

ASX RELEASE

Ellex Medical Lasers Limited (ASX:ELX)

Adelaide, Australia

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Topic: Ellex Report Full Year 2014 Financial Results



Highlights:

- **Revenue up 27% to \$54.3 million, driven by strong growth in the key US market following successful launch of SLT laser for glaucoma**
- **Accelerated global 2H revenue growth of 37% on pcp, reflecting first time recognition of key canaloplasty assets acquired from iScience Interventional, Inc. at end of 1H14**
- **Reported operating profit before tax of \$1.3m from \$0.14m in FY13**
- **Underlying PBT of \$2.3m excluding one-off expenses and FX effects on inventory held.**

Adelaide, Australia, 29 August 2014 – Ellex Medical Lasers Limited (ASX:ELX), a pioneer in medical technologies for the diagnosis and treatment of eye disease, today announced an operating profit before tax of \$1.3m for the year ended 30 June 2014. This is a material improvement on the operating profit of \$0.14m reported last year. Net cash from operations was up 39% to \$2.7 million, reflecting improved profitability and continued focus on working capital management.

“The improved operating performance is a direct result of significant sales growth, primarily in the USA where revenues were up 124% on the pcp driven by rapid market adoption of Ellex’s leading SLT laser into the USA market since July 2013 and first time recognition of US canaloplasty consumable sales in the 2H”.

In Japan, sales were \$10.3m which was down 3% on the pcp, reflecting the devaluation of the YEN against the Australian dollar. Local currency sales in Japan were up 3% on the pcp.

Europe & Middle East sales of \$10.3m, up 3% on pcp was primarily attributable to the fall in the A\$ against the Euro. Mr Spurling stated “While sales growth in Europe and Middle East markets was below expectations, the take up of new products UQ Reflex for Laser Vitreolysis and 2RT for AMD treatment in Europe during the year augurs well for future growth in this market”.

Sales into Asia totalled approximately \$3.8m in 2014, up 22% driven primarily by sales into China. Sales in Asia have increased by just over 50% over the last 3 years. In Latin America investments made with our distributor partners saw sales grow by 52% to \$1.4m.

Reported gross margins increased to 51.3% up from 47.9% in FY13 reflecting positive mix benefits of SLT and canaloplasty, partially offset by higher raw material costs imposed by the depreciation of the A\$ during FY14.

Operating costs increased by 25% to \$24.6m, due to the fall in the A\$, higher selling costs in the USA directly related to SLT sales, the incorporation of the canaloplasty business including higher marketing costs for its relaunch, legal costs associated with the intellectual property rights protection, our investment in clinical support for the roll-out and restructuring costs in Germany. Of the operating cost increase, approximately \$0.6 million was non-recurring.

Overall expenditure on products developed fell by \$0.1m to \$2.1m following the release of new products during the year.

Operating profit before tax was \$1.3m which was \$1.2m up on the pcp. Operating profit was adversely impacted by \$0.4 million (FY13: negligible impact) as a result of unrealised foreign exchange losses on inventory held in our Japanese and USA subsidiaries at year end.

“The sales growth in 2014 was pleasing, however the underlying operating profit of \$2.3m was reduced by unrealised foreign exchange losses and non-recurring costs. Our goal is to maintain sales growth and improve profitability during 2015 and we believe we have a solid platform of new products, building sales momentum in key markets and operating cost efficiencies identified to achieve these goals” concluded Mr Spurling.

ABOUT ELLEX

Ellex Medical Lasers Limited (ASX:ELX) is a pioneer in the development of medical technologies for the diagnosis and treatment of eye disease. With more than 20,000 systems delivered to the market, Ellex has evolved since 1985 from a manufacturing company of primarily OEM products, to direct marketing of its own branded products through subsidiaries in the United States, Japan, France, Germany and Australia, and a network of distribution partners in more than 100 countries. In recent years, Ellex has diversified its product range beyond lasers and ultrasound equipment to include distribution of a number of complementary third-party ophthalmic products. On 31 December 2013 Ellex acquired the canaloplasty micro catheter glaucoma treatment, providing a recurring revenue stream, which Ellex manufactures at a plant in Menlo Park, California.

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

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