ASX RELEASE

Ellex Medical Lasers Limited (ASX:ELX)

Adelaide, Australia

Date: 30 August, 2018

Release: Immediate

Topic: Ellex Reports Full Year FY18 Audited Results

Highlights:

- **Group sales growth of 13%[1] compared to prior corresponding period (pcp)**
- **Implementation of targeted glaucoma growth strategy resulted in 39% glaucoma device revenues growth**
- **Ellex iTrack™ sales grew to $11.4 million[1], representing 38% growth compared to the pcp (48% in the USA), with accelerated 4th quarter growth of 20% over the FY18 3rd quarter**
- **Strong increase in Ellex Laser & Ultrasound revenue up 10.4%[1] for the year**
- **$4 million improvement in operating cash flow to $0.5 million versus pcp, testimony to self-funding nature of the growth strategy and improved working capital management**
- **Cash on hand at 30 June 2018 of $23.1 million**
- **Sales growth expected to continue in 2019 with an improved operating result**

Adelaide, Australia, 30 August 2018 – Ellex Medical Lasers Limited (ASX:ELX), a global leader in medical devices for the diagnosis and treatment of eye disease, today announced its full year results for the fiscal year ended 30 June, 2018 as described in the table below.

	FY18 $ million					FY17 $ million
	Lasers & Ultrasound	iTrack™	2RT®	Corporate	Total	Total
Revenue	67.5	11.1	0.5	-	79.1	71.6
EBITDA/(loss)	8.3	(5.1)	(1.0)	(3.4)	(1.2)	1.5
Amortisation & interest income	(2.7)	(1.0)	-	(0.4)	(4.1)	(3.4)
Profit before tax/(loss)	**5.6**	**(6.1)**	**(1.0)**	**(3.8)**	**(5.3)**	**(1.9)**
Group cash flow from operations					**0.5**	**(3.5)**

[1] Constant currency was determined by restating FY18 revenues at FY17 average FX rates for USD, EUR and YEN

Lasers & Ultrasound performance

The Laser and Ultrasound business segment reported record sales of $67.5 million in the 2018 financial year, up 10.4% in constant currency on the pcp. This strong sales result is a testimony to the global strength of the Ellex brand and was driven almost entirely by growth in sales of the high-margin Ellex Tango™ and Ellex Tango Reflex™ glaucoma lasers, which grew by 41% during the period. Ellex continues to improve its market penetration of its high margin core lasers through targeted global sales and marketing improvements.

Although accounting for a relatively small component of group revenue, thermal retinal laser sales and margins continued to be affected by competition.

EBITDA for the laser and ultrasound business grew to $8.3 million (12.2% of sales) compared with $7.3 million (11.7% of sales) in 2017. During the year the project to establish a new production site at Mawson Lakes, South Australia was completed on time and on budget and is now fully operational.

Ellex iTrack™ performance

The sales performance of the Company's Ellex iTrack™ surgical system was good during the 2018 financial year, with sales of $11.1 million ($11.4 million in constant currency). This includes 48% growth in the USA, where a considerable investment in marketing and sales representation has been made. The increased sales into the US market also resulted in expansion of gross margins to 84%, up from 78% in the pcp. Rest of world Ellex iTrack™ sales grew 20% compared to the prior year.

As of July 2018, in the USA, the business now has in place 17 sales representatives in targeted, highly prospective territories and 3 clinical trainers. This team has grown in experience and effectiveness over the year with a focus now on increased efficiency and execution at the sales level, where additional capacity exists. Ellex believes the USA sales structure is now optimised for the near term and accordingly operating expenditure growth is expected to materially reduce in the 2019 financial year.

The growth in investment directed activities during the financial year 2018 across sales and marketing, reimbursement, education and awareness and key opinion leader engagement is expected to deliver further tangible sales benefits to the business in financial year 2019.

Cash Flow and Balance Sheet

Ellex continues to target improvement in working capital management which resulted in a $4 million improvement in cash flow from operations to a positive cash flow of $0.5 million. Having regard to the significant investment made in the Ellex iTrack business, the positive cash flow from operations is testimony to the self-funding nature of the glaucoma growth strategy.

Other material balance sheet transactions that occurred during the year and which will benefit the business in the long term include:

- Equity capital raise of $24m in November 2017
- Final payment to iTrack business vendors of $2.0m
- Investment in Ellex iTrack production capacity increase in Fremont, California of $0.9m, now complete
- Finalisation of the investment in Laser & Ultrasound production capacity and expansion in Adelaide, South Australia of A$1.8m now complete
- Investment in 2RT product development and LEAD clinical trial of $1.2m

Outlook

Ellex expects to grow group sales and have an improved operating result in financial year 2019 subject to global economic conditions and foreign exchange rates. The targeted glaucoma growth strategy, which delivered growth during the year is expected to be primary growth driver in financial year 2019.

Ellex iTrack™ sales will continue to grow in with an improvement in operating result expected as the benefits of FY17 and FY18 sales and marketing investment commence to crystallise.

Ellex Laser & Ultrasound segment sales are expected to grow primarily due to on-going glaucoma laser sales growth.

Finally, 2RT® sales in FY19 will depend on the outcome of the LEAD Clinical Trial due for release by 30 September, 2019.

Additional detail in the Investor presentation attached.

ABOUT ELLEX

Ellex designs, develops, manufactures and sells innovative products that help eye surgeons around the world to effectively and efficiently treat eye disease. Ellex is a world leader in this field. Headquartered in Adelaide, Australia, Ellex has ophthalmic lasers and devices that treat glaucoma, retinal disease primarily caused by diabetes, secondary cataract and vitreous opacities, as well as age-related macular degeneration. Manufacturing is carried out in Adelaide, Australia and Fremont, California. Sales and service directly to eye surgeons is conducted via subsidiary offices in Fremont, Minneapolis, Lyon, Berlin and Tokyo. A network of more than 50 distribution partners around the world services other markets.

For additional information about Ellex and its products, please visit www.ellex.com

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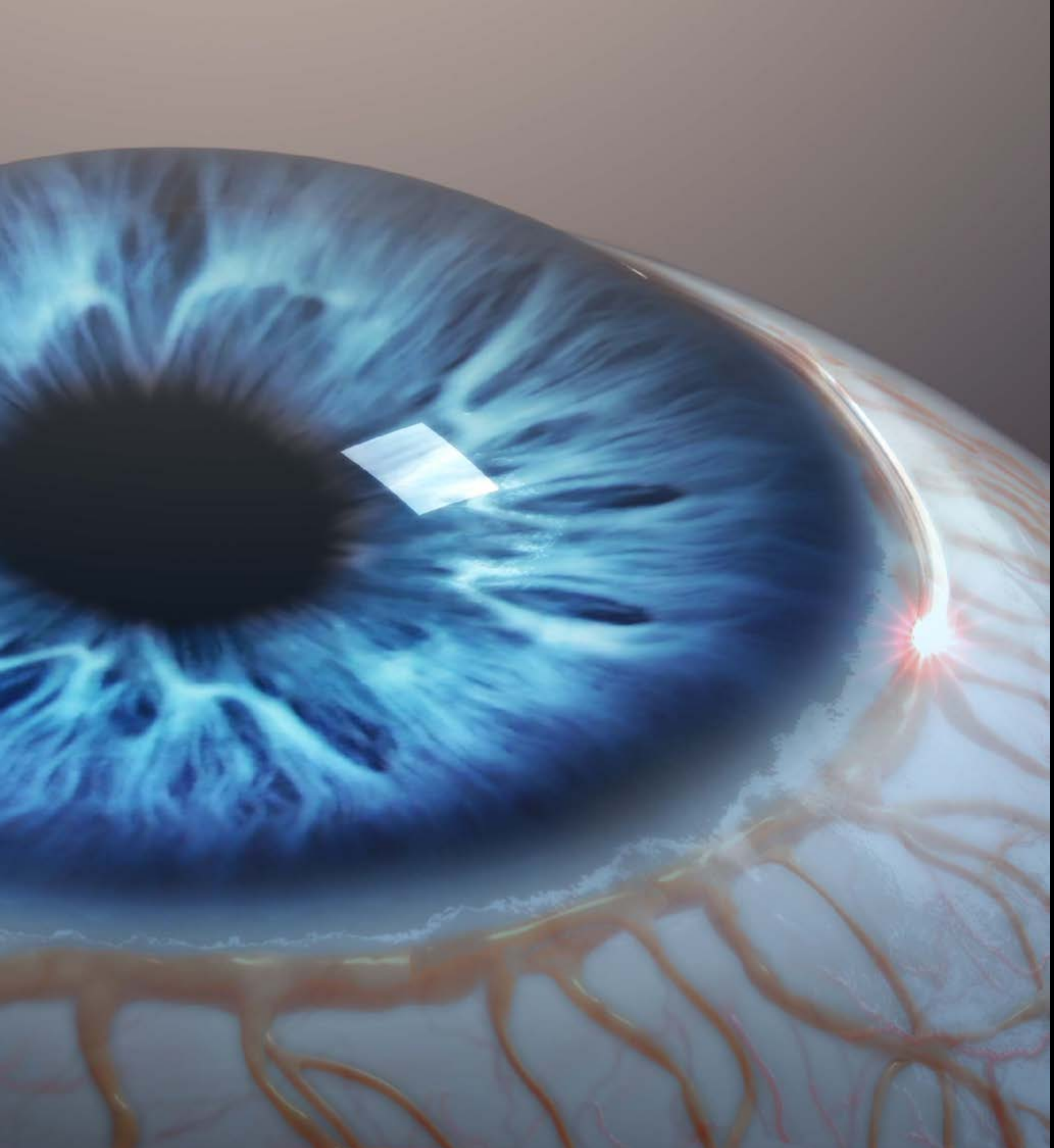

Ellex Medical Lasers Limited (ASX:ELX)

Investor Presentation for the year ended 30 June 2018

Prepared 29 August 2018

Ellex Group Key Information

Key Information		
Market Cap (20 Aug)	A$100million	US$75million
Revenue	A$79.1million	US$60million
Cash at Bank (30 June 2018)	A$23.1million	US$17.3million
Borrowings (30 June 2018)	A$15.0million	US$11.3million
Operating cash flow during 12 months to 30 June 2018	A$0.5million	US$0.4million

* AUD/USD exchange rate 0.75

- ✓ Participating in the global market for supply of products that treat the four major causes of blindness; glaucoma, diabetic eye disease, cataracts and age-related macular degeneration
- ✓ Strong brand with global distribution channel
- ✓ Growth strategy from unique products that restore and rejuvenate
- ✓ Growth strategy self-sustaining from existing cash from operations

Disclaimer

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Ellex Group Summary FY18

- Group sales growth of 13%[1] compared to prior year to $79.1m
- Implementation of targeted glaucoma sales growth strategy demonstrating tangible results with 39%[1] growth in the year and four-year CAGR of 28%
- $11.4m[1] of Ellex iTrack™ sales accelerating with solid growth in the last quarter of 20%[1]. Ellex iTrack™ achieved 48% revenue growth in the USA and 20% outside the USA for the year. EBITDA-level loss of $5.2m as a result of investment in USA sales and marketing infrastructure.
- Ellex Laser & Ultrasound sales up 10.4%[1] for the year, driven by strong glaucoma laser sales combined with improvement in divisional EBITDA to $8.3m.
- Reduction in corporate costs in FY18 of $0.5m (13.5%) compared to prior corresponding period (pcp)
- Despite the investment in Ellex iTrack™, as a result of good working capital management, cash flow from operations was up $4million compared with pcp to a positive $0.5million, indicating the self-sustaining nature of the growth strategy
- Cash at bank of $23m at 30 June 2018

$Am					
	Lasers & Ultrasound	2RT®	iTrack™	Corporate Costs	Total
FY18					
Revenue	67.5	0.5	11.1	--	79.1
EBITDA/(loss)	8.3	(1.0)	(5.1)	(3.4)	(1.2)
FY17					
Revenue	62.5	0.9	8.2		71.6
EBITDA/(loss)	7.3	(0.4)	(1.3)	(4.1)	1.5

(1) Based on constant currency, converting FY18 at FY17 average A$ exchange rates for USD, EUR, YEN

Ellex Group Revenue Growth Trend

	$Am						
	FY15	**FY16**	**FY17**	**FY18 Reported**	**FY18 Constant Currency**	**Annual Growth Constant Currency**	**4-year CAGR(1)**
Laser & Ultrasound	58.0	65.2	62.5	67.5	69.0	10.4%	4%
Ellex iTrack™	4.7	6.3	8.2	11.1	11.4	39%	25%
2RT®	-	1.4	0.9	0.5	0.5	-	-
	62.7	**72.9**	**71.6**	**79.1**	**80.9**	**13%**	

(1) CAGR based on annual reported revenues

Ellex Group Performance by Business Segment in FY18

Segment	Revenue FY18	Segment EBITDA $Am/(loss)	Business Model	Current Market Size per annum	Current Estimated Market Growth Rate	Ellex Revenue Growth in FY18 in Constant Currency
Ellex Core Laser & Ultrasound	67.5	8.3	Capital equipment sales	US$350m	2%[(1)]	10.4%
Ellex iTrack™	11.1	(5.1)	Consumable product	US$300m[(2)]	35%[(2)]	39%
Ellex 2RT® for early AMD	0.5	(1.0)	Capital equipment & procedure fee	US$5bn to US$10bn[(3)]	7.1% growth[(3)] in 7 major economies	0%
Corporate & other		(3.4)				
Total EBITDA		(1.2)				

(1) Combination MarketScope Ophthalmic Lasers Report June 2017 and MarketScope Diagnostic Equipment Report July 2018.
(2) MarketScope "Glaucoma Surgical Device Report" dated August 2017 estimates for MIGS and canal-based devices 2017 to 2022.
(3) PharmaPoint: Macular Edema and Macular Degeneration- Global Drug Forecast and Market analysis to 2023" published in Dec 2014

Ellex Accessing Large, Rapidly-Growing Markets

1 CURRENT - GLAUCOMA GROWTH STRATEGY

Glaucoma is the **second-leading** cause of blindness in the developed world.

1. Increased uptake of Ellex Tango™ as primary therapy
2. Increased market penetration of Ellex iTrack™ MIGS device
3. Exploit synergies between Ellex Tango™ and Ellex iTrack™

2 NEAR TERM - 2RT® REJUVENATIVE LASER THERAPY FOR EARLY AMD

Age related macular degeneration is the **leading** cause of blindness in the developed world.

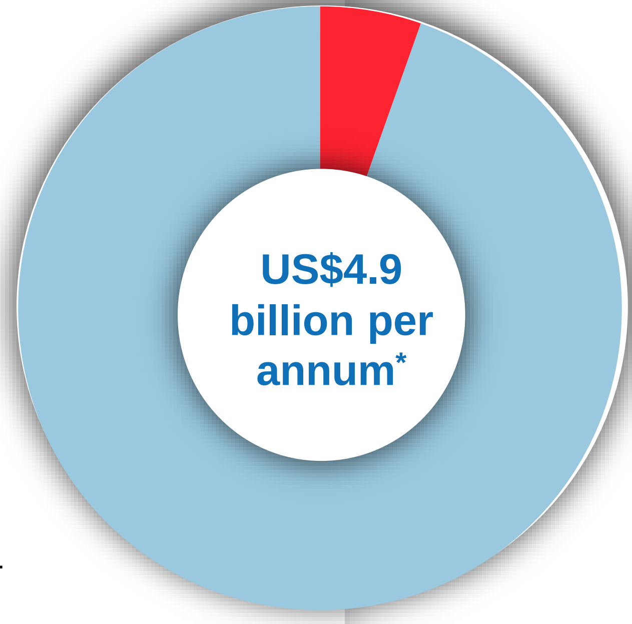
1. Outcome of clinical trial expected to be announced in September 2018
2. Leverage existing global sales channel to commercialize Ellex 2RT® in key markets

Glaucoma Devices Market - Growth

CURRENT MARKET[1]
(in US millions)

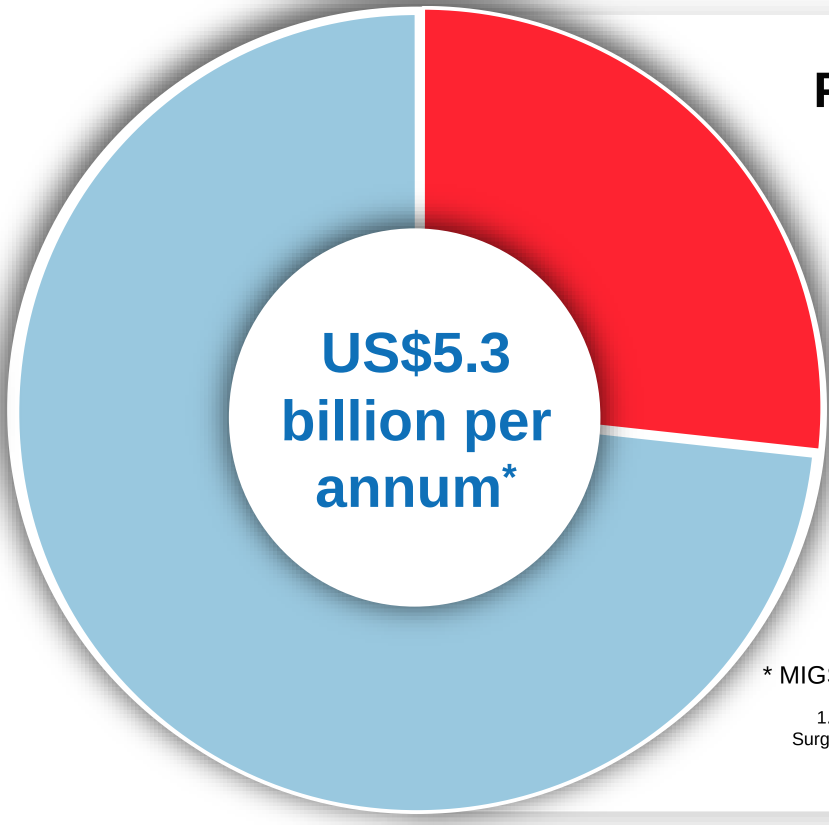
MIGS*
US$263m

PHARMA
US$4600m



* MIGS market includes SLT.

1. MarketScope 2017 Glaucoma Surgical Devices, Early to Moderate Glaucoma Therapy Devices



PROJECTED MARKET IN 2022[1]
(in US millions)

MIGS*
US$1423m

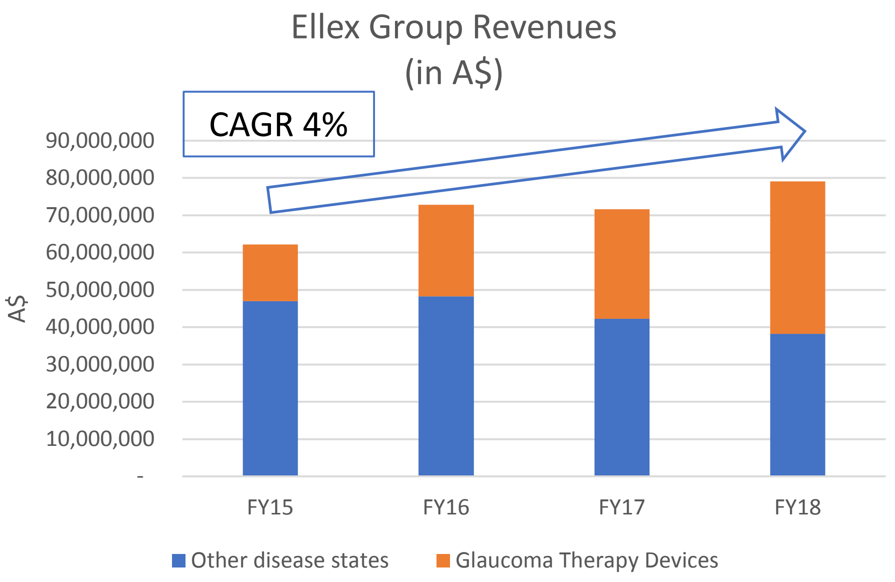
PHARMA
US$ 3900m

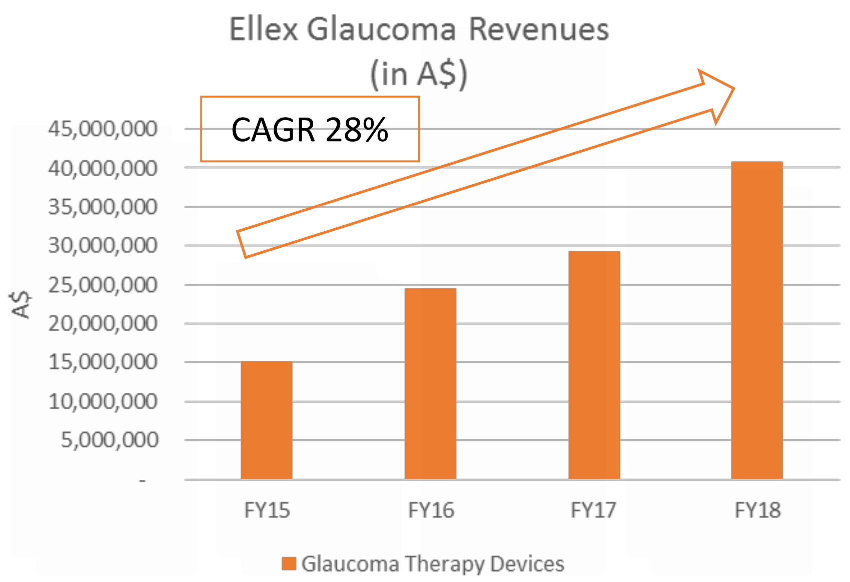
* MIGS market includes SLT.

1. MarketScope 2017 Glaucoma Surgical Devices, Early to Moderate Glaucoma Therapy Devices

Growth in glaucoma device demand driven by emerging recognition of poor patient compliance and side effects associated with topical medication.

Ellex Restorative Glaucoma Therapy Device Revenue Drives Growth





- Over the 4 years to FY18, Ellex achieved a CAGR of 28% for glaucoma revenues. MarketScope estimates that going forward the market that is currently estimated at US$350m per annum will grow to US$1.4bn per annum at a CAGR of 33%.
- With Ellex Tango™ and Ellex iTrack™, Ellex has a demonstrated capacity to compete and grow sales in this fast-growing market.

Ellex Established Global Sales Channel

41%
North America
Minneapolis, MN
US Direct Sales Subsidiary
Fremont, CA
US Head Office and
iTrack™ Manufacturing

2%
South America
Distributor Sales

15%
EMEA
Distributor Sales, Lyon

3%
France
Direct Sales

Lyon
Ellex Customer Service Center and France Sales Subsidiary

6%
Germany
Direct Sales Subsidiary, Berlin

7%
Asia
Distributor Sales

15%
Japan
Direct Sales Subsidiary, Tokyo

11%
Australia
Direct Sales

Adelaide, Australia
Corporate Head Office
Manufacturing
Asia Customer Support

- Manufacturing Laser & Ultrasound in Adelaide, Australia
- Manufacturing Ellex iTrack™ in Fremont, CA


Ellex iTrack™
ellex
iTrack

Ellex iTrack™ Unique Characteristics Drives Customer Targeting

iTrack™ surgical system

ABiC™

"ABiC™ performed with the iTrack™ surgical system"

- Minimally invasive canal-based glaucoma surgery
  - Adjunctive
  - Restorative
  - Comprehensive
  - With or without cataract operation

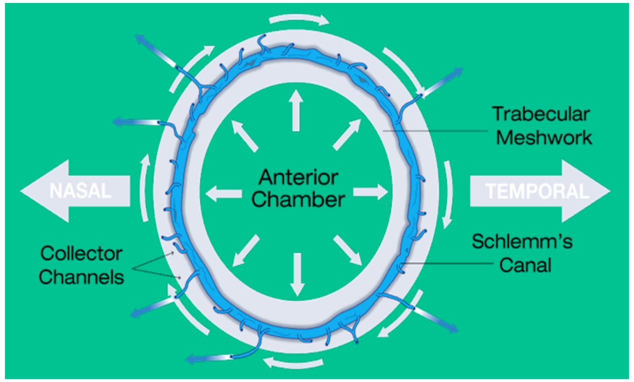
iTrack™ Microcatheter

- Proprietary illuminated
- Tactile feedback
- Real-time feedback

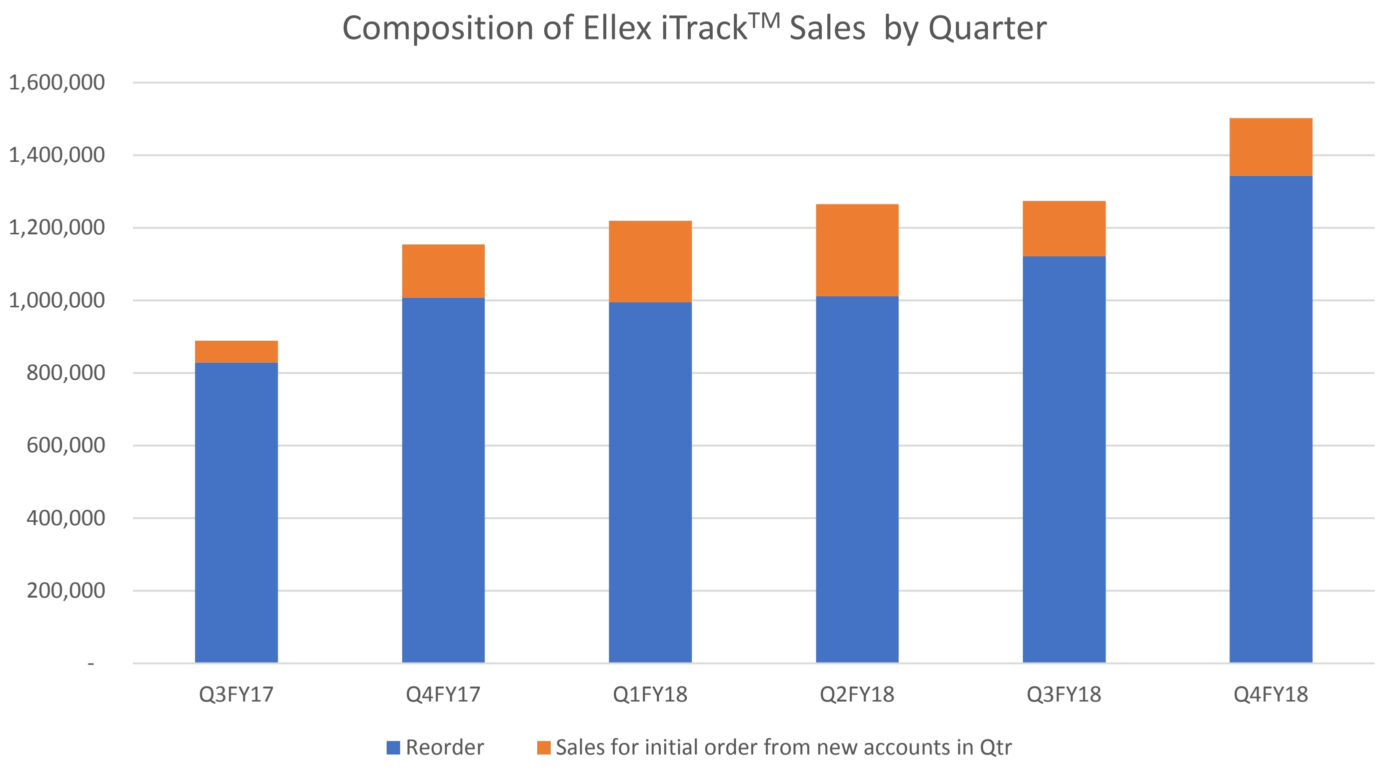
ViscoInjector

iLumin

- There are now a large number of ophthalmic physicians considering options for minimally invasive interventional glaucoma surgeries ahead of eye drops and invasive surgery, and many options being presented.
- Ellex is targeting a segment of physicians for whom the clinical benefits of the Ellex iTrack™ surgical system resonate and for whom the device fits into the physicians surgery and practice pattern.
- We estimate that there are many physicians in the USA alone and Ellex iTrack™ penetration is currently low but growing.



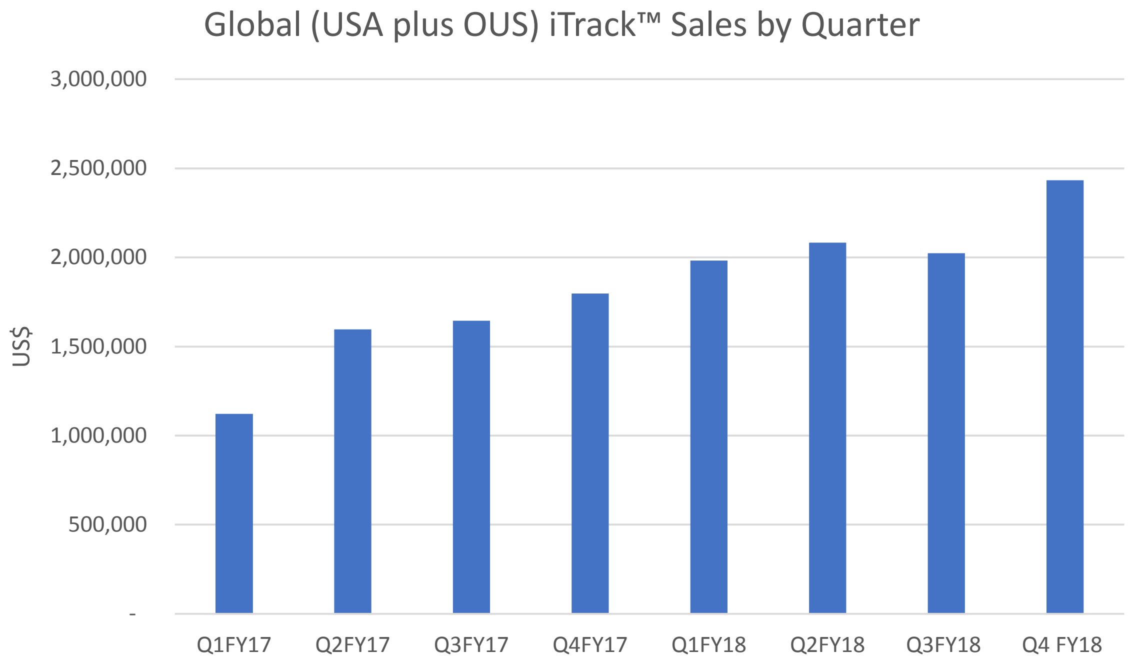
Ellex iTrack™ – USA sales



Improved sales and re-orders in the USA due to:

- Improved experience of sales team;
- Investment in sales team management;
- Specific targeting of physicians for whom the benefits of iTrack™ resonate;
- Consultative selling to physicians focussing on surgical technique, patient selection and helping physicians determine their treatment approach for glaucoma;
- Deployment of capital on additional marketing since January 2018 to improve podium presence and communication of the restoration and rejuvenative message.

Ellex iTrack™ – Global Sales



	12 months to 30 June 2018		
	2017	2018	Growth
Units:			
USA	4,347	6,392	47%
China	1,165	1,550	33%
Rest of world	4,143	4,695	13%
	9,655	12,637	31%
US$ sales revenue:			
USA	3,604,816	5,322,153	48%
China	555,000	752,250	36%
Rest of world	2,046,254	2,456,505	20%
	6,206,070	**8,530,908**	**38%**

OUS sales growth from:

- Additional take up from doctors in China. We continue to work with our distribution in China to advance physician training and hospital approvals. During the 8 months to August 2018, Ellex iTrack™ was presented by our Chinese Key Opinion Leaders at 14 ophthalmic conferences in 7 major Chinese cities.
- Advancement of the ABiC technique with German physicians.

Ellex iTrack™ Operating Costs

- Operating expenditure has grown significantly during FY18 with the growth of sales and marketing infrastructure and the production team and a good base is now in place.
- Operating expenditure growth will reduce during FY19.
- 17 USA sales representatives (reps), deployed into highly prospective target territories with capacity for sales growth, in place at 30 June 2018 with an average of 13 sales reps in place for the year.
- Expanded production facility in place at Fremont, CA and operating well. This facility is operating approximately 50% of physical capacity.
- Gross margin expansion in FY18 shows impact of higher-period USA sales in the mix.

	$000's	
	FY17	**FY18**
Revenue from ordinary activities	8,219	11,085
Changes in inventories of finished goods and WIP	124	282
Raw materials and consumables used	(1,929)	(2,082)
Gross Margin Related [(1)] excluding labour	**6,414**	**9,285**
	78%	**84%**
Employee benefits [(1)]	(4,418)	(8,648)
Facilities expense	(158)	(363)
Advertising and marketing	(868)	(1,760)
Implied interest for deferred consideration	(68)	-
Realised FX loss	(33)	(35)
Other expenses from ordinary activities	(2,179)	(3,542)
EBITDA Operating Result	**(1,310)**	**(5,063)**

(1) Gross margin related, production labour in employee benefits

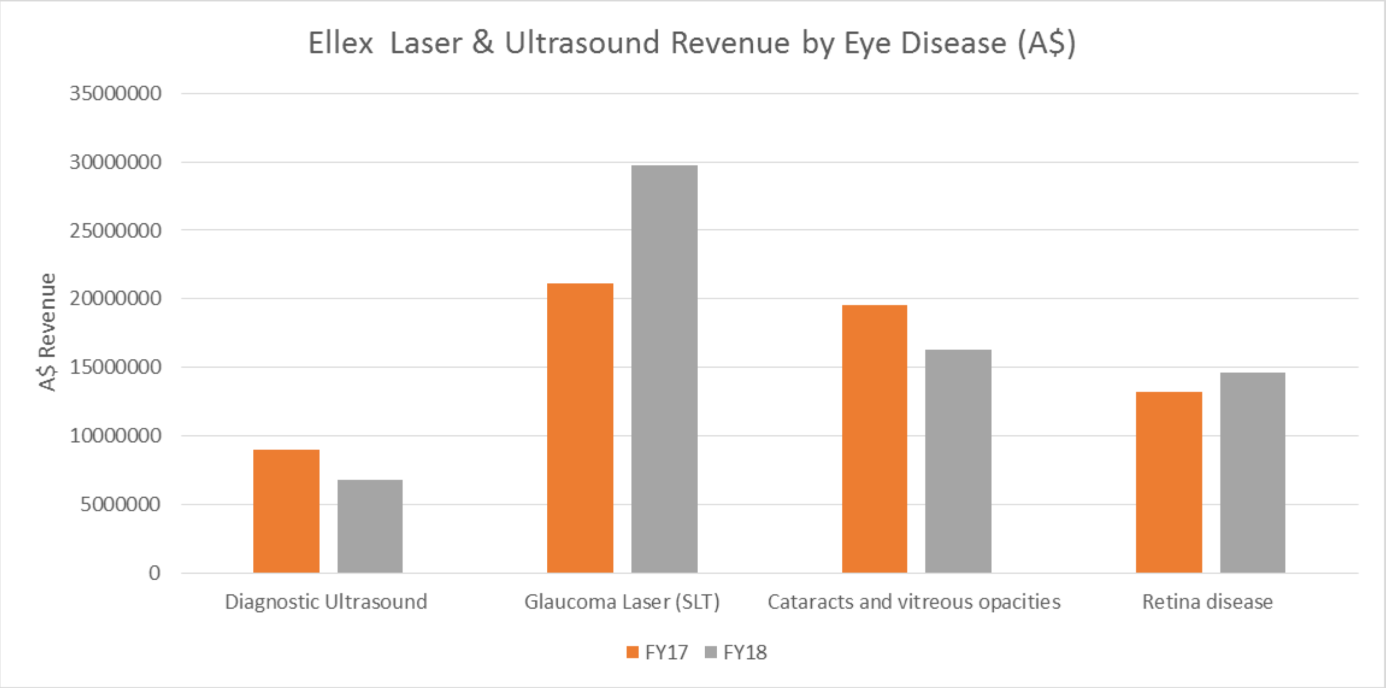
Lasers & Ultrasound

Ellex Laser & Ultrasound Market

Disease	Current Ellex Devices	Total annual spend on disease treatment with pharma and devices	Current device-market accessible to Ellex [1]	Assessed device-market position against competition[2]
Glaucoma – early stage	SLT with TangoReflex™, Tango™	US$4.6bn[1]	US$46m (CAGR 1.5%)	1. Ellex 2. Lumenis
Cataracts and Vitreous Floaters	Ultra Q™ and Ultra Q Reflex™	US$3.3bn plus 25.3 million cataract operations per year[1]	US$66m (CAGR 2% plus more with vitreous floater treatment)	1. Ellex 2. Lumenis 3. Nidek
Diabetic Disease of Retina	Integre Pro™, Integre Pro Scan™ and Solitaire	US$1.9bn[1]	US$221m (CAGR 2%)	Ellex, Nidek, Lumenis, Topcon & Iridex
Diagnostic Ultrasound	Eyecubed™ and Eyeone	Included above	US$140m (CAGR 5%)	Ellex, Sonomed & Quantel

(1) MarketScope Ophthalmic Lasers Report 2017
(2) Assessment conducted by Ellex based on publicly available information

Ellex Laser & Ultrasound Sales by Eye Disease

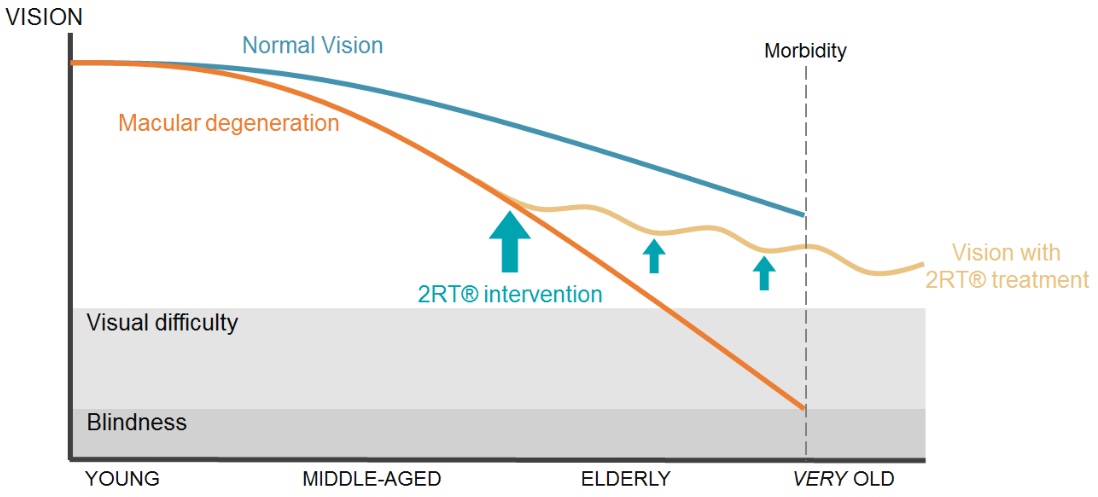


- 41% growth in glaucoma laser sales (MarketScope estimates market growth rate at 1.5%). Some impact on cataract and vitreous opacities laser growth due to TangoReflex™, the combined glaucoma and floater treatment laser. This performance has been driven by; technical benefits of product vs competitors and the rejuvenative glaucoma therapy message.
- Despite lower selling prices, thermal lasers for retinal disease grew marginally.
- Improvement in operating margin for the business segment as a result of focus on glaucoma therapy device strategy and careful cost management.


Ellex 2RT® for Early AMD

Ellex 2RT® - Potentially Game-changing Interventional Treatment for Early to Intermediate AMD

- $0.5m of revenue for FY18 based on sales of units to early adopters and procedure fees
- Substantial growth opportunity pending results of clinical trial with results due in September 2018
- Unique, patent-protected nano-pulse laser that may rejuvenate aging retinal cells, thus delaying progression to late stage AMD
- Sales to early adopters taking place under CE mark. Ellex has in-place distribution channel to roll Ellex 2RT® out



Ellex Cash Flow for Operations and Growth

	FY17 $m	FY18 $m
Cash flow from/(used) in operations	**(3.5)**	**0.5**
Investments for future growth:		
• Product development glaucoma, cataracts, retina, ultrasound	(2.5)	(2.0)
• Product development 2RT® including clinical trial	(0.6)	(1.2)
• Payment to vendors of iTrack™ business (finalized in FY18)	(1.3)	(2.0)*
• Investment in production expansion for Ellex iTrack™, Fremont, CA (sufficient capacity completed in FY18)	-	(0.9)*
• Investment in production expansion for Ellex Laser & Ultrasound production facility, Adelaide, Australia (sufficient capacity completed in FY18)	(7.0)	(1.8)*
• Stay-in-business capital expenditure Adelaide and Fremont (includes some expansion plant & equipment)	(1.0)	(1.2)
Cash flow from/(used) current operations and growth	**(15.9)**	**(9.6)**

- Working capital management achieved significant improvement in cash flow from operations of +$4.0m achieved despite investment in sales and marketing infrastructure for Ellex iTrack™ (which incurred an EBITDA-level loss of $5.1m)
- Sum of investments (denoted *) completed in FY18 is $4.7m

Ellex Group Outlook for FY19

- Ellex expects to grow group sales and have an improved operating result in FY19 subject to global economic conditions and foreign exchange rates.
- Glaucoma growth strategy is expected to be primary growth driver in FY19.
- Ellex iTrack™ will continue to grow in FY19 with an improvement in operating result expected as the benefits of FY17 and FY18 sales and marketing investments crystallise.
- Ellex Laser & Ultrasound segment sales are expected to grow primarily due to on-going glaucoma laser sales growth.
- Ellex 2RT® sales in FY19 will depend on the outcome of the LEAD Clinical Trial currently expected to be released by 30 September, 2018.

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Appendices

Ellex Group Balance Sheet

Assets	$millions	
	30 June 2017	30 June 2018
Cash	9.2	23.1
Trade receivables	15.1	15.0
Inventories	23.9	22.5
Product development capitalised	13.5	14.9
Deferred tax asset	6.3	7.6
PPE, iTrack™ acquisition intangibles & other	5.0	5.0
Land & buildings at cost	7.5	6.9
Total Assets	**86.5**	**102.7**

Liabilities	30 June 2017	30 June 2018
Trade creditors	7.0	6.3
Borrowings – mortgage land & buildings	6.1	6.5
Borrowings – trade	9.4	8.5
Due to iTrack™ business vendors	1.9	-
Provisions + Other	5.2	6.2
Total Liabilities	**29.6**	**27.5**

- Improved cash position as a result of equity issue in November 2017 and working capital management

Ellex Group P&L by Segment FY18

	A$'000's				
	L&U	iTrack™	2RT®	Corporate	Total
Revenue	**67,485**	**11,085**	**497**	**-**	**79,067**
Other Income	-	-	-	477	477
Changes in inventories of finished goods and work in progress	(646)	282	(28)	-	(392)
Raw materials and consumables used	(30,483)	(2,082)	(261)	-	(32,826)
	36,356	9,285	208	-	
Gross margin related %(1)	54%	84%	-	-	
Employee benefits expense	(18,659)	(8,648)	(209)	(2,137)	(29,649)
Depreciation, amortization and impairment expense	(2,715)	(1,058)	(16)	-	(3,789)
Facilities expense	(1,763)	(363)	(13)	-	(2,139)
Legal expenses	-	-	-	(253)	(253)
Advertising, marketing and congress expense	(2,985)	(1,760)	(617)	-	(5,362)
Finance costs	-	-	-	(313)	(313)
Implied interest for deferred consideration for iTrack™ acquisition	-	-	-	-	
Product development raw materials and consumables used	(1,022)	-	(8)	-	(1,030)
Realised foreign exchange gain/(loss)	460	(35)	3	-	428
Other expenses	(4,110)	(3,542)	(370)	(1,537)	(9,559)
(Loss)/profit before tax	**5,566**	**(6,121)**	**(1,022)**	**(3,763)**	**(5,340)**

(1) In accordance with reporting in previous years this ratio is highlighted as a proxy for gross margin as it does not include cost of production labour which is shown in employee benefits

Ellex Group P&L by Segment FY17

	A$'000's				
	L&U	iTrack™	2RT®	Corporate	Total
Revenue	**62,515**	**8,219**	**901**	**-**	**71,635**
Other Income	-	-	-	328	328
Changes in inventories of finished goods and work in progress	2,650	124	(12)	-	2,762
Raw materials and consumables used	(31,474)	(1,929)	(289)	-	(33,692)
	33,691	6,414	600	-	
Gross margin related %(1)	54%	79%			
Employee benefits expense	(17,004)	(4,418)	(124)	(2,533)	(24,079)
Depreciation and amortization expense	(2,549)	(548)	(37)	-	(3,134)
Facilities expense	(1,779)	(158)	(26)	-	(1,963)
Legal expenses	-	-	-	(201)	(201)
Advertising, marketing and congress expense	(3,121)	(868)	(283)	-	(4,272)
Finance costs	-	-	-	(336)	(336)
Implied interest for deferred consideration for iTrack™ acquisition	-	(68)	-	-	(68)
Product development raw materials and consumables used	(1,168)	-	(17)	-	(1,185)
Realised foreign exchange (loss)/gain	(134)	(33)	(2)	-	(169)
Other expenses	(3,240)	(2,179)	(557)	(1,609)	(7,585)
(Loss)/profit before tax	**4,696**	**(1,858)**	**(446)**	**(4,351)**	**(1,959)**

(1) In accordance with reporting in previous years this ratio is highlighted as a proxy for gross margin as it does not include cost of production labour which is shown in employee benefits

Other Information

Product Development Costs	$millions		
	FY16	FY17	FY18
Opening balance product developments cost in balance sheet	10.7	11.6	13.5
Plus: New product investments (including 2RT® clinical trial)	2.8	3.1	3.2
Less: Amortisation of investments in products	(1.9)	(1.2)	(1.8)
Closing balance of product development cost in balance sheet	11.6	13.5	14.9

Average Foreign Exchange Rates	FY18
USD/AUD	0.77
EUR/AUD	0.65
YEN/AUD	85.4