisition remuneration levels
- A continuation of the current Doctor remuneration model would place the Company at risk of significant Doctor discontent and departures
- This review has now been completed – the outcomes of the review are detailed on the following pages

The New Remuneration Model

The new remuneration model is industry comparable and attractive to both existing and new Doctors

- Following the remuneration review the Board has approved a revised remuneration model based on 65% of Doctors' personal exertion EBIT (i.e. EBIT from consulting and surgical procedures, but excluding day surgery EBIT)
- Vision Group strongly believes that this model will greatly improve its ability to retain and attract quality Doctors moving forward
- This new level of remuneration will be paid to Doctors following completion of their original acquisition related contractual commitments and therefore its implementation is staged over a number of years
- Doctors who have previously re-contracted with the Company following completion of their original acquisition contracts will also be entitled to the new level of remuneration
- While this change in remuneration structure will have a material impact on the company's near-term earnings, it is being implemented to ensure long-term sustainability of the Vision Group model:
 - Substantially heightened confidence that Doctors across a wide range of ages and experience will re-contract with the company following completion of their acquisition related contractual obligations
 - Provide significant incentive for Doctors to work with management to improve business performance and manage costs by more closely aligning doctor remuneration with personal exertion EBIT
 - Make Vision Group significantly more attractive to Doctors who are considering joining the company
 - Ensure Vision Group remains competitive with other comparable medical roll-ups

Financial implications

The new remuneration structure will be introduced on a staggered basis

- In FY09 total Doctor remuneration costs were \$19.8m, which equated to 24.7% of total personal exertion revenue (consulting, surgical and refractive) of \$80.3m
- It is expected that as Doctors migrate across to the new remuneration model, Doctor remuneration costs will comprise a range of c.32% in FY11 to c.45% in FY13 of total personal exertion revenue
- The approximate staging of the change in remuneration based on the expiry of acquisition related contracts is summarised below:

Financial Year (June year end)	Cumulative Number of Doctors on New Remuneration Structure
FY10	n/a
FY11	19
FY12	24
FY13	24
FY14	28
FY15	33

4. Banking Arrangements

An amended debt facility and debt reduction focus will enable the Company to focus on re-contracting existing Doctors on the new remuneration model

- Vision Group refinanced its current debt facility with the lending syndicate comprised of Westpac and ANZ in August 2009
- The facility had a \$120m lending limit, a term of two years and a requirement to amortise the loan balance to \$100m over the two year period
- Since the inception of this facility in August 2009 Vision Group exceeded the required amortisation payment schedule (\$107.5m vs. the \$117.5m facility limit as at 30 June 2010)
- The implementation of a revised remuneration model for Doctors required Vision Group to renegotiate certain terms of the facility due to the increased costs and near-term reduction in earnings

Amendments to the debt facility have been agreed with the banks

- Vision Group has been in discussion with the syndicate during the development of the remuneration model and has agreed a number of amendments to the debt facility. A summary of the main amendments include:
 - A reduction of the facility limit to \$110m
 - An amortisation schedule for the remaining period of the facility of \$2.5m each quarter
 - An increase in margin over the Bank Bill Rate to 3.90 - 4.60% depending on the earnings gearing ratio (EBITDA/ Financial Indebtedness of the Company) for the quarter
 - An easing of the financial covenants in the short term (refer below)
 - Proceeds from restructuring activities to reduce gearing
 - The suspension of dividends for the term of the facility
- It should also be noted that Vision Group's debt facility has no market capitalisation covenants so that the recent share price weakness has no impact on the facility

Covenant Period	Earnings Gearing		Interest Cover		Gearing Ratio	
	Previous	Revised	Previous	Revised	Previous	Revised
Q1FY11	< 3.25x	< 4.00x	> 3.75x	> 3.15x	< 50%	< 60%
Q2FY11	< 3.25x	< 4.10x	> 3.75x	> 2.85x	< 50%	< 60%
Q3FY11	< 3.25x	< 4.10x	> 3.75x	> 2.60x	< 50%	< 60%
Q4FY11	< 3.25x	< 4.10x	> 3.75x	> 2.60x	< 50%	< 60%

Note: Terms of the amended facility are detailed in a credit-approved Term Sheet that has been agreed with the banking syndicate. The amended facility is conditional upon the entry into of a formal Amendment Deed currently being finalised, and conditions precedent that Vision Group is confident of satisfying.

5. Financial Update

Unaudited Preliminary Results

The unaudited preliminary results for 30 June 2010, will be within a normalised EBIT range of \$26.7m - \$27.7m

\$'million	FY10 Prelim Results	FY09 Actual Results
Revenue	108.0	113.9
Reported EBIT	21.0 – 22.0	27.4
Normalisation Adjustments	5.7 (est)	4.5
Normalised EBIT	26.7 – 27.7	31.9

- Based on preliminary analysis which remains subject to finalisation and approval by the Company's Board and external audit, the Company currently expects that its Normalised EBIT for the financial year ended 30th June 2010 will be approximately 13 - 16% lower than the previous corresponding period normalised EBIT of \$31.9m
- Normalisation adjustments include \$2.8m reported by the Company in its 31 December 2009 half year results. The balance primarily relates to further litigation and clinic closure costs (following doctor departures in Central Queensland) and expenses resulting from the change to reporting requirements in accounting for business combinations
- Approximately \$4.5m of the reduction in revenues from the prior year has resulted from the closure of 3 clinics in Central Queensland following doctor departures
- NSW revenues are 2% down on the prior year, Victorian revenues are approximately 6% up on the prior year and Queensland saw a reduction in revenues of approximately 4% (excluding the impact of closed clinics).
- A full analysis of the FY10 results will be provided with the announcement of the Company's final results, scheduled for 27 August

Goodwill Impairment

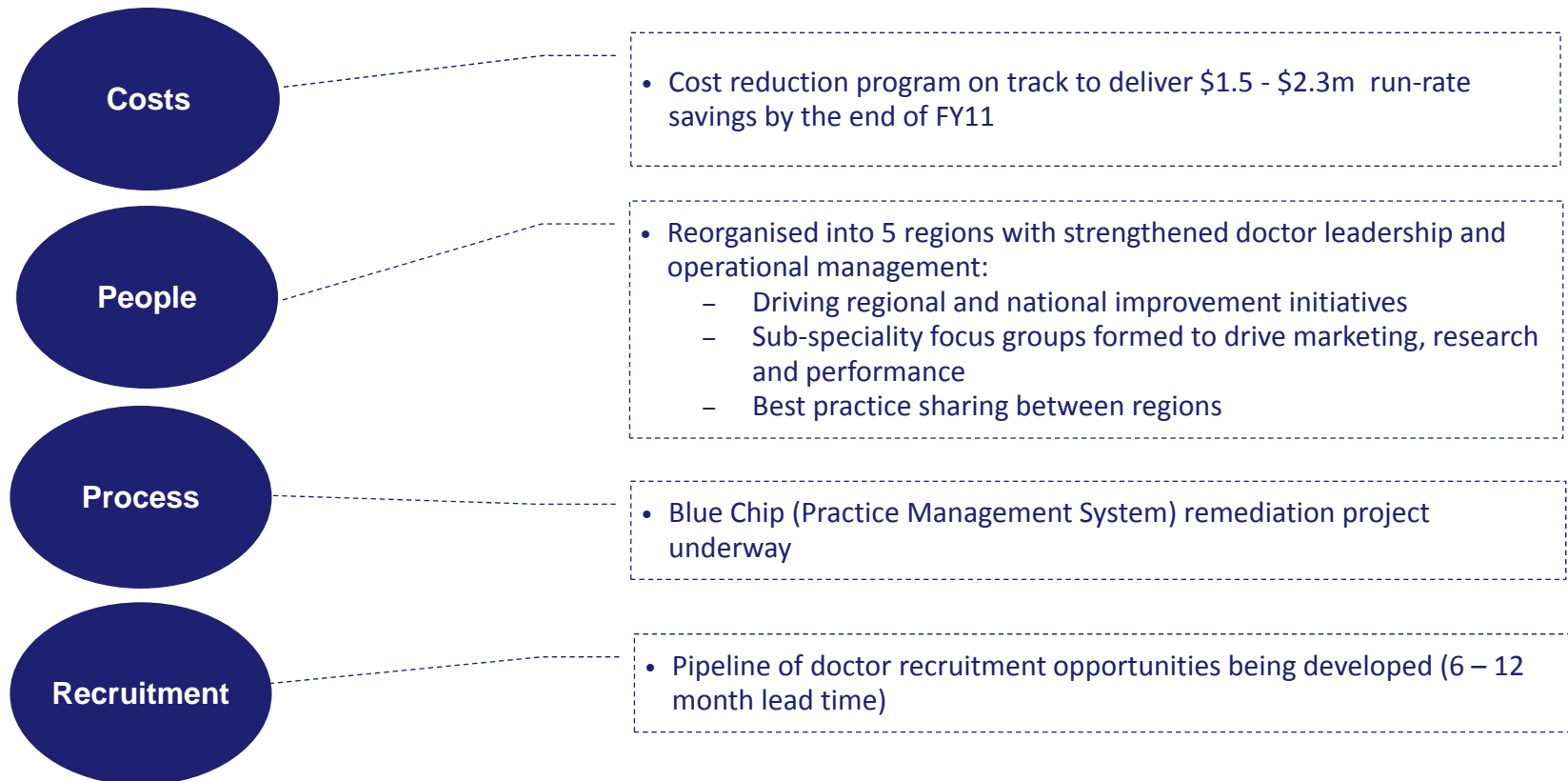
The Company expects to recognise a goodwill impairment expense of approximately \$66m

- Goodwill associated with acquisitions has been allocated to the Company's Victorian, NSW and Queensland operations (cash generating units) for the purposes of impairment testing
- The recoverable amount of the cash generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets and forecasts approved by the Board
- These cash flow projections now reflect the impact of doctor departures and the significant additional costs associated with the new doctor remuneration model
- Based on this analysis the Company expects to recognise a goodwill impairment expense of approximately \$66m
- While the reasonableness of this adjustment has been reviewed it is still subject to further verification as part of Company's year-end financial processes, including final sign-off from the Board and external auditors

6. Operational Initiatives

Enhancement

Operational initiatives to enhance efficiency and positively impact profit are being undertaken ... where these initiatives do not distract from the core restructuring strategy



7. Recapitalisation Process

Recapitalisation Process

A process to seek expressions of interest for a potential corporate transaction is commencing

- As announced to the market on 4 May 2010, the Company engaged Credit Suisse to conduct a scoping study to advise the Board on:
 - The Company's growth strategy
 - Capital requirements
 - Various alternatives to maximise shareholder value
- In considering Vision Group's recapitalisation strategy, the Board has engaged Credit Suisse to commence a formal process to seek expressions of interest from suitable parties in relation to a potential transaction involving the whole or part of the Company, or the Company's day surgeries
- The optimal transaction structure will be one that meets restructuring requirements and supports the longer term business strategy
- Company operations will not be interrupted during the process and we will continue to deliver the highest quality ophthalmic care across our dedicated consulting facilities, day surgeries and refractive and eye surgery centres to our patients
- Vision Group will provide further updates to the market as this process develops over coming months
- In the first instance, all enquiries should be address to Geoff Thompson (CEO) : +61-(0)438-784-438

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