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## Pentax steps up its commitment to Optiscan endomicroscopy with signing of a new Development Agreement

- *Pentax commits additional A\$7M for further developments in endomicroscopy*
- *Significant Pentax funding to obtain additional reimbursement in USA and Europe*
- *Further Optiscan development activities partially funded by Pentax*
- *Secures longer-term product sales growth with Pentax*

**Melbourne:** In a significant development for Optiscan's business, Optiscan and Pentax have today executed a new Development Agreement for Optiscan's endomicroscopes in the field of flexible endoscopy.

Key features of the new agreement are:

- Pentax has undertaken to accelerate market penetration of endomicroscopy into mainstream use by working to obtain additional insurance reimbursement for endomicroscope procedures in major markets of Europe and USA. Pentax have committed to an investment up to JPY 500M (~A\$4.8M) in pursuit of this objective.
- Optiscan has undertaken to complete development of future models of endomicroscopes based on an enhanced system architecture and smaller miniaturised scanners.
- Pentax has agreed to partially fund Optiscan's design and development activities paying Optiscan US\$1.88M (~A\$2.2M) in development and milestone payments over 3 years.

"This is a critically important new agreement with Pentax," said Matthew Barnett, CEO Optiscan. "The current ISC1000 flexible endomicroscope has established Pentax and Optiscan with a clear market leadership position. This new Development Agreement commits both parties to further growth and development in marketing and technology itself. This is major step forward for Optiscan's business."

### **Details of the Development Agreement**

#### Accelerating Market Penetration

Under the new Development Agreement, Pentax will accelerate and fully fund completion of trials to obtain additional reimbursement. In addition to internal resources already engaged in the process, Pentax have committed up to JPY 500M for this activity.



“With additional reimbursement in place, the Pentax sales process becomes simpler” said Matthew Barnett. “Doctors will not only be able to achieve better outcomes for their patients, they will also be able to earn more as they do so.”

Multi-centre clinical trials will be conducted to specifically establish improved economics of disease and patient management through a combination of improved diagnosis (catching disease early when it is easier and cheaper to treat) and lower costs (reducing the number of costly biopsies needed to make an accurate diagnosis). Once complete the trial results and accumulated usage data will be used to make a case to funding bodies and health insurers to offer additional reimbursement for endomicroscope procedures.

Details of the planned trials such as disease condition, protocol, patient numbers and primary and secondary endpoints remain commercial in confidence until the trials are officially registered and patient recruitment commences. This is expected to occur in coming months.

Optiscan will retain visibility and active input into the trial process.

#### Further Endomicroscope Development

Under the new Agreement Pentax has agreed to pay Optiscan a total of US\$1.88M over the next 3 years in a combination of regular progress payments and milestone success payments.

Commenting on the two-fold impact on Optiscan’s business model, Matthew Barnett said “This additional source of revenue will partially fund our planned design and development of improved endomicroscopes. It will also reduce the level of product sales to Pentax required to become profitable.”

Optiscan’s endomicroscope development pipeline features new instruments with improved fully digital system architecture and smaller scanners. Under this agreement, Optiscan will continue its close working relationship with Pentax, as ongoing development of its unique technology is a key element of Optiscan’s business model, that will ensure continued market leadership for Optiscan, Pentax and future partners for many years to come.

#### Sales of Endomicroscopes to Pentax

The Development Agreement will underpin long-term growth and consistency of sales in flexible endomicroscopes to Pentax, including a higher number of miniaturised scanners per system sold.

However, short-term volatility inherent in growing the customer base in global markets is expected to continue in the immediate future. Pentax market penetration in Europe is



proceeding well, and, while progress in the USA continues to be made, it remains below expected levels.

Pentax orders and Optiscan manufacturing activity have remained buoyant during the year despite concerns expressed by Optiscan in November 2006 that future Pentax forecasts were weak. Optiscan confirms its January 2007 advice to the market that revenue from Pentax sales is expected to exceed A\$5M in 2006/07.

The market volatility referred to above has resulted in Pentax having some short-term inventory build up with potential to impact on sales revenue in the first part of the coming half-year to 31 December 2007.

Optiscan will continue to monitor this situation and will remain in close dialogue with Pentax on sales take off rates.

Further information:

Matthew Barnett, CEO  
Tel (613) 9538 3347  
matthewb@optiscan.com

Bruce Andrew, CFO  
Tel (613) 9538 3398  
brucea@optiscan.com