



 **UBS Australian Healthcare Conference**

Investor Presentation

Dr. Mitchell Rosenberg, Executive Chairman
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ASX code: AVS



Vision:

Avastra is committed to being the largest and highest quality provider of sleep diagnostic, therapeutic and clinical trials services in the United States

Avastra History

- Avastra had an EGM in September 2006 to authorize direction into “rolling up” sleep centres in the USA
- AVS relists in December 2006
- Avastra has acquired eight established sleep centre businesses since listing
- As of November 2007:
 - AVS is the 2nd largest sleep centre group in the USA
 - AVS has run rate revenue of US\$50m (including LOIs)
 - AVS is profitable
 - AVS is operationally cash-flow positive

Overall Market Characteristics

- US\$2+ billion market for sleep diagnostic services
- US\$1+ billion market for selling CPAPs
- US\$500+ million market for clinical trial services related to sleep
- Annual growth estimated to be 15% - 30%
- Highly fragmented market with no market leader:
 - Over 1100 companies in the industry
- Limited access to capital or liquidity for current sleep centres
 - US public markets too large for these businesses
 - No industry players (Respironics/F&P/ResMed, insurance carriers, DME companies) able to effectively purchase centres

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Two Distinct Types of Sleep Centres in the Market: 'Hub' and 'Spoke'

Avastra has found **TWO** distinct types of sleep centres in the market.

1. **'Hub' Business** (usually 5-7 centres in a region) - of the 1100 total centres in the market, *less than 50* offer a line of revenue with high barriers to entry and high profit margins.

Research Trials Services – a medically supervised service provided to pharmaceutical companies looking for FDA approval of a sleep drug where the pharmaceutical company pays AVS \$12,000 to \$50,000 per patient to execute a phase II or phase III trial

Ambulatory Services – an unattended sleep study where health insurance companies pay \$350 to \$650 per night to diagnose a patient in their own house using portable equipment

2. **'Spoke' Business** (usually 1-3 centres, very local) – of the 1100 total centres in the market, virtually all centres (including 'hubs') offer the standard lines of revenue:

Clinical Diagnostics – a technician attended sleep study where health insurance companies pay \$600 to \$1000 per night to diagnose a using equipment built into the laboratory

CPAP Set Up – a service to set up a patient on a CPAP machine (for patients with apnea) where health insurance companies pay \$800 to \$3200 per machine set up by Avastra employed respiratory therapists

Industry Consolidation Benefits and Leverage

“It’s all about the patient database”

- Improving lines of revenue at the ‘hub’ level.
 - Each ‘hub’ business excels in obtaining certain types of clinical trials and recruiting patients from their database.
 - ‘Hubs’ share these trials across other ‘hub’ businesses increasing revenues by tapping the database for many types of trials.
 - A special focus on CPAP sales and supply, an area where ‘hub’ businesses generally do not focus, increases sales
- **KEY DRIVER:** Leveraging ‘hubs’ to bring clinical trials into the ‘spokes’
 - Once a ‘spoke’ is started or acquired, Avastra has mastered the process of improving the business with the ability to execute clinical trials
 - The ‘spoke’ business can then use its **established patient database** to recruit research subjects yielding massive growth in EBIT margins after purchase
- Operating in a fast growing market as a dominant, high quality company drives more referrals

The Acquisition Opportunity – Target Rich Environment with Virtually No Acquisition Competition

‘Hubs’ – less than 50 total in the market

- Privately-held and doctor-owned/operated; profitable but capital constrained
 - Average hub business has 25 beds with US\$5M in revenue
 - Usually 5-7 locations in a region
 - Restricted ability to grow business in lucrative research revenue line due to lack of capital
- Regionally fragmented market with niche specialties
 - No company offers research services in more than 2 regions
 - Less than 50 total companies offer the service because a well known sleep doctor is needed to attract the trials

‘Spokes’ – over 1000 in the market

- Privately-held, very localized and technician-owned/operated; total lack of access to capital
 - Average spoke business has 8 beds with US\$2M in revenue

Over 1100 total business with no exits opportunities and no access to capital. Currently, AVS is the only company with a substantial balance sheet that can take advantage of the market dynamics



Current Business

**National Footprint, Integration Plan
& Business Risks**

Sleep Centres Currently Owned and Centres Under Negotiation

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★ ★ Acquired hub/spoke business

● Planned greenfield expansions

▲ Hub business acquisition/academic transformation in advanced negotiations

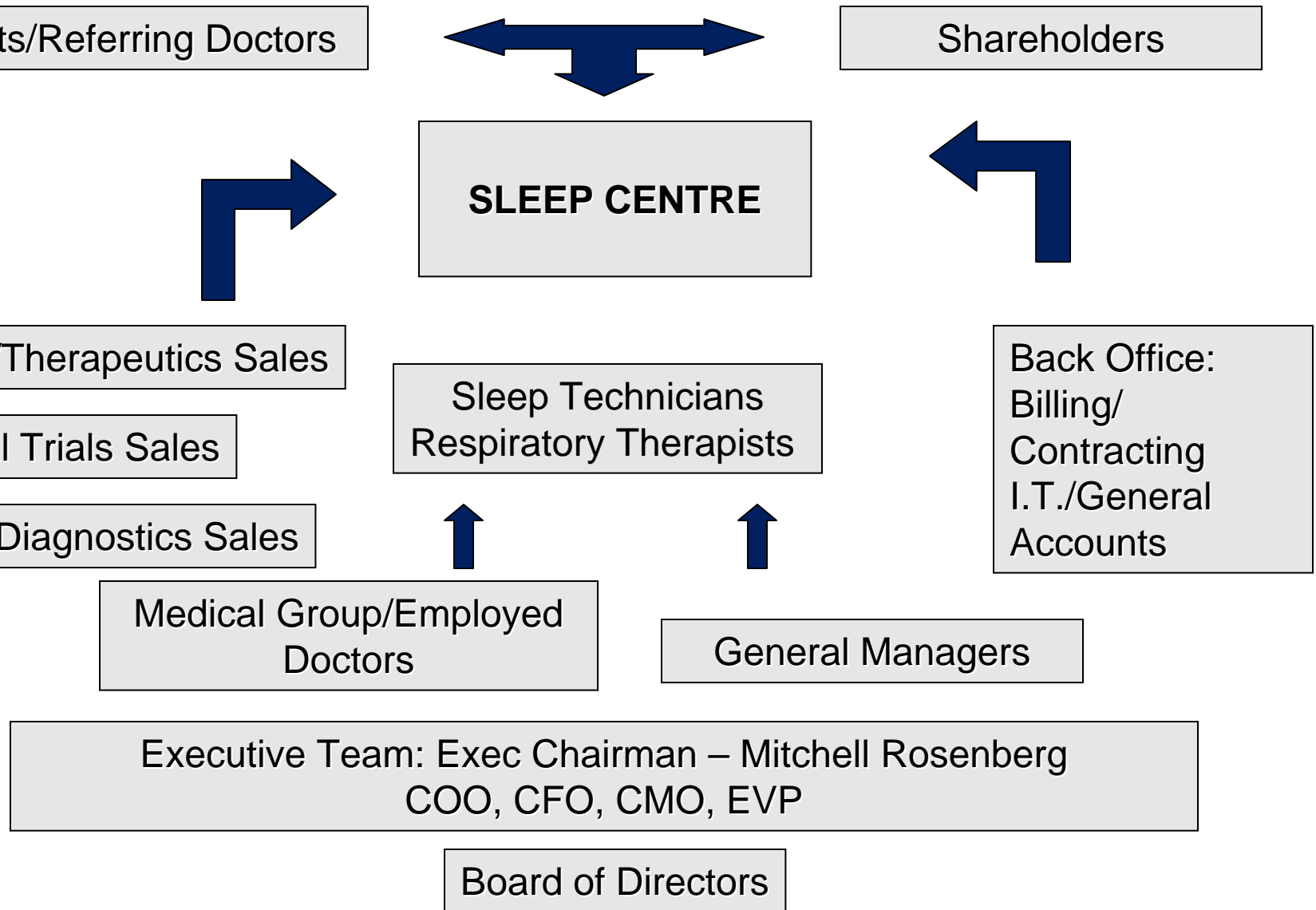
Annualised Run Rate Figures including LOI September 2006 – December 2007

| | Snapshot September 2006 (EGM) | Snapshot December 2006 | Snapshot July 2007 | Snapshot Est. December 2007 |
|---|-------------------------------------|---------------------------|-----------------------|--------------------------------|
| Annualised run rate Revenues | \$ 0 | A\$18,400,000 | A\$38,000,000 | A\$55,000,000 |

- Annualized Snapshot Revenue and EBITDA figures are based upon trailing 12 months of revenue and EBITDA for each acquired business (even if prior to Avastra ownership), less corporate overhead and other expenses to improve the acquired business. The result is a “run rate” figure for the business assuming no further growth and no further acquisitions. Therefore, full results of acquired companies will not fully impact Avastra’s financials until acquired businesses are owned by Avastra for one year.
- All figures are rounded unaudited actual annualised run rate results.

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Integration Model: Organizational Chart for AVS



Integration Savings

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Efficiencies:

- Centralize billing, contracting, information systems
- Improve pricing for CPAP procurement with added purchasing power
- Nationalized marketing for large payor accounts
- Staffing within geographic regions
- Standard operating procedures/best practices
- Human resource administration

Strategies for Facing Market Risks Create Competitive Advantage for Avastra

- Labour shortage of qualified and trained sleep technicians
 - AVS is well positioned with a sleep technician school to train and retain qualified personnel
- Ambulatory reimbursement for sleep tests by Medicare
 - With 4 existing revenue streams, AVS has a strong strategy to make risk a competitive advantage

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Summary of Acquisitions & Integration to November 1, 2007

Company Overview September 2007- June 2008

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- On 29 August 2006 Shareholders approved significant change to nature and scale of Company's activities - focus on sleep disorder diagnostics – US\$2B market
- *Acquired PSM; Dec. 07 as West Coast “hub” business*
- *Acquired SleepWell and PDX; Jan and Feb 07 as West Coast “spoke” businesses*
- *Acquired Somnitech; June 07 as Mid-West “hub” business*
- *Acquired Ca Sleep; June 07 as West Coast “spoke” business*
- **The west coast “Hub” successfully drives additional revenue streams into spoke businesses increasing revenues and EBITDA**
- *Acquired Complete Sleep; July 07 as “spoke” business*
- *Acquired SMCC; October 07 as Upper East Coast “hub” business*
- *Acquired SMIM; October 07 as Northwest “hub” business*
- Large pipeline of acquisitions will result in substantial growth in profits and revenues over the next 3 years. **AVS offers a 1 for 10 rights offering to build balance sheet cash for further acquisitions**

