

ASX RELEASE

Ellex Medical Lasers Limited (ASX:ELX)

Adelaide, Australia

Date: 5 February 2018

Release: Immediate

Topic: Trading Update for Half-Year Ended 31 December 2017



Highlights:

- **Ellex Group sales up 11.7% (13% in constant currency) compared with prior corresponding period, driven by glaucoma sales growth strategy**
- **Ellex iTrack™ sales up 65% in USA and 30% outside the USA in constant currency compared with prior corresponding period**
- **Ellex Core Laser & Ultrasound sales up 9% in constant currency compared with prior corresponding period, driven by strong glaucoma laser sales**
- **Glaucoma therapy device sales of A\$19.8 million now comprise 50% of Ellex group revenue and are growing at a four-year CAGR of 16%**

Adelaide, Australia 5 February 2018 – 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 its expected financial performance for the six months ended 31 December 2017.

Expected sales and expected EBITDA by segment (unaudited) are shown in Table 1:

	Core Lasers & Ultrasound	2RT®	iTrack™	Corporate Costs	Other Income	Total
H1FY18						
Revenue	32.8	0.2	5.2	--		38.2
EBITDA/(loss)	3.5	(0.4)	(2.2)	(1.8)		(0.9)
H1FY17						
Revenue	30.4	0.2	3.6			34.2
EBITDA/(loss)	4.3	(0.4)	0.5	(2.0)	0.6	3.0

Progress on Strategy in H1FY18

The Company's strategy to focus on glaucoma therapy devices achieved traction during the period, with Ellex recording strong sales revenue for the first-half. Revenues from glaucoma therapy devices were A\$19.8 million in the first-half and have grown at a CAGR of 16% over the last four periods.

Ellex will continue to exploit its unique combination treatment offering of glaucoma treatment lasers ("SLT") and Ellex iTrack™ minimally invasive glaucoma surgery (MIGS) device in the fast-growing glaucoma therapy market.

"These results show that the glaucoma market provides a solid base for the future growth of our business. We are well funded to continue to pursue this market and we are confident that this will lead to continued sales growth," commented Ellex CEO, Tom Spurling.

Ellex iTrack

Sales revenue in the USA of the Ellex iTrack™ MIGS device grew by 65% to US\$2.5 million during the period, up from US\$1.5 million in the prior corresponding period. This growth was achieved as a result of the Company's initial expansion of sales and marketing efforts in the USA. Outside the USA, sales grew by 30% to US\$1.6 million, up from US\$1.2 million in the prior corresponding period. This can be attributed to improved sales demand in existing European markets, and as a result of improved distribution management throughout the region. Gross margin on sales also improved, reflecting increased volume through the Fremont production facility.

Commenting on the result, Mr Spurling said: "While the improvement in Ellex iTrack sales in the USA is creditable, the investment we are continuing to make in our sales and marketing effort in the USA is significant for Ellex, and it is only just starting to demonstrate results."

Ellex Core Laser & Ultrasound

Driven by a 35% lift in sales for SLT lasers, the Company's Core Laser & Ultrasound sales grew by 8% (9% in constant currency) to A\$32.8 million, up from A\$30.4 million in the prior corresponding period. A concerted effort to reduce inventory by A\$2.1 million also generated strong cash flow during the period.

As foreshadowed in November 2017, Ellex undertook significant investments in sales and marketing, product management and additional management. Whilst these initiatives contributed to strong top-line sales growth of the Company's SLT laser portfolio, they resulted in a reduction of EBITDA to A\$3.5 million during the period, down from A\$4.3 million in the prior corresponding period.

Commenting on this segment's profit performance, Mr. Spurling said: "In the second half and beyond, we expect current sales growth rates to continue and to be reflected in increased profitability."

Ellex expects to release its audited half-year results in the week beginning 26 February, 2018.

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 LTD (ASX:ELX)
Investor Presentation for the 6 months ended 31 December 2017
Prepared 5 February 2018 (unaudited results)

Ellex's leading position in the fast-growing, global glaucoma therapy device market was a key driver of growth in the the Half-Year FY18.

Disclaimer

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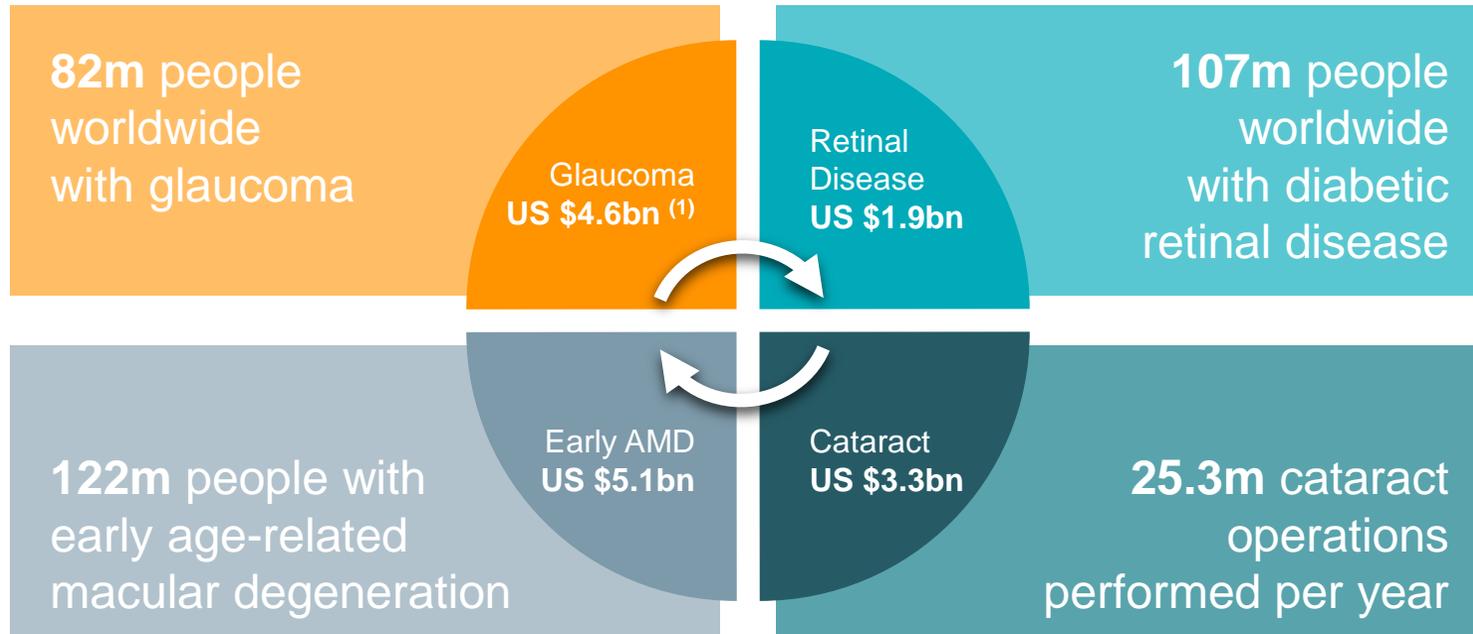


Ellex Group: Highlights of H1FY18

- Ellex Group sales up 11.7% (13% in constant currency) on the prior corresponding period driven by glaucoma sales growth strategy.
- Ellex iTrack™ sales up 65% in USA and 30% outside the USA in constant currency compared with prior corresponding period.
- Ellex Core Lasers & Ultrasound sales up 9% in constant currency on prior corresponding period, driven by strong glaucoma laser (SLT) sales.
- Glaucoma therapy device sales of A\$19.8 million now comprise 50% of Ellex group revenue and are growing at a four-year CAGR of 16%.



Ellex Group: Accessing a Large Market and Targeting Glaucoma Device Therapy

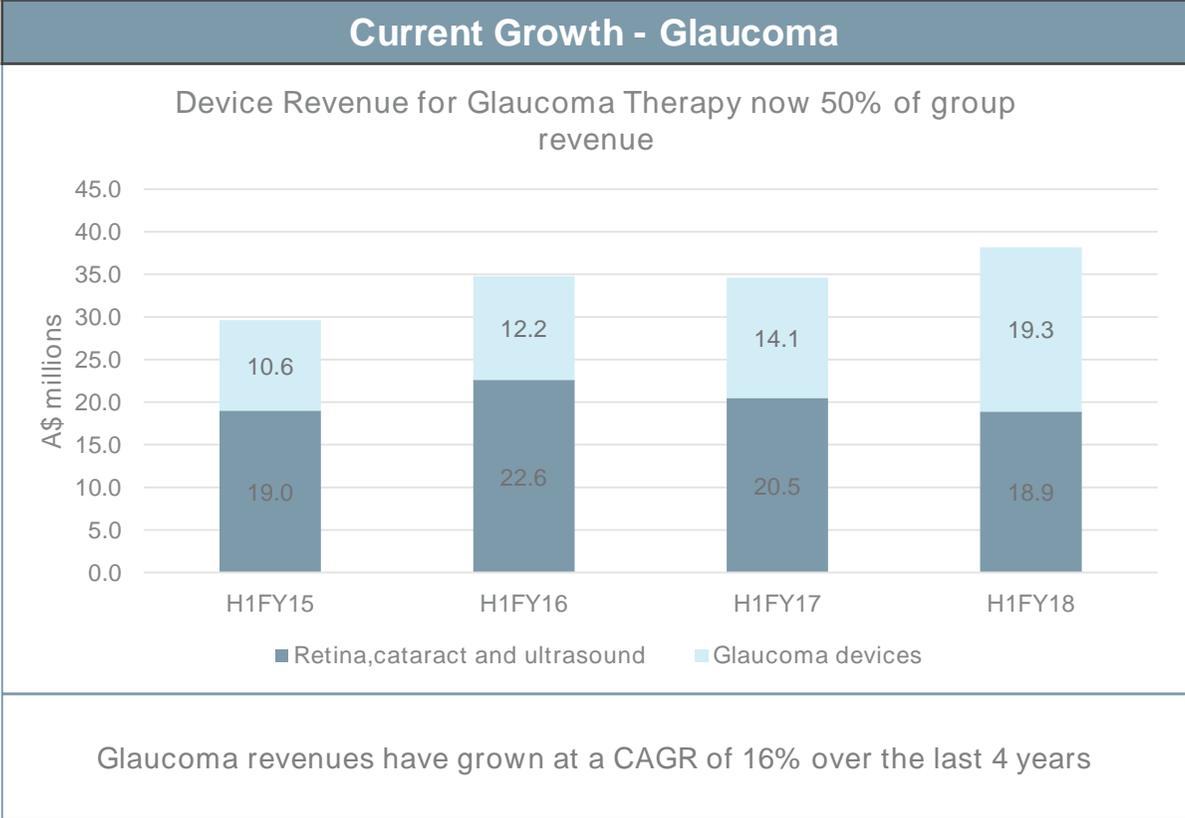


Glaucoma segment accessible to Ellex expected to grow from US\$285m pa to US\$1.4bn pa by 2022⁽¹⁾

(1) MarketScope "2017 Ophthalmic Lasers Report", MarketScope Report "2017 Ophthalmic Lasers", "2017 Glaucoma Surgical Devices" and "2017 Glaucoma Pharmaceuticals".



Ellex Group: Growth Strategy Progress



Future Growth - AMD

Device Revenue for Early-Stage Macular Degeneration Therapy – 2RT® laser

- 2RT is the subject of the LEAD trial.
- All current therapies for AMD target late-stage disease
- Current annual market for AMD treatment is c. \$5bn and is pharma



Ellex Group: Summary of Results by Business Segment

Segment	Revenue H1FY18(A\$M)	Segment EBITDA \$AM/(loss)	Business Model	Current Market Size per annum	Current Estimated Market Growth Rate	Ellex Revenue Growth on H1FY17 in Constant Currency
Ellex Core Laser & Ultrasound	\$32.8	3.5	Capital equipment sales	US\$500m ⁽²⁾	3% ⁽²⁾	9%
Ellex iTrack™ – USA	\$3.3	(2.2)	Consumable – direct sales	US\$240m ⁽²⁾	44% ⁽²⁾	65% USA
Ellex iTrack™ ROW	\$1.9					30% ROW
Ellex 2RT® for early AMD ⁽¹⁾	\$0.2	(0.4)	Capital equipment procedure fee	US\$10bn	7.1% in growth in pharma ⁽³⁾ spend in major economies	--
Corporate	--	(1.8)				
Total	\$38.2M	(0.9)M				

(1) Subject to outcome of phase III clinical trial reading out in mid 2018.

(2) MarketScope “2017 Ophthalmic Laser Report” and “2017 Glaucoma Surgical Service Report” and other sources for ultrasound

(3) Quoted in “Retinal Physician” Jan/Feb 2015 based on data from Global Data



Ellex Group: Offering in Device Treatment of Glaucoma



- Ellex has a unique offering of two devices - SLT and Ellex iTrack™ – for glaucoma therapy. It positions Ellex to supply doctors with therapy for patients across the disease treatment continuum.
- The SLT laser stimulates a cellular regeneration. It does not destroy tissue. Ab Interno Canaloplasty (ABiC) with Ellex iTrack™ flushes the natural outflow systems without damaging tissue.

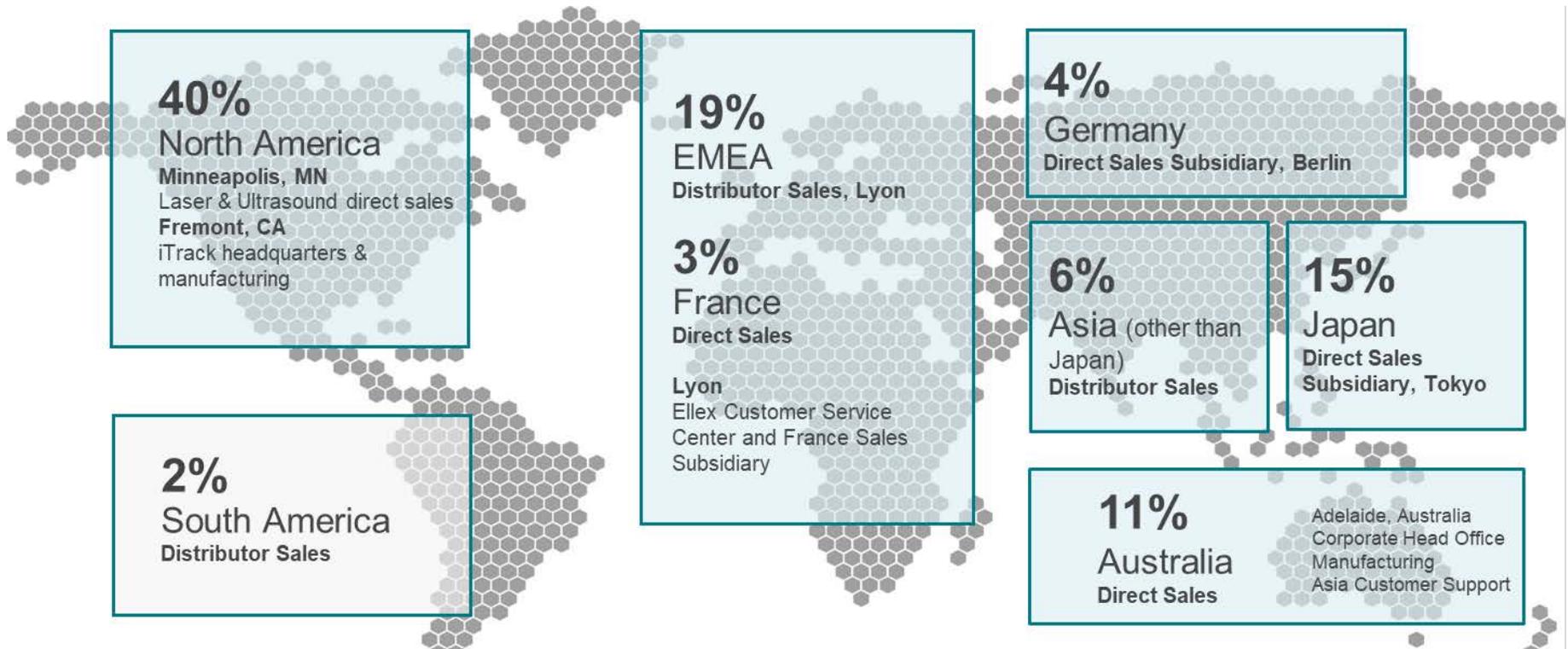


Ellex Group: November 2017 Capital Raise Summary

- Ellex successfully completed a capital raise of A\$23 million during the period to US and Australian institutions, as well as an SPP to existing shareholders.
- Proceeds from the capital raising to be primarily used to accelerate sales of Ellex iTrack™ into the MIGS device market, and expanded marketing and clinical training in the Core Laser and Ultrasound business



Ellex Group: Regional Revenue H1 FY18

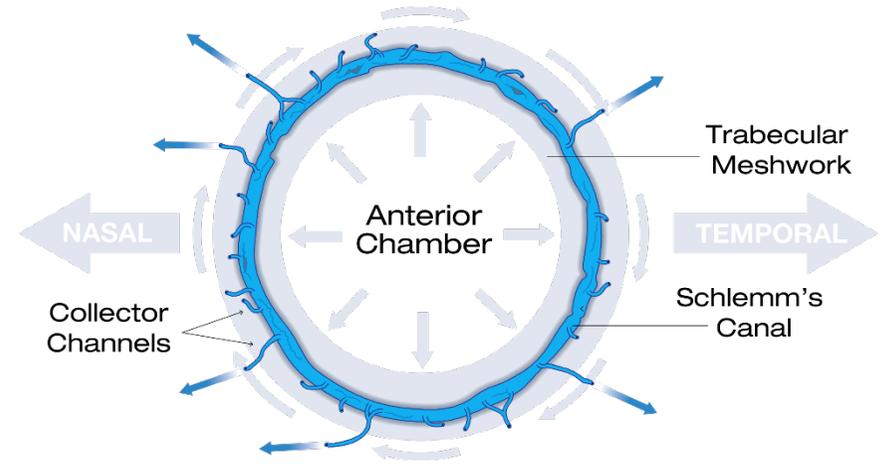




ellex iTrack™ MIGS

Ellex iTrack™

A MIGS Device that Treats Glaucoma



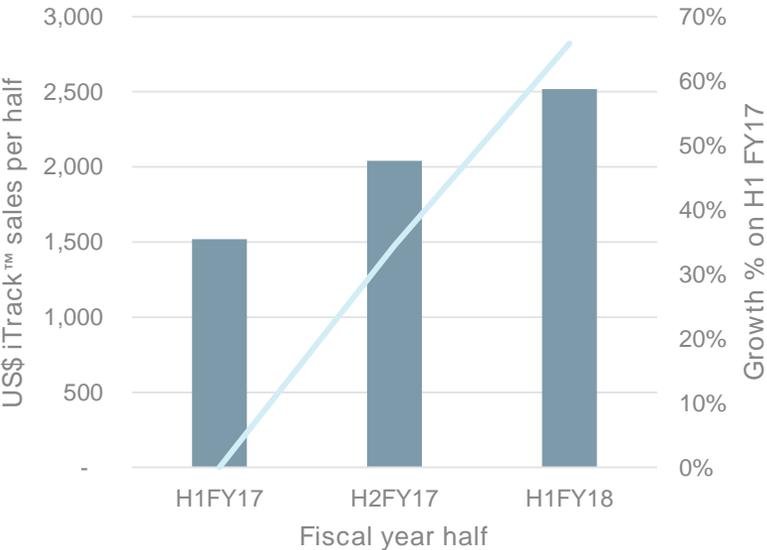
- The Ellex iTrack™ is a unique, patent-protected microcatheter for treating patients with mild stage glaucoma used to clear and flush the main ocular drainage systems to restore natural biology
- Perfect compliment to Ellex SLT as it can be repeated and revitalises natural outflow pathways, leaving nothing behind
- Current market accessible for MIGS and canaloplasty devices US\$240 million p.a. growing to US\$1.4bn p.a. by 2022 (44% CAGR)¹
- Highlights for H1FY18
 - 65% sales growth USA
 - Improved prices and lower costs for improvement in gross margin



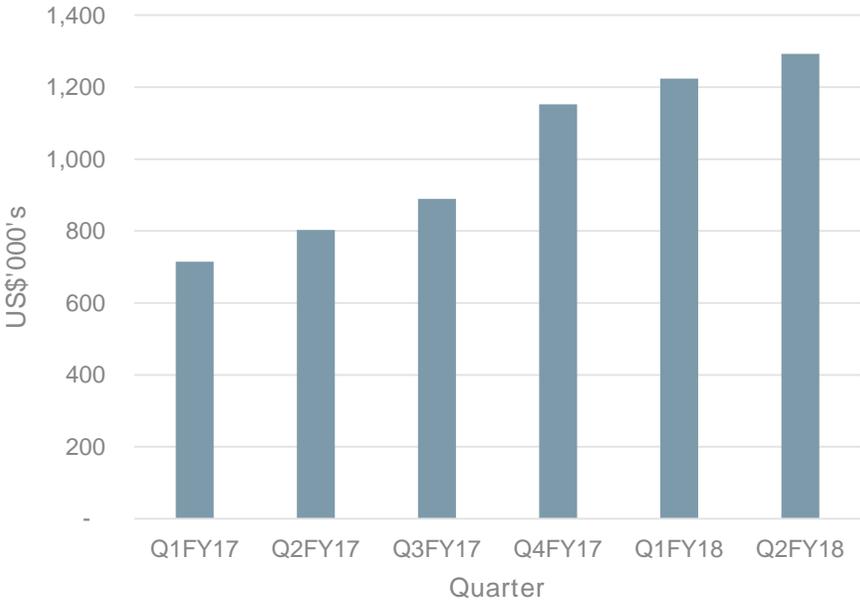
(1) MarketScope "2017 Glaucoma Surgical Devices Report"

Ellex iTrack™ USA Sales Growth

USA iTrack™ Sales last 3 halves
(US\$'000's)



USA iTrack™ sales by last 6 quarters in
(US\$'000's)



- Sales in the USA of Ellex iTrack™ in H1FY18 grew 65% (measured in US\$) over H1FY17
- Q2FY18 is the sixth consecutive quarter of sales growth recorded



Ellex iTrack™: Sales by Region

	US \$M		
	H1FY17	H1FY18	Growth %
USA	1.5	2.5	65%
Asia	0.4	0.4	1%
Rest of World	0.8	1.2	43%
	2.7	4.1	

	iTrack™ Units Sold		
	H1FY17	H1FY18	Growth %
USA	1,842	3,014	64%
Asia	741	736	-%
Rest of World	1,745	2,286	31%
Total	4,328	5,921	

- Gross margin improved in H1FY18 as a result of increased volume of production
- We estimate that approximately 70,000 to 80,000 glaucoma surgical procedures with the Ellex iTrack™ catheter have now been conducted globally



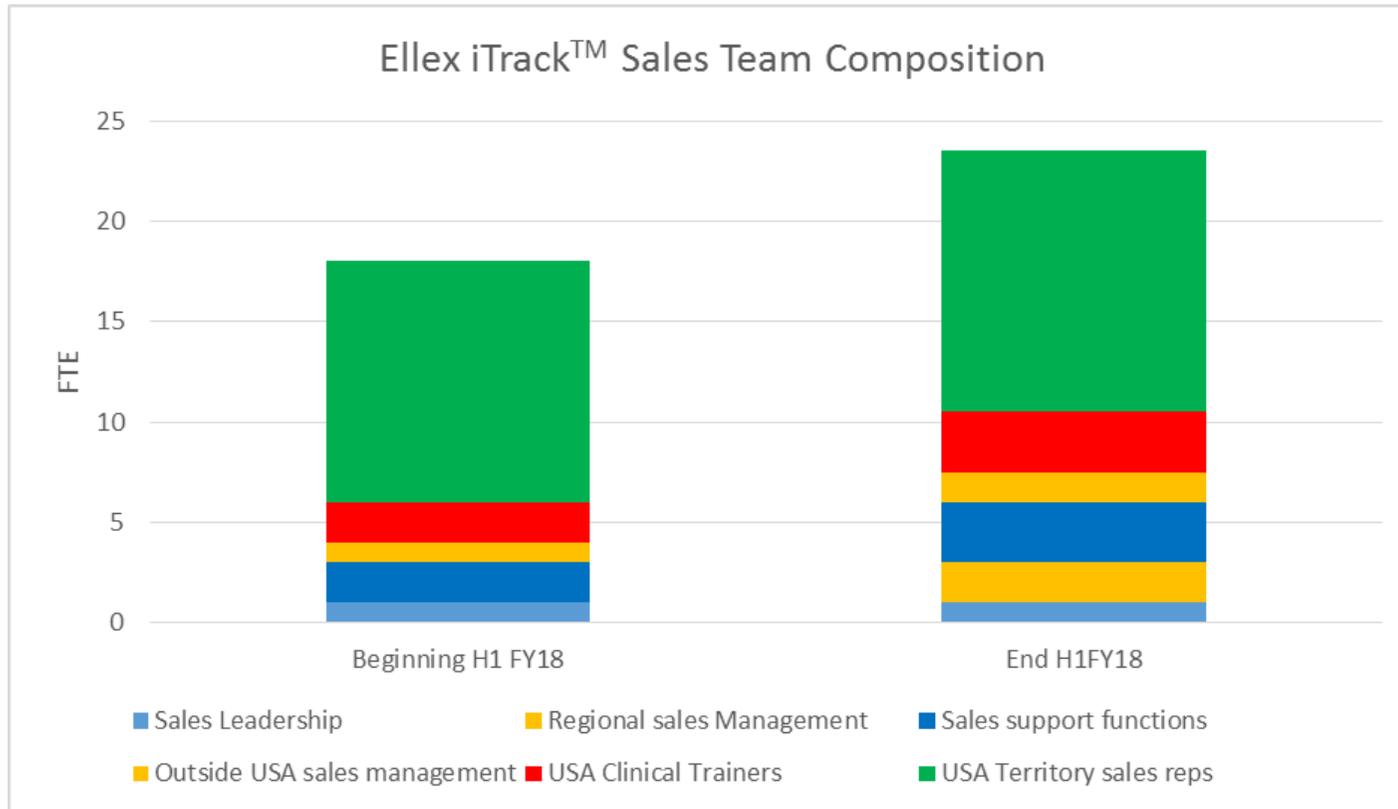
Ellex iTrack™:

Investment in Production Capacity Expansion

Activity	Date	Total Capacity in Units
Completed Stage 1 production expansion	COMPLETED	20,000
Commenced Stage 2 site works at Fremont campus	COMPLETED	
Forecast completion date of Stage 2 Fremont	March 2018	50,000
Planning for Stage 3 production expansion underway	2018/2019	>100,000



Ellex iTrack™: Key USA Sales Team Metrics



- Sale team expansion has progressed and this will continue
- Average FTE higher in H1FY18 than H1FY17
- Customer order and reorder data is trending up nicely over time as the expansion efforts continue

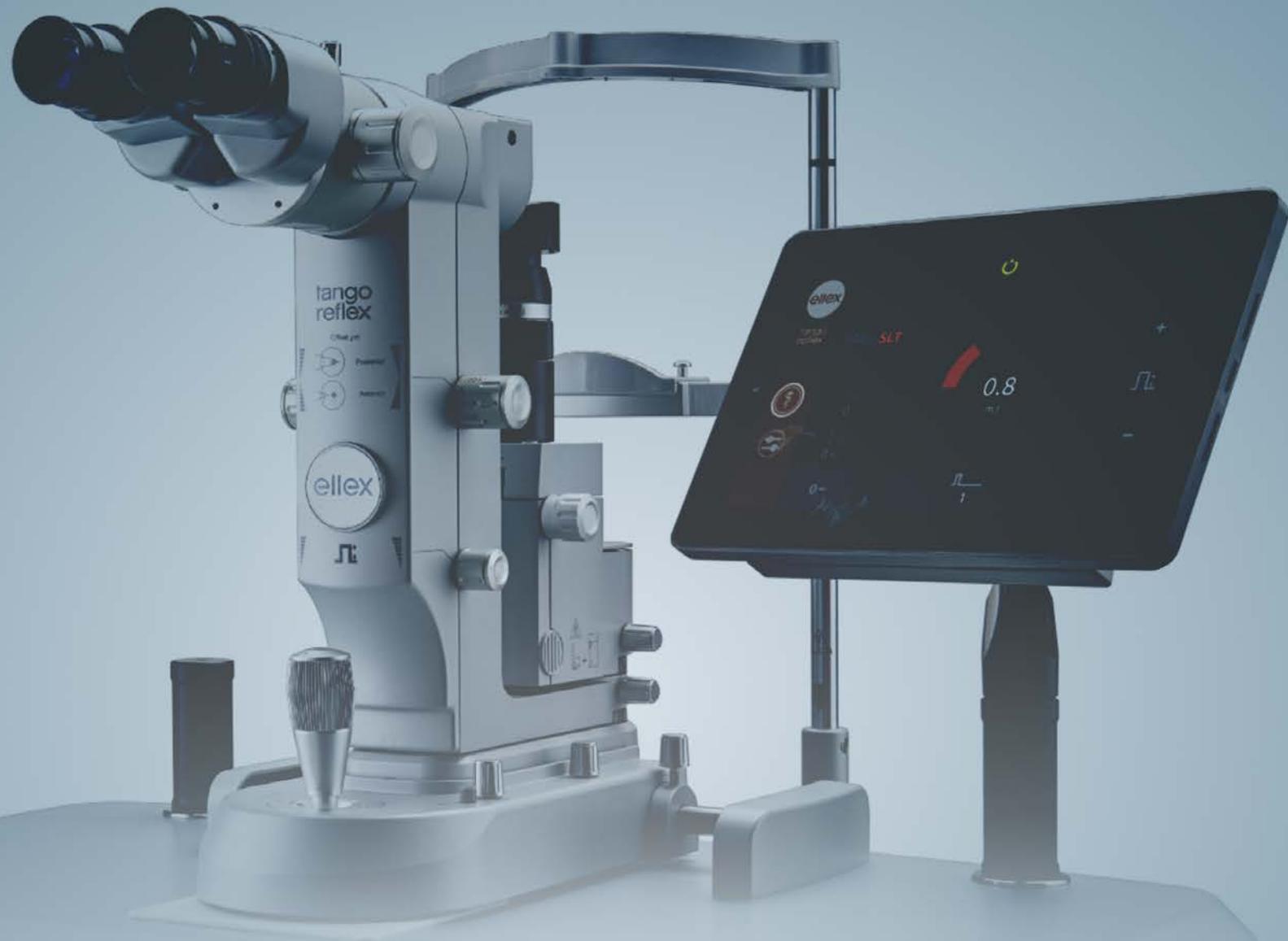


Ellex iTrack™ and MIGS Competitive Landscape

	FDA Approval	Reimbursement	Indicated for With Cataract Surgery	Indicated for Outside Cataract Surgery	Patient Selection: POAG	Method of Action
ABiC iTrack™ (Ellex)	YES	YES	YES	YES	YES	360° dilation and restoration of outflow systems
iStent (Glaukos)	YES	YES	YES		YES	
CyPass (Alcon)	YES	YES	YES	YES	YES	Single point stents that create outflow pathways
XEN Gel Stent (Allergan)	YES		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.





Core Laser & Ultrasound

Ellex Core Laser & Ultrasound: Market Position, Size and Competitors

Disease	Current Ellex Devices	Total annual spend on on disease treatment with pharma and devices	Current device-market accessible to Ellex ⁽¹⁾	Assessed device-market position against
Glaucoma – early stage	SLT with TangoReflex™, Tango™	US\$4.6 billion ⁽¹⁾	US\$45 million (CAGR 1.5%)	1. Ellex 2. Lumenis
Cataracts and Vitreous Floaters	Ultra Q™ and Ultra Q Reflex™	US\$3.3 billion plus 25.3 million cataract operations per year ⁽²⁾	US\$65 million (CAGR 2% plus more with vitreous floater treatment)	1. Ellex 2. Lumenis 3. Nidek
Diabetic Disease Retina	Integre Pro™ and Integre Pro Scan™ and Solitaire™	US\$1.9 billion ⁽³⁾	US\$283 million (CAGR 2.9%)	Ellex, Nidek, Topcon & Iridex
Diagnostic Ultrasound	Eyecubed™ Eyeone™	Included above	US\$140m (CAGR 5%)	Ellex, Sonomed & Quantel

(1) Combination of Ellex estimate and MarketScope LLC Reports (2) MarketScope LLC Report dated April 2017 (3) PharmaPoint: Macular Edema and Macular Degeneration- Global Drug Forecast and Market analysis to 2023” published in Dec 2014



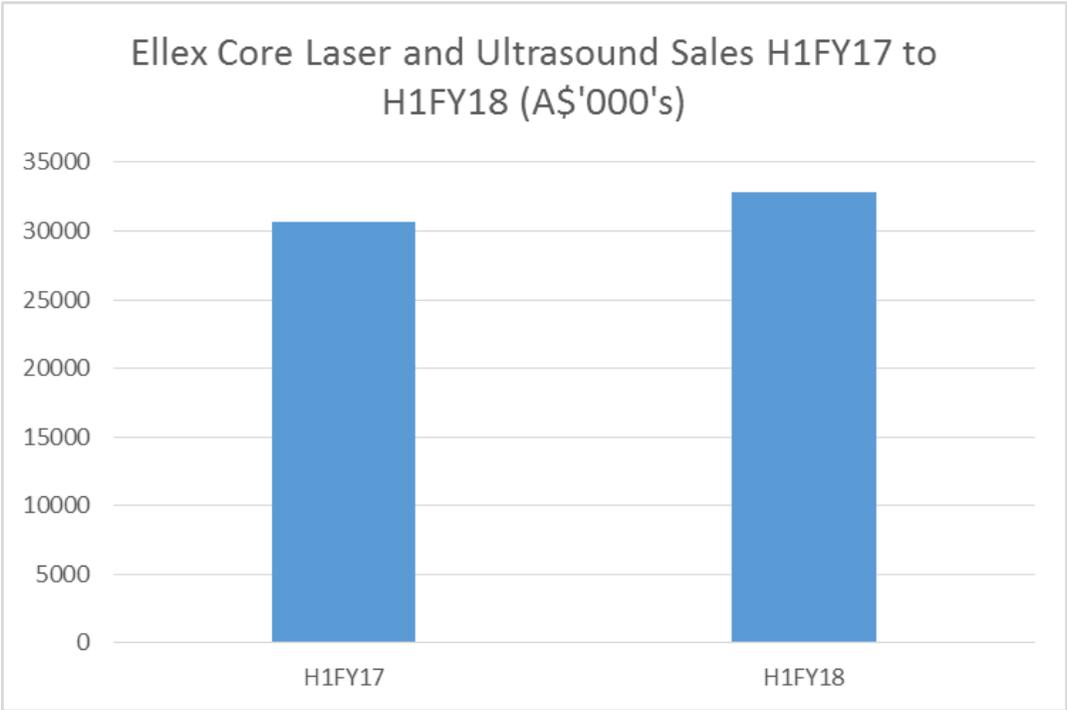
Ellex Core Laser & Ultrasound: Revenue



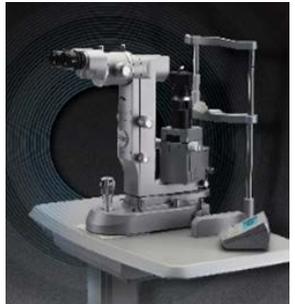
Ellex Tango Reflex™



Ellex Eye One Ultrasound™



Ellex Integre Pro Scan™

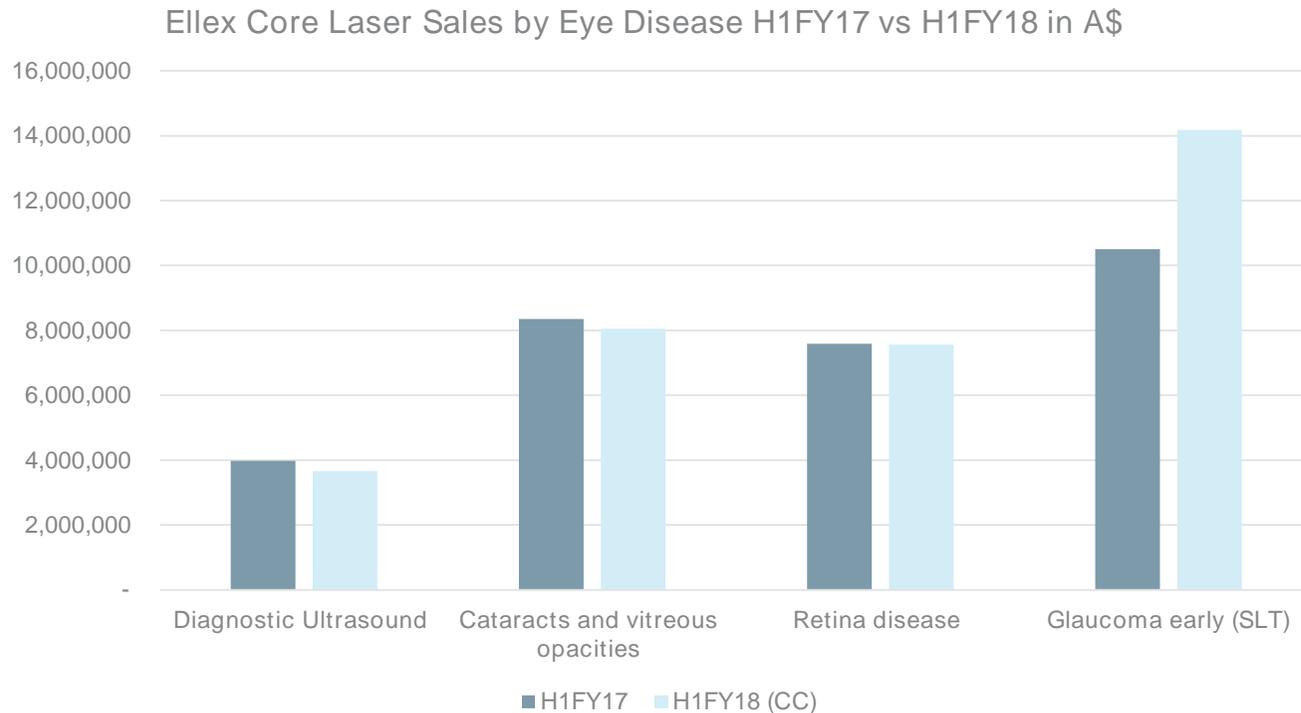


Ellex Ultra Q Reflex™

The core laser and ultrasound business provides products used everyday by ophthalmologists globally



Ellex Core Laser & Ultrasound: Sales by Category of Eye Disease



- 35% growth in revenue from sale of SLT lasers for treatment of glaucoma driven by additional marketing and release of Tango Reflex. Good sales growth in the USA.



Ellex Core Laser and Ultrasound Focus

- Our strategy is to profitably grow, and to exceed market growth rates, by:
 - Investment in development of new products and features, and continuous improvement to existing products, that either improve the utility of products for our customers or improve treatment effectiveness
 - Investment in sales territory management, marketing and product management to improve market position
 - Operating cost and working capital control
- In H1FY18, sales growth targets have been achieved and inventory reduction has resulted in strong cash generation; profitability was negatively impacted by our planned investments in marketing and sales, competition and product cost increases.
- In H2FY18 we expect current sales growth rates to continue and profitability to increase.



Ellex 2RT[®] - Potentially Game-Changing Interventional Treatment for Early to Intermediate AMD

- Substantial growth opportunity pending results of clinical trial with results due in mid 2018
- Unique, patent-protected nano pulse laser that rejuvenates aging retinal cells, thus delaying progression to late stage AMD
- Ellex has in-place distribution channel to roll Ellex 2RT[®] out



Ellex Core Laser & Ultrasound: Pro-forma Free Cash Flow

	H1FY17 (\$'000's)	H1FY18 (\$'000's)
	CLU + 2RT	CLU + 2RT
EBITDA/(loss)	3,915	3,056
Add/(deduct)		
<ul style="list-style-type: none"> • Product development glaucoma, cataracts, retina, ultrasound 	(1,308)	(1,234)
<ul style="list-style-type: none"> • Product development 2RT® including clinical trial 	(320)	(288)
<ul style="list-style-type: none"> • Planned reduction/(increase) in inventory for CLU 	(6,093)	2,129
<ul style="list-style-type: none"> • Planned investment in Core Laser and Ultrasound production facility and general capex 	(2,768)	(602)
Pro-forma free cash flow from operations*	(6,574)	3,061

*Pro-forma FCF excludes movements in trade debtors and trade creditors





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