

INVESTOR PRESENTATION YEAR ENDED 30 JUNE 2016



(Prepared 26 August 2016)



ELLEX MEDICAL LASERS LIMITED

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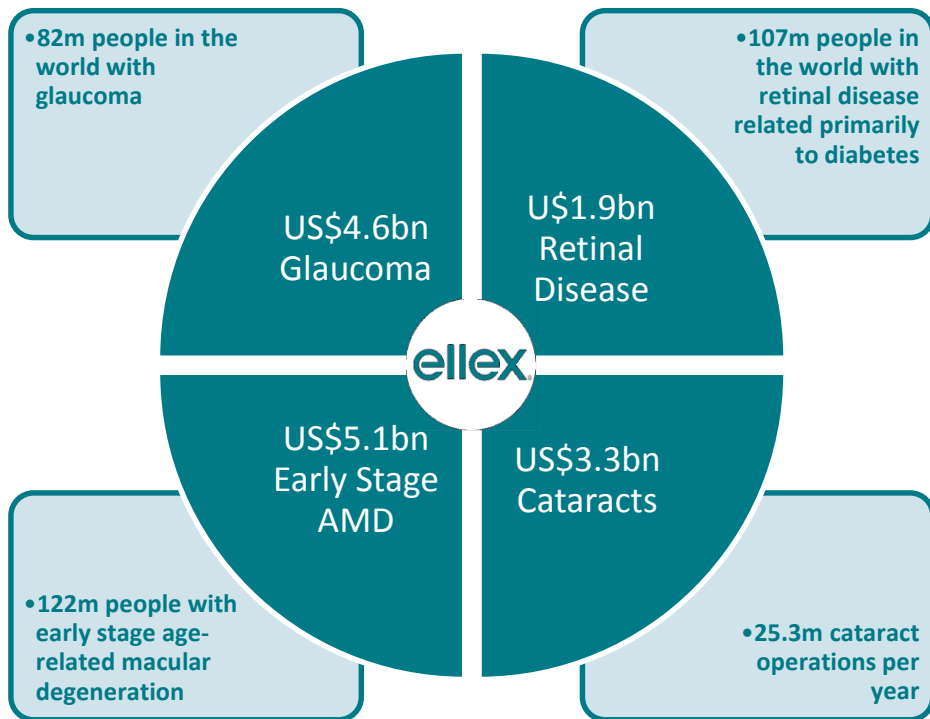
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The Ellex mission is to make and sell innovative devices that help eye surgeons globally to effectively and efficiently treat the four major causes of blindness

Large Addressable Market



Sustainable Competitive advantage

- Vertical integration from laser cavity production to direct sales to doctors
- Established global brand and worldwide leadership
- Established and proven global distribution channels
- Full suite of products and strong product pipeline including transformational products

Growth Plan

We grow our business and margins by:

- geographical expansion;
- new products to upgrade customers;
- new products that treat diseases and conditions hitherto untreated by devices

Ellex Profits are Growing

Revenue A\$72.9m, 2013-2016 CAGR 15%
PBT A\$4.2m, 2013-2016 CAGR 134%



One Powerful Vision

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- FY16 Financial Performance Review
- Growth Opportunities and Strategy
- Outlook for FY17
- Appendix



Market and Financial Summary

Summary Financials			
Period	FY15	FY16	Change (%) FY15 to FY16
Revenue (\$m)	62.7	72.9	+16%
EBITDA (excl. impairment) (\$m)	5.6	8.2	+46%
Amortisation and depreciation and impairment expense (\$m)	2.5	3.5	+40%
PBT (\$m)	2.6	4.2	+59%
Reported NPAT (\$m)	1.7	3.0	+80%
EPS (cents)	1.6	2.8	+75%
Operating Cashflow (\$m)	6.9	5.2	-24%
Free Cashflow from operations (\$m)	2.7	0.9	-67%
NTA Per Share (cents)	17.6	25.0	+42%

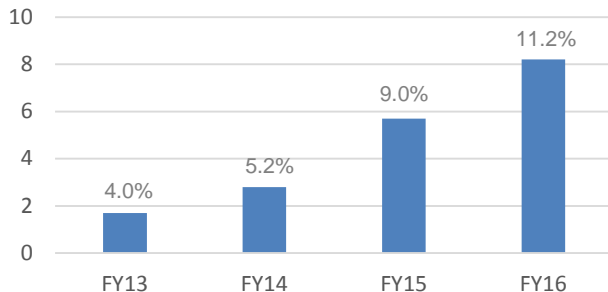
Market Summary	
Shares on Issue	114.1 million
Share Price @ 22 August 2016	\$1.11
Market Cap	\$126.7 million
Net Debt @ 30/06/16	\$0.9 million
Gearing (D/D+E)	2%
Enterprise Value (EV)	\$127.6 million

Share Register	
Top 20	45.9%
Key Management Personnel	17.8%



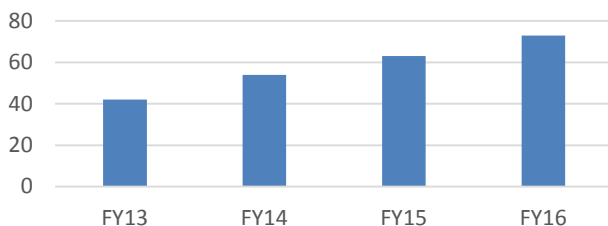
Financial Performance Highlights for FY16

EBITDA in A\$m and % of sales



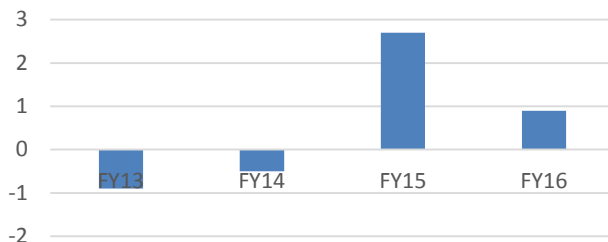
- Fourth year of EBITDA increase and percentage margin increase, EBITDA CAGR 48% over 4 years.
- Absolute profit improvement from increase in sales revenue despite \$1.7m (FY15 \$1.0m) expense for growth in 2RT, iTrack and new product registrations, particularly China.
- Expanded percentage margin from improved sales of higher margin Ellex product and discontinuation of less profitable contract manufacturing and third party lines.

Sales in A\$m



- CAGR of 15% over last 4 years is well above independent assessment of market growth for ophthalmic lasers.
- The components; growth in revenue from Ellex branded products of A\$9.5m (15% on PCP), positive impact of lower A\$ of \$7.2m (11% on PCP) and lowered revenue from discontinuation of contract manufacturing and lower-margin third part product sales.
- Good growth from lasers for treating vitreous floaters, new products for diabetic retinal disease and iTrack catheter for glaucoma.

FCF from operations in A\$m



- Free cash flow (FCF) from operations equals cash flow from operation less property plant and equipment spend and less product development spend.
- Reduction in FCF from operations due to high June 2016 sales compared with pcp and increase in inventory to support higher production levels to meet demand.



Financial Summary – Sales by territory

	FY13	FY14	FY15	FY16	Change
Australia	9.5	9.4	11.8	8.4	-28%
USA	8.5	17.9	20.5	25.9	+26%
EMEA	10.0	11.4	15.4	17.1	+11%
Japan	10.7	10.4	8.4	10.8	+29%
Asia	3.2	3.9	4.4	8.7	+98%
South America	0.9	1.4	2.2	2.0	-10%
TOTAL	42.8	54.4	62.7	72.9	+16%
Recurring Ellex-branded consumables & service component (% of total)	2.1 (5%)	4.7 (9%)	8.3 (13%)	9.9 (14%)	10.7 (15%)

- Primarily includes discontinued low-margin contract manufacturing

- Growth of iTrack (29% growth constant currency)
- Improved sales of new products

- Improved sales of new products
- Some iTrack growth (9% growth in units)

- New products, new sales management structure

- Growth in China

- Low world oil prices have impacted demand

CAGR of revenue FY13 to FY16 is 15%

* Europe, Middle East and Africa



One Powerful Vision

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Financial Summary – Successful Recovery of Japan Business

	FY13	FY14	FY15	FY16
Sales in Japan in A\$ millions	10.4	10.2	8.4	10.8
Percentage of Sales Complementary Third Party Product	28%	28%	42%	12%
Percentage of Sales Ellex Brand	72%	72%	58%	88%

- Operating contribution from Japan of \$0.5million in FY16 compared with operating loss of \$1.1m in FY15.

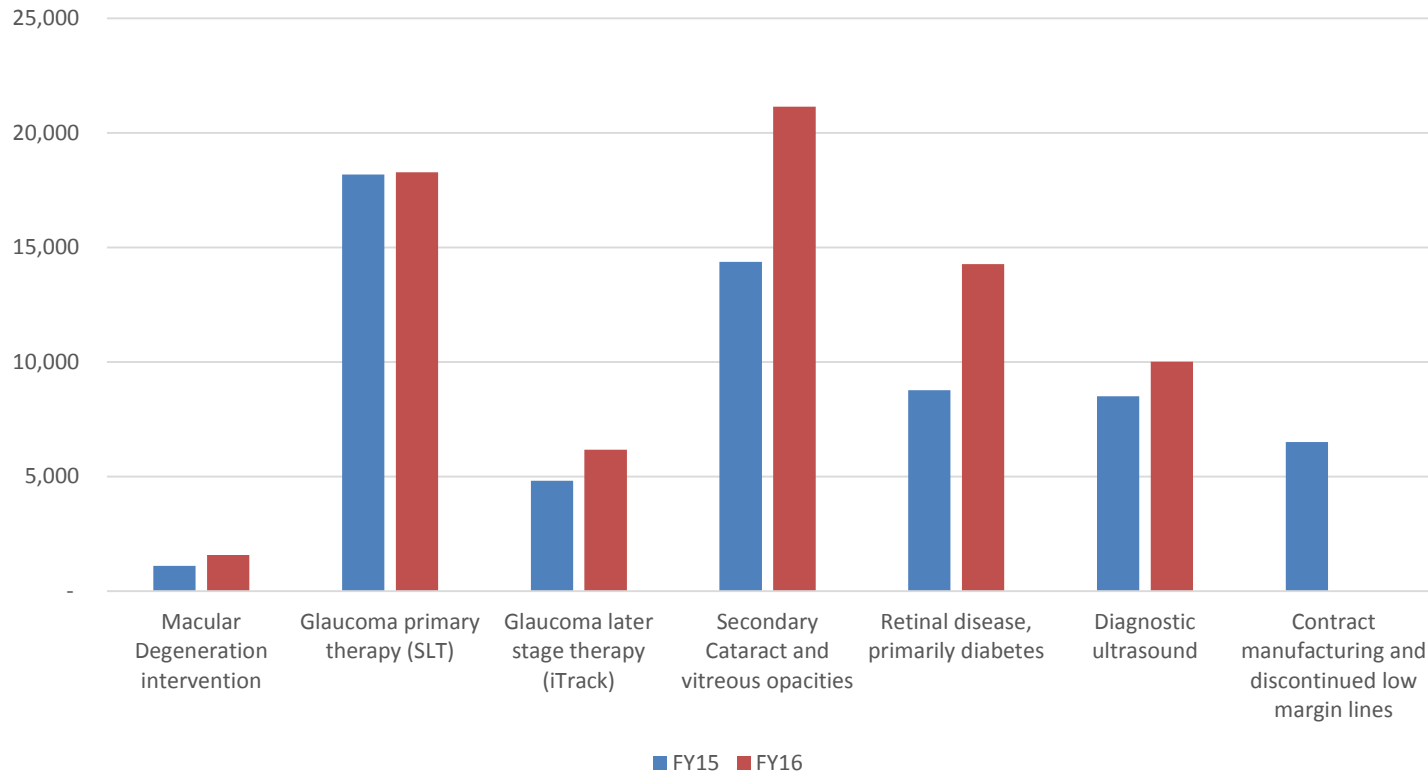
Drivers of improvement:

- Improved sales management focus on higher margin product sales and the introduction of new Ellex products following investment in regulatory approval.
- Approval and introduction of new products occurred in last quarter of FY16, this augurs well for FY17 prospects.



Ellex – Revenue by Eye Disease

Ellex sales revenue by eye disease FY16 (A\$'000's)



Highlights of FY16

- New retinal products registered in USA, Japan.
- New cataract and vitreous opacities product launched in China & Japan.
- Continued growth of iTrack
- Increase in SLT competition in all markets limited growth

* iTrack USA sales 62% (pcp 55%) of total and are 43% up on pcp. Growth of US iTrack sales in US\$ was 29% on pcp.



Financial Summary – Balance Sheet

ASSETS	30 June 15	30 June 16
Cash	4.6	7.3
Trade receivables	12.5	15.7
Inventories	16.3	19.2
Product development capitalised	10.7	11.6
Deferred tax asset	5.8	4.8
PPE, iTrack deferred consideration and other assets	9.1	9.2
Land and buildings	-	4.2
Total Assets	59.0	72.0
LIABILITIES	30 June 15	30 June 16
Trade creditors	5.8	8.3
Borrowings – mortgage	-	2.1
Borrowings – trade	6.8	6.1
Deferred consideration	3.4	3.3
Provisions + Other	3.2	3.9
Total Liabilities	19.2	23.7

- Net debt (all trade and mortgage borrowings less cash) of \$0.9m compared with \$2.2m at 30 June 2015.
- **Net cash (cash less trade borrowings) of \$1.1m at 30 June 2016.**
- Inventory growth to support higher sales evidenced by constant stock turn ratio.
- Deferred US\$ consideration on iTrack falls as payments made but rises as A\$ depreciates.
- Purchase of new production facility at Mawson Lakes, South Australia and fitout in progress. Being funded with mortgage debt and cash reserves.



Financial Summary – Free Cash Flow from Operations

- Reduction in operating cash flow compared with pcp reflects high sales in June 2016 compared with June 2015 and the need to increase raw materials to support increase in production.
- Production levels from the Adelaide facility in the three months ended 30 June 2016 were 75% higher than production levels during the same time in 2015 (50% higher in H2 FY16, compared with H2 FY15).

CASH FLOWS	FY13 A\$m	FY14 A\$m	FY15 A\$m	FY16 A\$m
Operating Cash Flows	1.9	2.7	6.9	5.2
Investing - PP&E	(0.6)	(0.6)	(1.9)	(1.5)
Cap. Development Costs	(2.2)	(2.1)	(2.3)	(2.8)
Net free cash flow (FCF) from operations	(0.9)	(0.5)	2.7	0.9
Acquisition of iTrack business and earn out payments	-	(1.6)	(0.6)	(0.7)
Purchase of land & buildings for increased production	-	-	-	(3.8)
Debt (repayments) /proceeds	(0.8)	(1.4)	1.0	1.5
Proceeds of share issue	-	5.9	-	4.7
Net Cash Flow	(1.7)	2.4	3.1	2.6

Financial Summary – Production Capacity Expansion

- Production of ophthalmic lasers and ultrasound currently takes place in Gilbert St, Adelaide, South Australia and production of iTrack catheters takes place at a clean room facility in Fremont, California.
- To support demand ophthalmic laser and ultrasound production in H2 FY16 was 50% higher than the pcp following production operator recruitment drive and scaling up of raw materials purchasing. This has maximised capacity at Gilbert St.
- iTrack production at Fremont has risen progressively with increasing demand and is being managed with overtime.
- In March 2016 a building was purchased in area 15km north of Adelaide (Mawson Lakes). Since March 2016 renovation and refurbishment activities underway to make it fit for purpose. As of August 2016 this work is progressing on-time and on-budget.
- Total of \$4m spent to 30 June 2016 on building purchase and refurbishment. Bank debt that will equate to 60% of the estimated final cost has been provided by our bankers.
- Equipment funding for \$2.5m secured from Federal Government on 25 August 2016.
- The new corporate headquarters and laser and ultrasound production facility at Mawson Lakes will provide at least 50% more floor space than the current Gilbert St site. This will provide long-term production security.
- A carefully managed program to move the manufacturing facility will take place over December 2016/January 2017.

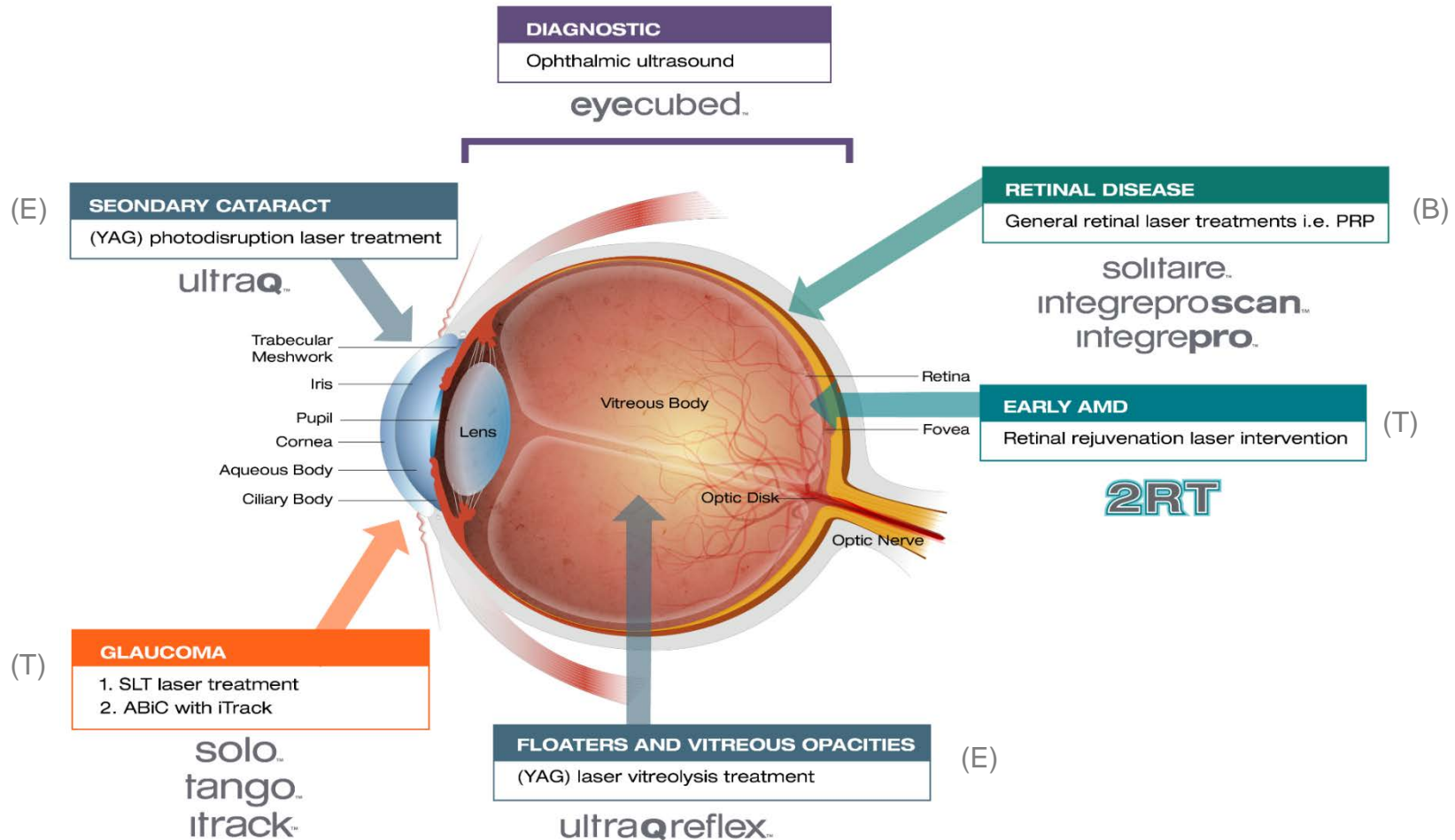


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Ellex – A range of world leading Ophthalmic products addressing the four major causes of blindness



One Powerful Vision

Ellex – Accessing the global spend on eye disease not just current device-market accessible

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
Glaucoma – early stage	SLT with Tango™, Solo™	US\$4.6 billion ⁽¹⁾	US\$60 million (CAGR 2%)	1. Ellex 2. Lumenis
Glaucoma – later stage	iTrack™		US\$100 million growing to circa US\$700m by 2020 (CAGR 44%)	1. Glaukos (GKOS:NYSE) 2. Ellex
Cataracts and Vitreous Floaters	Ultra Q™ and Ultra Q Reflex™	US\$3.3 billion plus 25.3 million cataract operations per year ⁽¹⁾	US\$53 million (CAGR 2% plus more with vitreous floater treatment)	1. Ellex 2. Zeiss 3. Lumenis
Diabetic Disease of Retina	Integre Pro™ and Integre Pro Scan™	US\$1.9 billion ⁽²⁾	US\$323 million (CAGR 7%)	1. Iridex (IRIX:NASDAQ) 2. Lumenis 3. Ellex
Early-Stage AMD and Clinically Significant Macula Edema	2RT™	US\$5.1 billion ⁽³⁾ (CAGR 7%) in just 7 major economies	<u>Emerging</u> - market will be a function of the current annual spend of US\$5.1b	1. Ellex (assessed by ELX)

(1) Combination of Ellex estimate and MarketScope LLC Reports (2) MarketScope LLC Report dated April 2016 (3) PharmaPoint: Macular Edema and Macular Degeneration- Global Drug Forecast and Market analysis to 2023” published in Dec 2014



Summary of Growth Strategy by category of eye disease CAGR 2013 to 2016 = 15%

Growth Strategy	(2RT) First to market for early AMD	SLT as primary therapy for Glaucoma	iTrack™ as MIGS device for Glaucoma	Increasing sales to Chinese market	Retinal disease mainly diabetes (Integre Pro™ and Pro Scan™)	Cataracts and vitreous opacities (Ultra Q™ and Ultra Q Reflex™)	High resolution Diagnostic Ultrasound (Eyecubed™)	Critical success factor for each growth strategy
Geographical expansion	✓	✓	✓	✓				Investment in, and management of, new “feet on the ground” in new domains
New product features for existing users		✓			✓	✓	✓	Strong new product pipeline to allow release of one or two new products per year
New devices for diseases and conditions hitherto untreated with devices	✓	✓		✓		✓		Regulatory approvals, clinical trial investment and/or investment in doctor training
Impact on FY17 relative to FY16		+	++	++	+	+	++	
Impact FY18 and beyond relative to FY16	+++	+	+++	++	+	+	+	



Growth Opportunity Details – 2RT™ Intervention for Early AMD - Summary

- 2RT™ is an intervention for a chronic, slowly-progressing disease that is terrible for patients and their families and a major burden on health care systems globally
- Solid scientific and clinical data to demonstrate its efficacy is progressing. Clinical data set from the LEAD (Laser intervention in Early AMD) due in mid 2018 will be world-leading.
- In-place brand and distribution channel to exploit the opportunity
- As clinical data demonstrates efficacy, and the interim clinical trial results published in approximately mid 2015 were positive, 2RT™ has the potential to transform Ellex and AMD treatment worldwide.



Growth Opportunity Details – 2RT intervention for Early AMD: Historic Milestones Achieved

2RT™ Retinal Rejuvenation therapy is a novel, nano-pulse laser for the retina. The interaction of the very short pulse with the retina stimulates rejuvenation of ageing cells. It is the product of considerable scientific and clinical work.

Date	Progress so far
2008 - 2010	First clinical pilot study of 2RT™ (“the Pilot Study”) on 50 patients as intervention for early AMD by Professor Robyn Guymer at Centre of Eye Research Australia (CERA) commences. Also work on 2RT™ for clinically significant macular edema commences. Scientific work at University of Melbourne and Hanson Institute also begins based on original work by Prof. John Marshall at Moorfields Eye Hospital, London.
May 2011	Interim 12-month results from the Pilot Study presented at Association of Research in Vision and Ophthalmology (ARVO) conference.
July 2012	CE Mark for 2RT™ obtained for treatment of clinically significant macular edema (CSME).
November 2012	“Laser Intervention in Early AMD” (LEAD) randomised, double-blind clinical trial commences recruitment. Principal Investigator Professor Robyn Guymer. AMD is a very slow progressing disease so three-year follow-up determined as necessary.
July 2013	US FDA approval for 2RT™ for treatment of CSME obtained.
October 2013	Results of the Pilot Study on the progress of 50 patients who received a 2RT™ dose published in peer-reviewed journal “Clinical and Experimental Ophthalmology”.
February 2014	CE Mark for 2RT™ as intervention in patients with early AMD, where it can produce bilateral improvements in macular appearance and function, obtained. Limited release Early Adopter Program commences with first unit sales following thereafter.
May 2014	24-month results of the Pilot Study presented at ARVO conference.
February 2015	Scientific work on the method of action of 2RT™ by Professor Erica Fletcher published in peer-review publication Federation of American Societies for Experimental Biology under title “Nanosecond Laser Burst Reverses Macular Degeneration”. This work included human histology.
April 2015	LEAD trial recruitment complete with 291 patients; approximately 145 patients in control group and approximately 145 patients in treated group.
July 2015	Professor Erica Fletcher awarded ARC Grant to advance work on 2RT™ method of action.



Growth Opportunity Details – 2RT Intervention for Early AMD: FY16 & Future Milestones

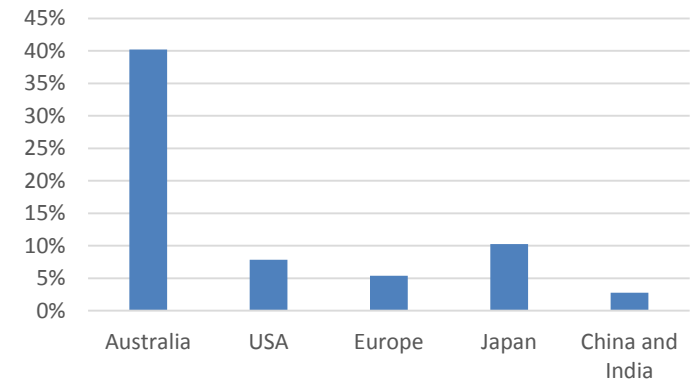
Date	Milestones
April 2016	Interim report from LEAD Clinical Trial as of 18 months from the recruitment of the 150 th patient (recruited July 2014). As the trial is blinded the report did show which group is control and which group is the treated group. As a result of the interim report the trial will continue. The analysis reported a meaningful difference in drusen progression and retinal sensitivity between the two groups.
April 2018	Final result from LEAD on 3 year follow up



Growth Opportunity Details – SLT as Primary Therapy for Glaucoma

- Clinically proven primary therapy for early stage glaucoma. Reimbursed by government and private health funds in all major developed countries.
- Alternative primary therapy is pharmaceutical topical drops that place a burden on patients to both comply with a daily drops regimen and to continuously pay for the drops.
- A single dose of SLT can mean that a patient can eliminate the need for daily topical drops for 1yr, 2yrs, 5yrs or even 10 years.
- Economics of SLT treatment for doctor; for the capital investment in an Ellex SLT the doctor will receive a fee per treatment, reimbursed by an insurance company, of US\$300 to US\$500, depending on the country.
- As the world leader in SLT Ellex has the opportunity to increase penetration of SLT in many developed markets to the level that exists in Australia (see graph).
- Competition from low-priced competition for SLT increased in FY16 but the opportunity still exists for Ellex to grow sales by improving its total SLT offering and by improving doctor education and awareness.

Estimated Global Penetration of SLT
(installed base/number of ophthalmologists)

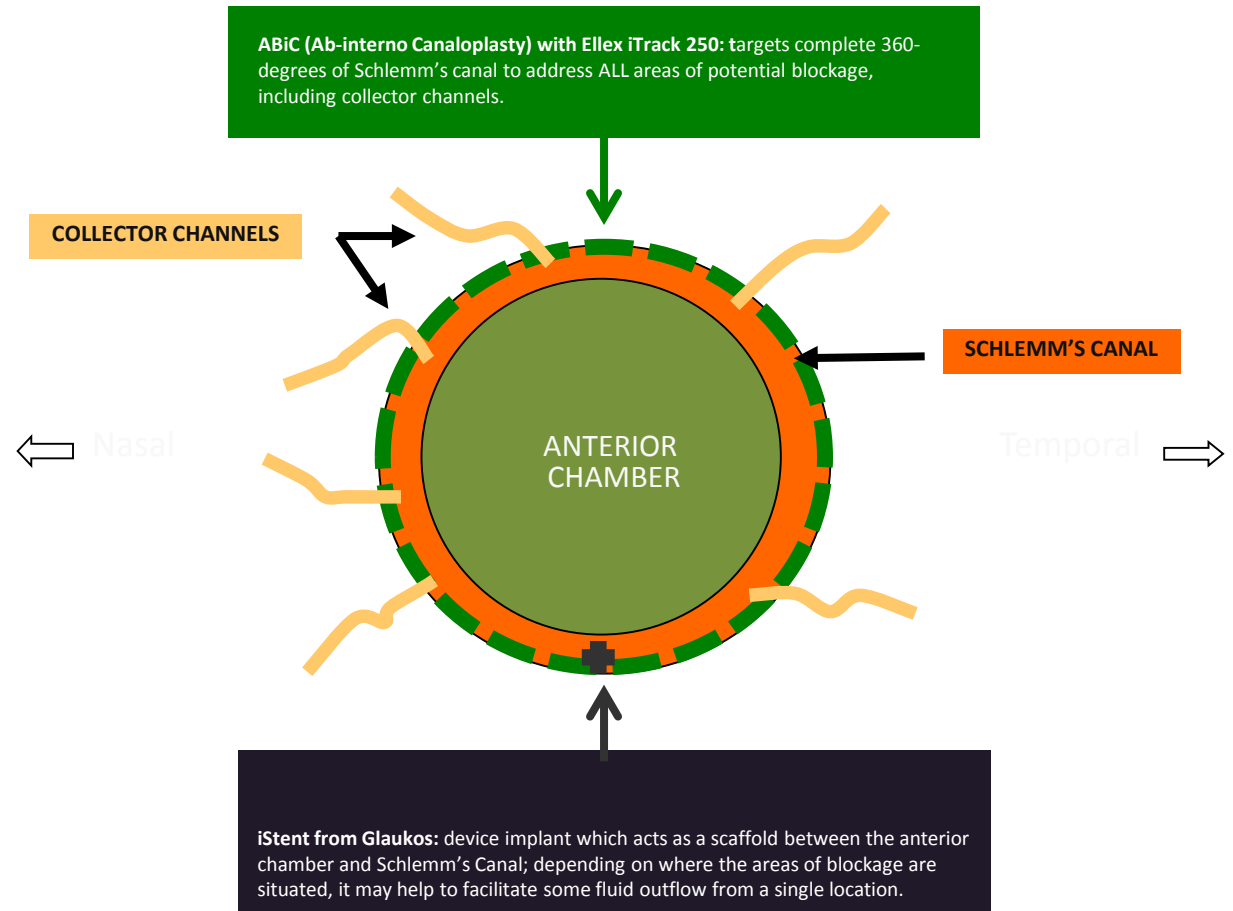


Source MarketScope and British Journal of Ophthalmology June2012.



Growth Opportunity Details - iTrack™

- iTrack™ is an innovative single-use catheter device for use by ophthalmologists on patients that have glaucoma that is no longer responding to intervention with SLT.
- It is sold by Ellex directly to doctors in the USA and via distributors to doctors in Europe (mainly Germany). The price of the iTrack™ is approximately \$1,000 each.
- iTrack differs from all other MIGS in that it dilates all 360° of Schlemm's canal, rather than single point stent.



Growth Opportunity Details iTrack™ MIGS Competitive Landscape

	FDA Approval	Reimbursement	Indicated for Use With Cataract Surgery	Indicated for Use Outside Cataract Surgery	Patient Selection: POAG	Patient Selection: PAOG	Method of Action
ABiC iTrack (Ellex)	YES	YES	YES	YES	YES	YES	360° dilation and restoration of natural outflow systems
iStent (Glaukas)	YES	YES	YES		YES	YES	Single point stents that create artificial outflow pathways
CyPass Microstent (Alcon)	YES (Aug 2016)		YES	YES	YES		
XEN Gel Stent (Allergan)			YES		YES		

iTrack should be considered as an adjunctive, natural and repeatable therapy that can be used on its own, before or after other MIGS devices and not necessarily as a device competing with other single point stents.



Growth Opportunity Details – iTrack™

Progress in FY16:

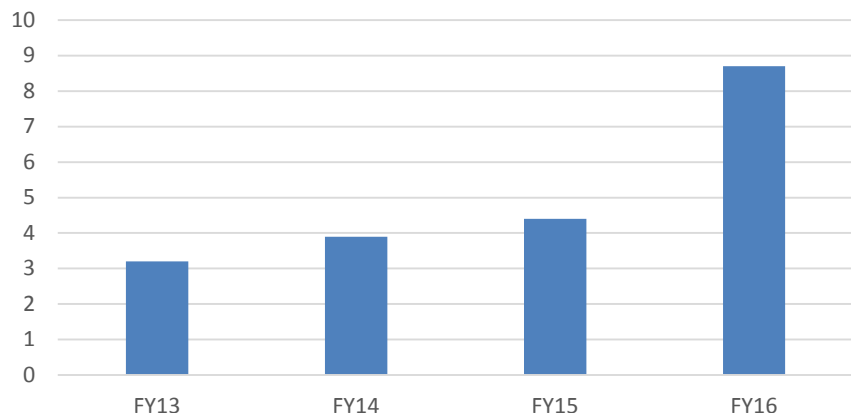
- 12 month data on efficacy of abbreviated ab interno canaloplasty (ABIC) tabled in May 2016 has been well received by doctors and has increased lead generation sales and compared with pcp.
- Clinical efficacy is sound compared with MIGS devices on the market (Glaukos, iStent), recently on the market (Alcon, Cypass) and devices soon to be on the market from Allergan and Santen. All these devices provide single point artificial outflow. iTrack rejuvenates the nature outflow systems in Schlemm's Canal.
- iTrack sales growth in USA of 29% compared with pcp.
- 5 dedicated sales representatives and clinical trainers on the ground in the USA during FY16 have provided insight into doctors' MIGS device selection decisions, relative performance against the iStent, take up trends and repurchase rates. iTrack emerging as adjunctive therapy with other MIGS, rather than competitive.
- Key milestone will be the appointment of seasoned US-based sales professional during this first quarter of FY17 to lead the enhanced, higher speed rollout of this product globally.



Growth Opportunity Details – Enhance sales to Chinese Market

- Market Scope⁽¹⁾ estimates that the current spend in China for treatment of eye disease is US\$2.7bn per annum and that this will grow to US\$5.3bn by 2021 (CAGR 15%) and that sales of glaucoma SLT lasers are expected to grow from a very low base in 2016 to at least US\$80m by 2021 at a CAGR of 39%.
- Chinese FDA (CFDA) approval of Ellex glaucoma, secondary cataract & vitreous opacities lasers late in FY16 provide scope for expanded sales in FY17.
- Further growth possible when lasers for retina, primarily diabetes, are approved by CFDA.
- Distribution partners in place.
- Careful investment taking place in FY17 to improve in-country presence.

Ellex Sales in Asia (A\$m)



	CFDA approved	Impact
Glaucoma, secondary cataract & vitreous opacities lasers & ultrasound	✓	Sales FY17 & beyond
iTrack	✓	Not yet rolled out
Lasers for retina, primarily diabetes	Currently investing in regulatory approval	

(i) Marketscope: “2016 China Ophthalmic Market Report” March 2016



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Outlook for FY17

Ellex has enjoyed a fourth consecutive year of growth in fiscal year 2016.

Subject to A\$ to US\$ exchange rate and worldwide economic conditions, Ellex, with its world-leading product portfolio expects this growth to continue in the 2017 financial year and is planning accordingly.



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Appendix - Reformatted P&L (from 4E)

	\$A000's	
	Year ended 30 June 2015	Year ended 30 June 2016
Revenue related:		
Revenue	62,679	72,913
Realised and unrealised FX	387	75
Other income	281	246
COGS related items:		
Changes in inventories	839	1,355
Raw materials consumed	(30,644)	(33,105)
	(29,805)	(31,750)
Gross Margin related	33,542	41,484
	54%	57%
Operating costs related:		
Employee benefits expense (includes production labour)	(16,512)	(21,365)
Legal fees	(467)	(379)
Advertising and marketing	(2,254)	(3,055)
Product development expenses	(797)	(1,153)
Facilities	(1,737)	(1,847)
Other costs	(6,170)	(5,459)
Total operating cost related	(27,937)	(31,411)
EBITDA	5,605	8,229
Interest on commercial debt	(204)	(214)
Amortisation, depreciation and impairment expense	(2,532)	(3,503)
Implied interest for deferred consideration	(238)	(324)
PBT	2,773	4,188

Cost changes over PCP Summary

Growth in materials and labour costs with growth in sales

Improved gross margin related ratio

Additional investment in iTrack sale force

Additional regulatory particularly for China and Japan



Appendix – Product Development Carried Forward

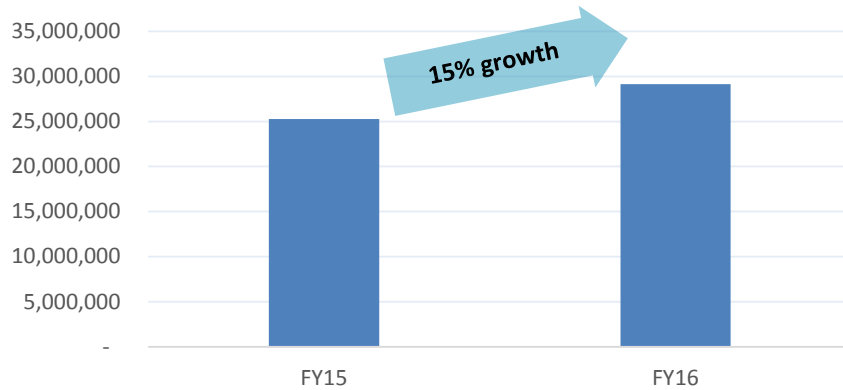
	\$millions		
Product Development Cost	FY14	FY15	FY16
Opening balance product development cost in balance sheet	8.3	9.7	10.7
Plus: New product investments (including 2RT clinical trial)	2.1	2.3	2.8
Less: Amortisation of investments in products	(0.7)	(1.3)	(1.9)
Closing balance of product development cost in balance sheet	9.7	10.7	11.6

- Acceleration of amortisation in FY16 compared with pcp due to increased amortisation on US\$ denominated deferred consideration on the iTrack business. The reduction in the A\$ has caused increase in the nominal value of deferred consideration which has in-turn increased amortisation (A\$0.4m)

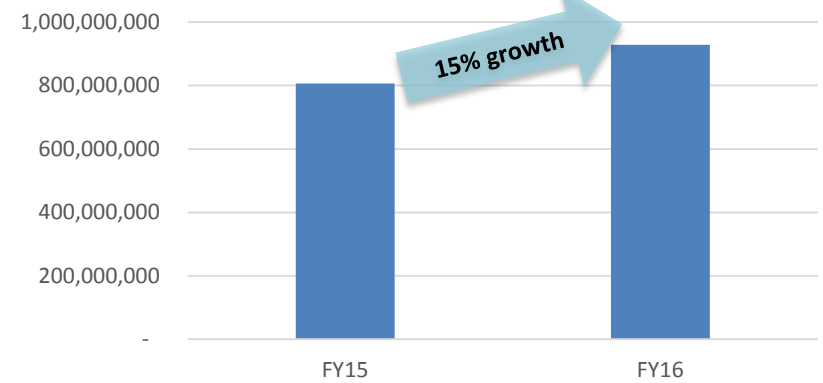


Appendix – Constant Currency Data

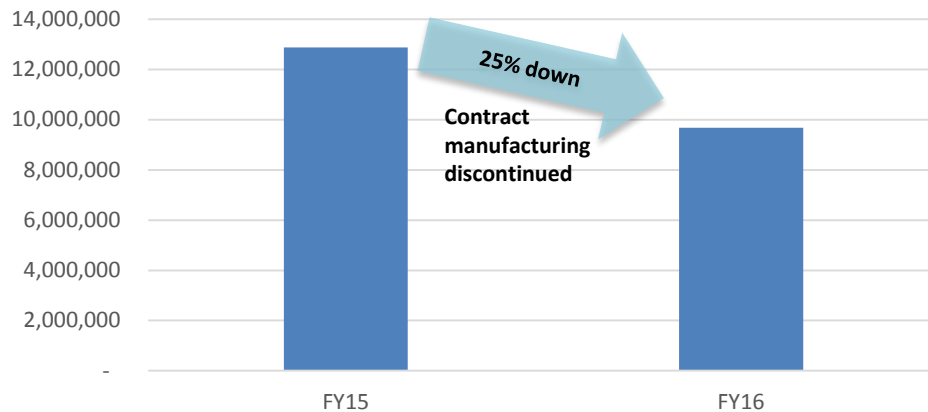
Ellex USD revenues



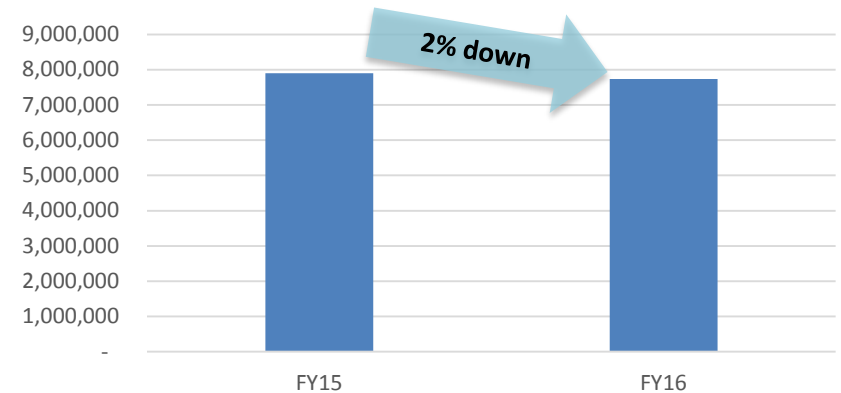
Ellex YEN revenues



Ellex AUD Revenues



Ellex Euro revenues



Appendix – EBITDA and FCF Impacted by Growth Investments

	FY15		FY16	
	EBITDA	Free Cash Flow	EBITDA	Free Cash Flow
Reported	5.6	2.1	8.2	0.9
2RT™:				
- LEAD clinical trial, other trials and product engineering	-	0.4	-	0.5
- Clinical support to early adopter program and marketing	0.5	0.5	0.5	0.5
iTrack™:				
- Investment in additional USA sales force for ABiC with iTrack	0.3	0.3	0.8	0.8
SLT Expansion/China:				
- Additional staff resources and additional product registration and legal, for new products, particularly Japan and China	0.2	0.2	0.4	0.4
Reported adjusted for investments for growth	6.6	3.5	9.9	3.1



END



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