

ASX RELEASE

Ellex Medical Lasers Limited (ASX:ELX)

Adelaide, Australia

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Topic: Trading Update for the Year Ended 30 June 2017



Highlights:

- **Total group unaudited sales of \$71.7 million (\$73.6 million in constant currency) for FY17, including strong iTrack™ sales growth to 30 June 2017 of \$8.2 million (\$8.5 million in constant currency)**
- **iTrack™ sales growth of 53% in Q4 FY17 in the USA, compared with same period in the prior year; 41% growth in unit sales for FY17**
- **Laser and ultrasound sales \$64.4 million in constant currency representing a CAGR of 8% over the last five years**
- **Ellex to increase funding in FY18 for major expansion of Ellex iTrack™ business unit**
- **Growth in FY18 will be underpinned by Ellex's unique leading global position in non-pharmaceutical treatment of glaucoma**

Adelaide, Australia, 6 July, 2017 – Ellex Medical Lasers Limited (ASX:ELX), a global leader in medical devices for the diagnosis and treatment of eye disease, today provided a trading update on sales for the full year ended 30 June 2017 for its Ellex iTrack™ and laser and ultrasound business segments.

Recap on Strategy

Ellex is a globally recognised and trusted ophthalmic brand. Ellex has materially grown shareholder value through its investment in Ellex iTrack™, a single and minimally invasive glaucoma surgery (MIGS) device. Based on independent data from Marketscope, the annual market for MIGS is expected to grow from approximately US\$200 million today to US\$1 billion by 2021. To that end, iTrack™ offers a significant growth opportunity for our business.

Foreign Exchange Impact

Movement in the Australian Dollar in the 2017 financial year materially impacted reported revenues. In total, 90% of Ellex group revenues are denominated in foreign currency. The material appreciation in the Australia Dollar against the US Dollar and the Euro reduced the reported revenue by \$2.3 million. This was offset by a \$0.4 million gain in reported revenue associated with the devaluation of the Australian Dollar against the Japanese YEN.

Ellex iTrack™

The sales performance of the Company's iTrack™ technology was strong during the 2017 financial year, with sales expected to be \$8.2 million (\$8.5 million in constant currency). This represents 41% annual growth in unit sales compared to the prior comparable period. In the

USA, iTrack™ sales were \$4.7 million, with sales growth of 53% achieved in Q4 FY17. This material sales growth was driven by the favourable increase in procedural reimbursement, and by the recruitment of sales representatives. As of 30 June 2017, the Ellex iTrack™ business comprises 14 clinical trainers and sales representatives, covering all regions of the USA. This compares to four clinical trainers and sales representatives at the commencement of the 2017 financial year.

Sales outside of the USA are expected to be \$3.5 million, which is up 49% up on the prior comparable period. Growth outside of the USA was primarily driven by continued take-up in China.

“Over the coming year we will be looking to strengthen the presence of iTrack™ in the USA and in China, and in the largely untapped market of Europe, where the MIGS class has not been widely adopted.” commented Ellex CEO, Tom Spurling.

Lasers and Ultrasound

Sales of the Company’s laser and ultrasound portfolio remained steady during the 2017 financial year and are expected to be \$62.8million (\$64.4 million in constant currency). Over the five years to 30 June 2017 Ellex’s laser and ultrasound segment has grown at a CAGR of 8%. Several factors limited the growth of this segment during the 2017 financial period and are described in the presentation attached.

According to Mr. Spurling, the Company’s laser and ultrasound technologies are essential and useful products for ophthalmologists throughout the world and will continue to be in the future.

“Ageing demographics and a growing rate of chronic health conditions continue to create a solid platform the growth of our laser and ultrasound business. We will continue to roll out our proprietary laser technology platforms for the treatment of secondary cataracts and floaters.”

“With SLT and iTrack™, Ellex has the two best non-pharmaceutical treatments for glaucoma in the world. No other company has this combination. We are also looking into opportunities to leverage the expansion of our SLT glaucoma laser technology in parallel with the growing uptake of our proprietary iTrack™ MIGS technology. The synergies between these technologies is very exciting, offering significant growth potential for our business over the coming fiscal year as the market looks to alternatives to pharmaceuticals more blatant treatment of glaucoma,” added Mr. Spurling.

Also of continued focus for the Ellex business in the 2017 financial year was Retinal Rejuvenation Therapy, known as 2RT®. A proprietary, patented laser technology, 2RT® shows promise as an early interventional treatment for macular degeneration. Sales of the Company’s 2RT® technology remain limited until results of the multi-centre clinical trial, “Laser intervention for Early Age related macular degeneration (LEAD)” are made available during the 2018 calendar year. As a result, 2RT® sales in the 2017 financial year were restricted at \$0.7 million, down by \$0.7m on the prior comparable period.

FY18 Outlook

In the 2018 financial year Ellex will implement an aggressive growth strategy for Ellex iTrack™, comprising significant additional (above 2017 financial year levels) sales and marketing expenditure. This investment is expected to materially accelerate the strong sales growth of 53% achieved in the USA in the fourth quarter of the 2017 financial year. The roll-out of the iTrack™ in China and in Europe is also expected to further bolster iTrack™ sales growth. Key initiatives include expansion of the USA sales team, additional clinical trainers in the USA and outside of the USA, expanded collaboration with key opinion leaders, greater presence at key industry events and a stronger share of voice in the various industry publications.

To support the above-mentioned sales and marketing efforts for Ellex iTrack™, and in order to accelerate sales of its core laser division as well as to improve profit margins on the manufacture of these capital goods, Ellex will implement a number of management updates in its two operating divisions in the 2018 financial year: laser manufacture in Adelaide, Australia and Ellex iTrack™ in Fremont, California, USA. The Company expects to update the market on these developments over the coming period.

These results mentioned above are a preliminary estimate and prior to finalisation of the annual audit by the Company's auditors. Ellex expects to report its full-year results for the year ended 30 June 2017 during the week beginning 21 August 2017.

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 (laser and ultrasound) and Fremont, California (iTrack™). Sales and service directly to eye surgeons is conducted via 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 LTD (ASX: ELX)

Trading Update – Sales

6 July 2017

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Trading Update - Sales by Business Segment



	\$Am							
	FY13	FY14	FY15	FY16	FY17 Constant Currency	FY17 Reported	Annual Growth	CAGR in A\$
Laser & Ultrasound	42.8	50.2	58.0	65.2	64.4	62.8	-1%	8%
iTrack™ - USA	-	1.3	2.7	3.9	4.9	4.7	+26% ⁽¹⁾	
iTrack™ - Rest of World	-	0.8	2.0	2.4	3.6	3.5	+46% ⁽²⁾	
2RT	-	-	-	1.4	0.7	0.7	N/A	
	42.8	52.3	62.7	72.9	73.6	71.7	-	-

(1) Growth in H2 FY17 was 36% on PCP, growth in Q4 FY17 was 53% on PCP. Penetration in the USA is still very low when measured against the number of eye surgeons that might use iTrack

(2) Impact of China roll-out commencement

Trading Update – Group Sales in Currency of Origin

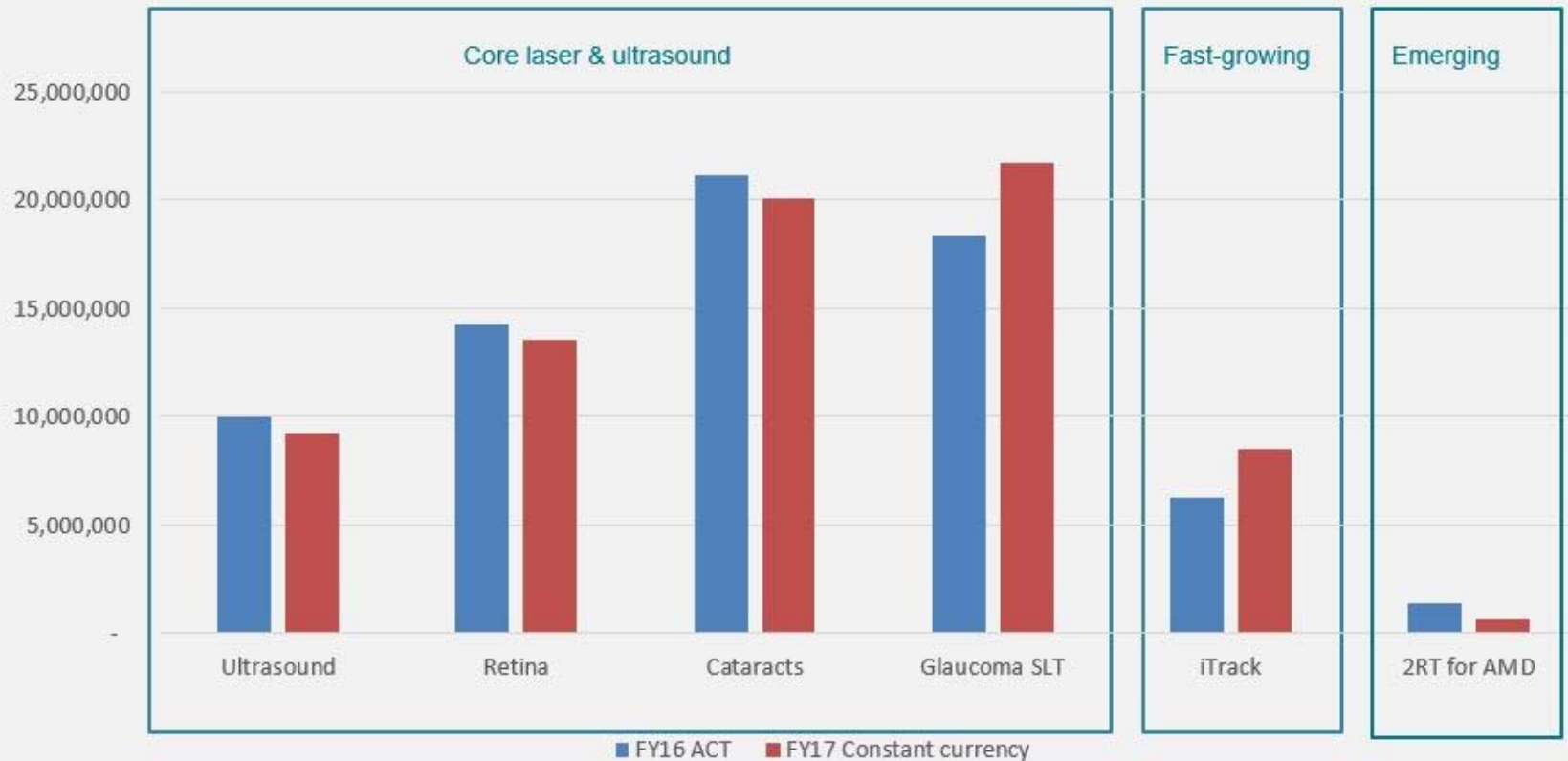
Millions			
US\$	YEN	EURO	A\$
27.9	913.5	11.3	7.2

Average FX Rates against A\$			
	FY16	FY17	A\$ (Appreciation)/depreciation
US\$	0.7266	0.7562	(3%)
YEN	85.05	81.8	3.25%
EURO	0.6573	0.6920	(3.5%)

- 90% of Ellex revenues are in foreign currency and 50% are in US\$
- Group sales were negatively impacted by \$2.3m as a result of the appreciation of the US\$ and the Euro. Group sales were positively impacted by \$0.4m as a result of the devaluation of the \$A against the YEN. Net FX impact was A\$1.9m

Trading Update – Sales by Category of Eye Disease

Sales by eye disease A\$ FY17



- Growth in glaucoma SLT as a result of the success of Tango Reflex, which combines secondary cataract and floater treatment with SLT. Lasers for secondary cataracts and vitreous opacities fell a little as a result. There is a net positive revenue and margin impact.
- Retinal laser sales, primarily for diabetes, did not meet expectations due to with competition from pharmaceuticals and, to a lesser extent, other laser manufacturers.
- Ultrasound sales have recovered in H2 but not sufficiently from technical delays in the product launch in the first half.
- Sales to China of secondary cataract and vitreous opacities lasers were lower in FY17 due to timing of new hospital construction

Trading Update – Sales by Territory all Products



	FY13	FY14	FY15	FY16	FY17 Current currency	Change	
Australia	9.5	9.4	11.8	8.4	7.5	-10.1%	<ul style="list-style-type: none"> Reduction in sales of spare parts under OEM contracts with Lumenis & Alcon. Lower third party product sales to focus on Ellex product at higher margin
USA	8.5	17.9	20.5	25.9	26.1	+1%	<ul style="list-style-type: none"> Good iTrack™ sales effort by lower than PCP laser and ultrasound sales due to difficult retinal laser market and problems with new ultrasound product
EMEA *	10.0	11.4	15.4	17.1	19.8	+15.8%	<ul style="list-style-type: none"> Good sales of iTrack™ and sales of secondary cataract/floater and glaucoma lasers.
Japan	10.7	10.4	8.4	10.8	10.7	-%	<ul style="list-style-type: none"> Steady sales of Integre Pro range of retinal lasers Japan is the major market for retinal lasers for Ellex
Asia	3.2	3.9	4.4	8.7	7.4	-14.9%	<ul style="list-style-type: none"> Good iTrack sales offset by lower than PCP laser and ultrasound arising from timing of new hospitals under construction
South America	0.9	1.4	2.2	2.0	1.8	-10%	<ul style="list-style-type: none"> Small market
TOTAL	42.8	54.4	62.7	72.9	73.6		

* Europe, Middle East and Africa



Trading Update – Ellex iTrack™ Sales by Region

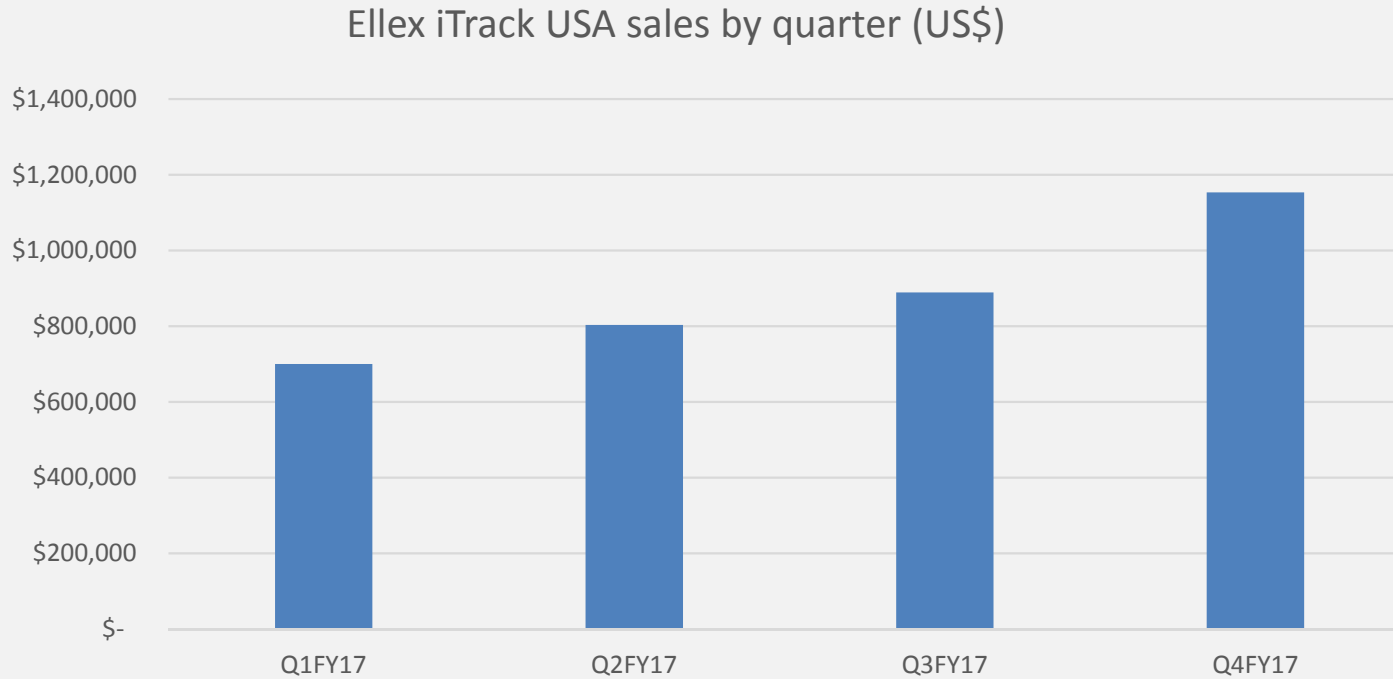
	\$Am			
	FY16	FY17 CC	FY17 Reported	Annual Growth %
USA	3.9	4.9	4.7	+26%
Asia	0.3	1.0	1.0	+233%
Rest of World	2.2	2.6	2.5	+18%
	6.3	8.5⁽¹⁾	8.2	+35%⁽¹⁾

	iTrack™ units sold		
	FY16	FY17	Growth %
USA	3,422	4,331	27%
Asia	385	1,535	55%
Rest of World	3,049	3,789	
	6,856	9,655	41%

(1) Demand in the month of June was high. As a result there was a sales order backlog (orders received not yet delivered by Ellex) with a value of approx. \$200,000 for European markets. To be delivered in the first week of July 2017.



Trading Update – Ellex iTrack™ USA Sales by Quarter (US\$)



- The increase in sales corresponds with the timing of the recruitment of sales representatives between November 2016 and June 2017.
- Growth in the fourth quarter of FY17 was 53% compared with prior comparative period.



Trading Update – Ellex iTrack Sales Team Recruitment

	Sales staff recruited as of the end of each month										
	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Vice President		1	1	1	1	1	1	1	1	1	1
Outside USA distributor management						1	1	1	1	1	1
Clinical trainer WEST and OUS	1	1	1	1	1	1	1	1	1	1	1
Clinical trainer EAST	1	1	1	1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2	2	2	2	2
Central	1	1	1	1	1	1	1	1	1	1	1
SouthEast	1	1								1	1
Southwest				1	1	1	1	1	1	1	1
West					1	1	1	1	1	1	1
Midwest						1	1	1	1	1	1
Great Lakes						1	1	1	1	1	1
Mountain							1	1	1	1	1
Pacific NW									1	1	1
Plains										1	1
NorthEast											1
Mid Atlantic											1
New England											1
	2	2	1	2	3	5	6	6	7	9	12
Sales support						1	2	2	2	2	3
Total iTrack Sales	4	5	4	5	6	10	12	12	13	15	19

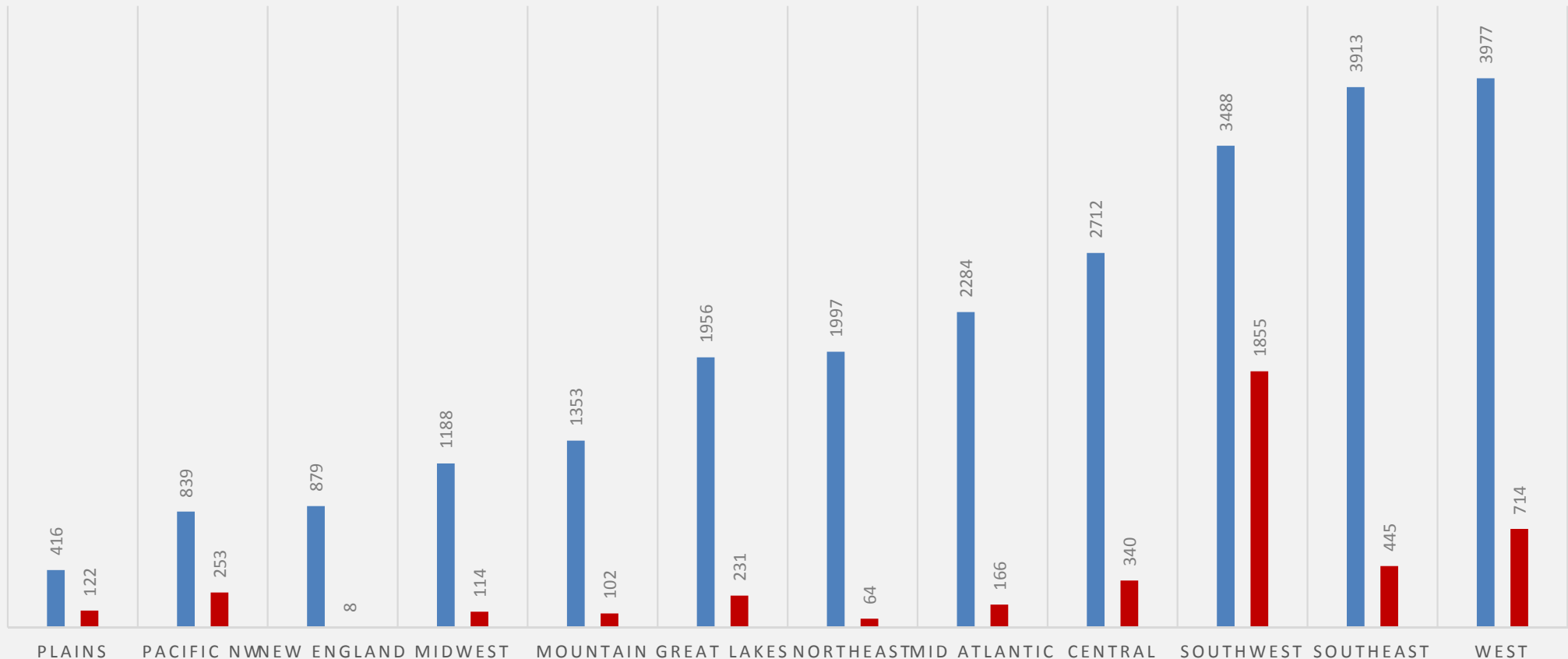
- This table shows the timing of US sales team recruitment
- The USA has been divided in 12 regions. As of 30 June 2017, all 12 regions of the USA have been staffed

Trading Update – Ellex iTrack™ Procedures within USA Sales Regions indicates Strong Growth Potential



ELLEX ITRACK PROCEDURES AND OPHTHALMOLOGISTS BY USA SALES REGION

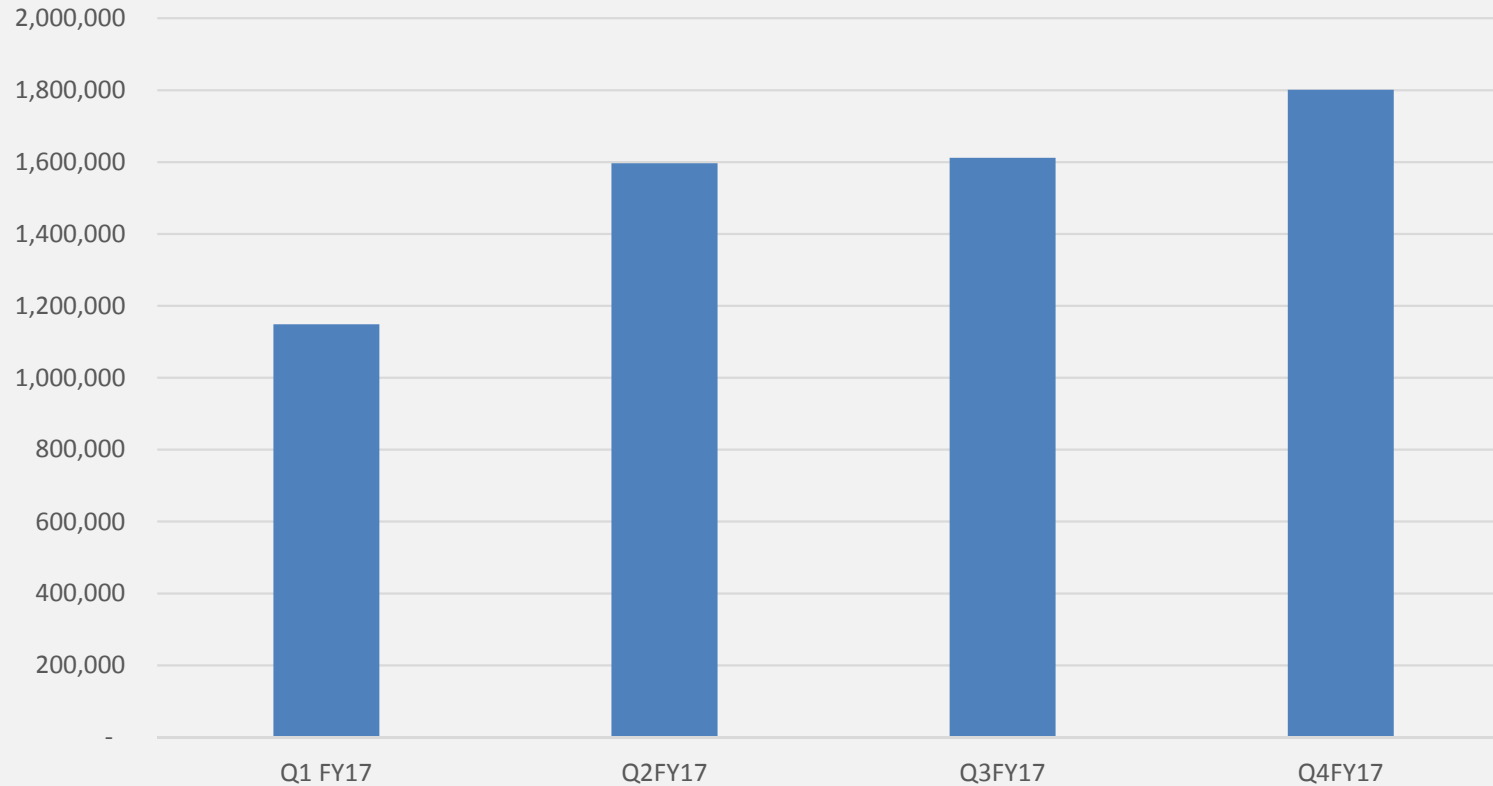
■ no. of ophthalmologists ■ no. of iTrack procedures FY17



This shows an estimate of all ophthalmologists in each region against the numbers of units of iTrack™ sold in that region in FY17. Not all ophthalmologists will be customers of Ellex iTrack™, so this graph shows the relative size of each region, not the absolute size. An individual surgeon engaged and convinced on the safety and efficacy of iTrack and regularly using iTrack may perform anywhere between 3 procedures and 30 procedures per month.



Trading Update – Ellex iTrack™ Global Sales by Quarter (US\$)

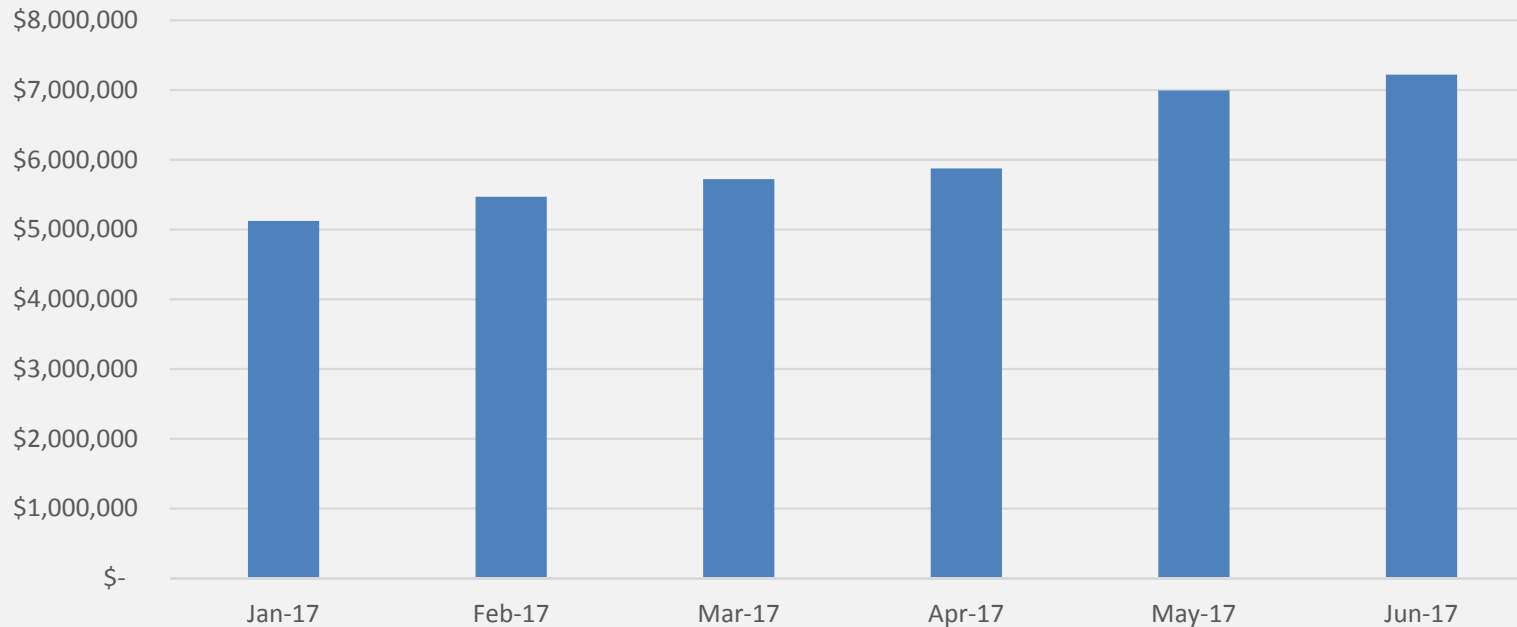


- Sales outside the US are dominated by sales into Germany and China. Ellex iTrack™ is currently the only approved MIGS device in China. Roll-out to the Chinese market commenced in the second half of FY17.



Trading Update – Ellex iTrack Annual Sales Rate (US\$)

Global iTrack sales - annual sales rate based on preceding 6 months rolling average (US\$)



- The annual sales run rate based on the preceding 6 months rolling average is US\$7.2m per annum as of 30 June 2017. This has increased by 29% over the 6 months to 31 December 2016.



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