Ellex Medical Lasers (ASX: ELX)

Investor Presentation for Year End 30 June 2012
(prepared 31 August 2012)
Ellex results in a snapshot......

- $2m NPBT turnaround from $1m loss to $1m profit during FY12 compared with prior comparative period
- Focus on inventory and receivables management has provided $3m cash to improve terms of trade with suppliers and renegotiate debt terms with bank
- Global leader in the design, manufacture, sale and service of ophthalmic laser, ultrasound and imaging systems used by ophthalmologists and optometrists to diagnose and treat eye disease
- Ellex markets and sells its products in more than 100 countries through a combination of third-party distributors and direct sales subsidiaries (United States, Japan, France, Germany and Australia)
- Supplies to a large, growing global market:
  - Global Ophthalmic Device Market: A$8 billion, Laser Market: A$290m pa
- Listed on the ASX since 2001
Ellex results in a snapshot......

• Improvement in FY12 due to
  • Operational efficiencies arising from consolidation of all manufacturing in Adelaide, Australia
  • Strong sales performance in US and Australia
  • Offset by sales in Japan in second half of FY12 lower than prior corresponding period

• USA market entry planned for Ellex Tango glaucoma laser product from July 2013. Ellex Tango is market leader outside USA. Tango share represents 42% of global market (excl USA)

• Pipeline of highly prospective products targeting new ophthalmic markets expected to contribute to sales from FY13 onwards – large, under-penetrated market opportunities

Ellex is distinct in the Australian Medical Device Sector, with a robust existing business model coupled with large blue-sky potential from new ophthalmic product launches
Key FY12 Financial Data

Revenues – $47.5m, +10% on pcp
EBITDA – $3.2m, +190% on pcp
NPAT – $1.1m ($0.7 loss in FY11)
EPS – 1.2 cps
NTA per share – 19.8¢ (pcp 18.9¢)
Gearing (D/D+E) – 19.5% (pcp 22%)
Issued Capital – 84.9m
Market Cap. – ~$16.1m
Top 20 Holders – 43.5%
  - Directors: 23%
  - Intertec Healthcare Mgt LLC: 3%
  - JP Morgan Noms: 2%
Revenue up 18% on pcp despite continued negative impact from FX.
## Financial Summary – P&L

<table>
<thead>
<tr>
<th></th>
<th>Full-year Ended 30 June 2012 A$000’s</th>
<th>Full-year ended 30 June 2011 A$000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>47,504</td>
<td>43,135</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,169</td>
<td>1,114</td>
</tr>
<tr>
<td>Earnings before tax</td>
<td>1,067</td>
<td>(1,087)</td>
</tr>
</tbody>
</table>

### Drivers of improvement on pcp:
- Consolidation of ultrasound production into Adelaide from California
- US sales growth from stable focused sales team and improved economic sentiment
- Australian sales growth from retina camera sales to optometry sector
- Improvements despite fall in sales in Japan compared with prior corresponding period
## Revenue growth

<table>
<thead>
<tr>
<th>Area</th>
<th>Full-year Ended 30 June 2012 A$000’s</th>
<th>Full-year ended 30 June 2011 A$000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>11,352</td>
<td>6,147</td>
</tr>
<tr>
<td>USA</td>
<td>9,872</td>
<td>8,112</td>
</tr>
<tr>
<td>Greater Europe and Middle East</td>
<td>9,651</td>
<td>9,414</td>
</tr>
<tr>
<td>Japan</td>
<td>12,176</td>
<td>14,459</td>
</tr>
<tr>
<td>Asia</td>
<td>2,206</td>
<td>2,624</td>
</tr>
<tr>
<td>South America and other</td>
<td>2,246</td>
<td>2,360</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47,503</strong></td>
<td><strong>43,116</strong></td>
</tr>
</tbody>
</table>

- Revenues in EURO, YEN, USD and AUD.
- Japan impacted by post-tsunami government spending priorities
- US sales up from focussed team and better sentiment with improving retinal camera sales
- Australia up on retinal camera sales into optometry
### Financial Summary – Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2012 A$000’s</th>
<th>30 Jun 2011 A$000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,849</td>
<td>1,744</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>9,362</td>
<td>10,662</td>
</tr>
<tr>
<td>Inventories</td>
<td>14,870</td>
<td>16,569</td>
</tr>
<tr>
<td>Product development</td>
<td>6,602</td>
<td>6,281</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>7,892</td>
<td>7,861</td>
</tr>
<tr>
<td>PPE and other assets</td>
<td>4,357</td>
<td>4,544</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>44,932</strong></td>
<td><strong>47,661</strong></td>
</tr>
</tbody>
</table>

- Inventory reduction efforts released cash
- Reduction in receivables on increased sales due to improved collections released cash
Financial Summary – Balance Sheet (cont’d)

Debtor days have fallen compared with previous two years
= release of $1.3m of cash in FY12

Inventory turns have increased compared with previous two years
= release of $1.7m of cash in FY12
## Financial Summary – Balance Sheet (cont’d)

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<thead>
<tr>
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<th>30 Jun 2012 A$000’s</th>
<th>30 Jun 2011 A$000’s</th>
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</thead>
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<tr>
<td>Trade creditors</td>
<td>(2,457)</td>
<td>(6,114)</td>
</tr>
<tr>
<td>Borrowings (Australian Bank – A$ denominated) – current</td>
<td>(1,221)</td>
<td>(4,653)</td>
</tr>
<tr>
<td>Borrowings (YEN denominated Australian Bank) – current</td>
<td>(2,162)</td>
<td>(2,654)</td>
</tr>
<tr>
<td>Borrowings (A$ Commercial Bill) – non current</td>
<td>(2,625)</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings subordinated debt (YEN denominated) Japanese Bank</td>
<td>(1,847)</td>
<td>(1,169)</td>
</tr>
<tr>
<td>Employee provisions and other liabilities</td>
<td>(2,562)</td>
<td>(2,749)</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>(12,874)</td>
<td>(17,339)</td>
</tr>
</tbody>
</table>
Financial Summary – Cash & Debt

Actions

- Cash from operations of $1.8m up from $0.2m in 2011
- Contracted debt amortisation payments of $0.7m for A$ bank debt made during FY12
- Renegotiated commercial bill terms with bankers means debt of $2.6m is now a non-current liability. In 2011 this was all current
- Draw down of A$1m low interest YEN loan in October 2011, under program made available by Japanese government to assist companies recover from tsunami
Financial Summary – Cash & Debt

Outcomes

- Current portion of borrowing down by $3.4m
- Debt denominated in low interest YEN is now $4m (2011: $3.8m) which is 51% of total debt (2011: 45%). This will lead to lower interest expense in the future (YEN revenues sufficient natural hedge on FX rate)
- Reduction in trade creditors of $3.7m (81 days in 2011 to 31 days in 2012) has facilitated better terms of trade with suppliers. This will help further raw materials inventory reduction.
Product Portfolio - Existing

Existing Ellex proprietary products FY11 & FY12

• Treating Secondary Cataracts — Photodisruption
  Super Q®, Ultra Q™

• Treating Glaucoma — SLT
  Tango™, Solo™

• Treating Retinal Disease — Photocoagulation
  Integre®, Integre Duo™, Integre Yellow™, Solitaire™

• Diagnostic Ultrasound
  Eye Cubed™
# Current Product Sales - Market Information for Target Applications

<table>
<thead>
<tr>
<th>Target Application</th>
<th>Additional information</th>
<th>Estimated global annual market value</th>
<th>Ellex Share</th>
<th>Growth determinant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glaucoma treatment</td>
<td>Worldwide 5m to 7m are blind from Glaucoma – Selective Laser Trabeculoplasty (SLT) is emerging as best treatment</td>
<td>$35 million excluding USA and $60m including USA&lt;sup&gt;1&lt;/sup&gt;</td>
<td>40% (excluding USA. USA market opening in July 2013)</td>
<td>Ageing population</td>
</tr>
<tr>
<td>Treatment of Secondary Cataracts</td>
<td>Treatment with a YAG laser is accepted globally. Replacement market in first world, new market in developing world</td>
<td>$25 million&lt;sup&gt;4&lt;/sup&gt;</td>
<td>20%</td>
<td>Ageing population and improved IOL's (see Australia example following)</td>
</tr>
</tbody>
</table>

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1. Industry market publication “Market Scope” September 2011 for SLT
2. 2 May 2007 Glaucoma Service Foundation to Prevent Blindness
4. Ellex assessment
## Current Product Sales - Market Information for Target Applications cont’d

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</tr>
</thead>
<tbody>
<tr>
<td>Treatment of Diabetic Retinopathy</td>
<td>Diabetes is the leading cause of blindness in the developed world in adults 20 to 74 years(^3)</td>
<td>$215 million(^1)</td>
<td>5% to 10%</td>
<td>Ageing population and obesity trends in developed world (see example of USA trends following)</td>
</tr>
<tr>
<td>Retinal diagnostic equipment</td>
<td>Eye Cubed ultrasound and diagnostic imaging equipment</td>
<td>$7.9 billion(^2)</td>
<td>$20m</td>
<td>Ellex’s Eye Cubed product is global leader. Retinal cameras in all Australian and NZ Specsavers stores</td>
</tr>
</tbody>
</table>

1. Industry market publication “Market Scope” September 2011  
3. American Optometric Association November 2011
Product Sales – Market Information

Trend in cataract procedures in Australia

- These procedures require Ellex’s photodisruptor laser
- Cataract operations showing strong increase due to improvement in intraocular lens technologies. More people are having the procedure done for lifestyle improvement
- Subject to reimbursement arrangements, Australian market trend indicative of global trend

Source: Medicare Australia
Product Sales – Market Information
Diabetes and Eye Disease in the US

Key Facts:

- Almost 20 million Americans have diabetes (8%)¹
- 45-65% of patients diagnosed with diabetes do not undergo an annual eye examination²
- 80% of diabetic patients eventually develop retinopathy³
- Diabetic retinopathy remains the number one cause of blindness in the United States⁴
- There are 79 million Americans with pre-diabetes⁵

This is evidence of growing demand for retinal camera screening tools.
Also leads to increased need for photocoagulator laser treatment

References:
## Participants in Global Ophthalmology

<table>
<thead>
<tr>
<th>Glaucoma Laser</th>
<th>Secondary Cataracts Laser</th>
<th>Diabetic Retinopathy Laser</th>
<th>Diagnostic Ultrasound</th>
<th>Estimated ranking of the group by revenue (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ellex</td>
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<td>Lumenis</td>
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<td>Iridex</td>
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<td>Equal 3.</td>
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<td></td>
<td></td>
<td>Nidek</td>
<td>Nidek</td>
<td>Equal 3.</td>
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</tbody>
</table>

a) Lumenis has exclusive access to US market for sale of Glaucoma treatment lasers until July 2013
b) Estimates made by Ellex management
Product Portfolio - Growth

Proposed new Ellex proprietary products for FY13

- Improved photodisruptor and glaucoma products
- Improved photocoagulator
- 2RT for diabetic macular edema (deliveries commenced)
- 2RT for aged related macula degeneration pending CE Mark
Growth opportunity - Retinal Rejuvenation Therapy - Update

- CE Mark for DME treatment received in July 2012. First commercial sale of 2RT followed in Mid August 2012.

- Early AMD pilot study at CERA at RVEEH in Melbourne of 50 patients at 12 months has shown improved macular function. Study continuing to provide results for 50 patients at 24 months.
Growth opportunity - Retinal Rejuvenation Therapy – Update (cont’d)

• Commenced treating patients in multi-center international RCT into 2RT treatment of Early AMD, with CERA (Melb. Aust) as principal site. Second site in Sydney preparing to start RCT. Funding secured by CERA from NHMRA and Macular Degeneration Foundation.

• Negotiations for additional RCT sites underway for USA and Germany.

• FDA submission lodged.
Retinal Rejuvenation Therapy – Market Potential

- Patients diagnosed with AMD have limited treatment options:
  1. Most patients progress for some time without CNV or GA, but declining retinal health
  2. About 10% develop CNV (wet) and are treated by drug injections every month or two @ $2000 a time for the rest of their lives
  3. About 10% develop GA (dry) and central blindness with no treatment possible

- 2RT has potential to prevent 1, 2, & 3 with a quick painless laser treatment
Retinal Rejuvenation Therapy – Market Potential cont’d

• Ellex has already engineered and completed production of pilot-production its patented, 2RT laser – no dependence on third-party laser developers or manufacturers in order to bring this technology to market

• Market size estimate based on new product diffusion model:
  • A screening device - total market estimate 20,000 units
  • 2RT for Treatment – total market estimate 5,000 units (OECD Countries) over 7-10 years based on product diffusion model

• Recurring revenue potential with per procedure business model
Product Revenue – non-Ellex product

- Ellex offers an increasing range of complimentary equipment for ophthalmic/optometric imaging and surgery:
  - Digital Retinal Camera - The digital retinal scanner is a fully automatic camera for retinal screening. Strong sales in Australia FY12 and growing sales in USA. Growing acceptance of screening tool for telemedicine to cope with growing incidence of eye disease from diabetes
  - Midlabs surgical equipment and disposables (recurring)
  - STAAR intraocular lenses (recurring)
Growth Opportunities FY13

1. Maintain and grow our current position in ophthalmic products with high quality, useful products
   - Release SLT in the US July 2013 when Lumenis patent expires.
     - $25m per annum additional market capacity for new players
     - Ellex with strong brand reputation should benefit
   - CE Mark for 2RT to facilitate FY13 sales
     - No competing laser for AMD
     - Sales targeted to early adopters who will provide additional clinical data and testimony
   - Complete and deliver new and improved photocoagulator, photodisruptor and glaucoma products to market
Growth Opportunities FY13 cont’d

2. Leverage our technical and distribution capabilities to generate additional, recurring revenue streams
   - Grow recurring revenue commencing in Australia
     - Opportunities identified to expand biomedical device service offering
     - Regulatory and Quality capabilities offer leverage and synergistic opportunities
     - Specialist medical device manufacturing services
   - Growth in telemedicine for diabetes screening in Australia and USA
   - Continue sourcing of complimentary products for sales force

3. Continue to reduce our production costs through advanced manufacturing processes and release cash through improved working capital management
Highlights

• A successful Australian technology business with 30 years experience
• Significant share of growing global market
• Solid and profitable base business
• Improved balance sheet
End

Thank you