ASX RELEASE
Ellex Medical Lasers Limited (ASX:ELX)
Adelaide, Australia

Date: Friday, 22 February 2019

Release: Immediate

Topic: Ellex Announces Financial Results for Half Year Ended 31 December 2018

Highlights:

- **Group sales revenue increased 9% (3% on a constant currency(cc)[1] basis) to $41.6 million compared to the prior corresponding period (pcp)**
- **Ellex 2RT® revenue surged 532% to $1.2 million following the release of the LEAD clinical trial data in intermediate age-related macular degeneration (iAMD) in Sept**
- **Ellex iTrack™ revenues were up 24% (16% on a cc basis) to $6.5 million, driven by continued growth in volume (+27%) and revenue (+39%, +30% on cc basis) in the USA**
- **EBITDA loss improved 12% on pcp to $0.85 million, driven by a 53% increase in Lasers & Ultrasound EBITDA to $5.9 million, offset by increased expenditure in the high growth glaucoma and iAMD disease segments**
- **Reported Net Loss of $2.7 million, down 0.3% on pcp**

Adelaide, Australia, 8 February 2019 – Ellex Medical Lasers Limited (ASX:ELX; OTCQX: ELXMY, ELXMF), a world leader in medical technologies for the diagnosis and treatment of eye disease, today announced its half year fiscal results for the period ended 31 December 2018.

Mr Tom Spurling, CEO of Ellex Medical Lasers commented: “The overall performance of Ellex in the first half, with near double digit top-line sales growth across the business was principally driven by our glaucoma therapy segment, which grew 18% over the pcp and has exhibited a 23% compound annual growth rate over the last three years. Group EBITDA improved 12% versus the pcp, principally the result of strong cost base leverage within our core Lasers & Ultrasound segment where revenues grew 4% while EBITDA surged 53%. This was despite a sluggish sales performance from our ultrasound products during the half.”

Mr Spurling further commented “We continue to invest ahead of the curve, particularly within our glaucoma and iAMD disease segments, as these markets are expected to grow significantly well into the future. The Company remains well funded, and operating cash flow is sufficiently strong to warrant these strategies while still expecting an improved operating result in FY19 as our product mix improves, sales grow and margins expand.”

---

[1] Constant currency (cc) derived by converting 1HFY19 at the 1HFY18 average AUD exchange rates for USD, EUR, YEN

Ellex iTrack performance

Ellex iTrack surgical system global unit volumes were up 14% versus the pcp and revenues were up 24% (16% on a cc basis). Revenue growth accelerated over unit volume growth principally due to the effects of a lower AUD versus the USD, and mix benefits associated with a higher proportion of US denominated sales, which is a direct (not distributor) market for Ellex. Pricing remained stable over the period. Segment gross margin (ex labour) accelerated to 82% (73% in the pcp), reflecting higher manufacturing output and mix effects, while the segment EBITDA recorded a loss of $4.0 million. EBITDA was impacted by a predominately USD expense base for Ellex iTrack and growth in employee benefits expense and sales and marketing. Ellex iTrack has exhibited a three year compound annual growth rate (CAGR) of 33%.

In the US, Ellex iTrack recorded an increase in unit volumes of 27% to 3,826 units reflecting continued adoption by ophthalmologists, strong reimbursement and an expanded footprint. OUS sales were down 12% to 2,039 units reflecting a slowdown in ordering from our German distributor, Fritz Ruck following a takeover bid by Hoya Corporation in October. Chinese unit sales were up 43% versus the pcp to over 1,000 units and represents a strong result as Ellex iTrack continues to be the only MIGS device approved in the Chinese market.

Ellex is confident in the long term growth potential of Ellex iTrack, as the minimally invasive glaucoma surgery (MIGS) device market is expected to show CAGR growth of 34% to 2023[2] with Ellex iTrack penetration at the Ambulatory Surgical Centre (ASC) level (where Ellex iTrack is performed in the majority of cases) at approximately 13%, and our user group (that is, the glaucoma surgeon, comprehensive ophthalmologist and cataract-only surgeon) at approximately 5% penetrated. Two additional publications were released highlighting the benefits of Ellex iTrack *ab interno* surgical approach in December[3], which will assist our sales force in their clinician discussions moving forward. Our previously flagged CAPEX program for Stage 3 production expansion to >100,000 units per annum has been delayed, as internal capacity currently exceeds 50,000 units, implying <25% utilisation at FY18 unit production volume. As volumes continue to grow, Ellex will re-assess the Stage 3 expansion in future periods.

Ellex's combined field sales force (sales representatives and clinical trainers) stands at 21, an increase of three persons since 1HFY18. Despite only modest headcount expansion, during 1HFY19, the Company established a further 62 new Ellex iTrack accounts, representing sequential growth over the 2HFY18 of 41% and 32% growth over the pcp, while the average revenue per sales rep in USD terms grew 29% over the pcp. There was a significant increase in sales force efficiency and effectiveness during the period.

---

[2] Source: Marketscope

[3] Gallardo et al., 2018. Viscodilation of Schlemm's canal for the reduction of IOP via an ab-interno approach. *Clinical Ophthalmology* 2018:12 2149–2155.
Gallardo et al., 2018. Circumferential viscodilation of Schlemm's canal for open-angle glaucoma: ab-interno vs ab-externo canaloplasty with tensioning suture. *Clinical Ophthalmology* 2018:12 2493–2498

Laser & Ultrasound performance

The core Laser & Ultrasound business segment recorded solid growth in revenues and EBITDA during the period. Revenue of $33.9 million was up 4% (2% on a cc basis), while segment gross margins (ex-labour) expanded by 620 basis points to 59% driven by a favourable mix of FX effects and stronger sales of higher margin Selective Laser Trabeculoplasty (SLT) lasers to treat glaucoma. The net effect was a 53% increase in EBITDA to $5.9 million.

SLT laser revenue grew 21% to $16.8 million (up 18% on a cc basis) and constituted 50% of the segment by revenue (1HFY18: 43%). The Company continues to see solid growth from its market-leading SLT product range, particularly in the US where Ellex is observing a shift in the glaucoma market for pharmaceutical (eye drop) interventions towards laser-based intervention(s) as a first-line treatment for early to intermediate glaucoma patients. As a result, growth is occurring as the installed base expands due to comprehensive ophthalmologists and glaucoma specialists purchasing SLT lasers for their practice. Ellex's SLT laser business has exhibited a compound annual growth rate (CAGR) of 20% by revenues over the last three years.

Our retinal disease franchise lasers continue to show growth, despite a market shift away from photocoagulator lasers to treat diabetic retinopathy and diabetic macular edema towards approved pharmaceutical treatments. Doctors recognise Ellex's retinal lasers as best in class. Revenues were up 5% to $7.8 million.

Sales of Ellex's cataract and vitreous opacities lasers were down 11% to $7.0 million. Sales were negatively impacted by some product cannabilisation from Ellex's dual glaucoma and cataract laser Tango Reflex™, pricing pressures from conventional photodisruptor lasers and purchasing decision delays experienced in Europe during the period.

Sales of diagnostic ultrasound equipment was down 32% to $2.4 million, as customers elected to defer purchasing decisions while they await a new ultrasound product launch from Ellex. The new product launch was expected to occur during the 1HFY19, with Ellex now anticipating this will occur in the current half.

Ellex 2RT performance

Sales of Ellex's proprietary Retinal Rejuvenation Therapy laser, 2RT surged during the first half by 532% to $1.2 million, following the release of the Company's LEAD clinical study which showed that treatment with 2RT achieved a clinically meaningful 77% reduction in the rate of progression of 76% of patients with intermediate age-related macular degeneration (iAMD) to advanced forms of the disease over the 36 months of the study.

Following presentation of the study data at the EURETINA conference in Vienna and the American Academy of Ophthalmology (AAO) meeting in Chicago, along with the trial being published in the prestigious journal *Ophthalmology*, the Company experienced a significant uplift in orders for 2RT, including from the US, where 2RT is cleared for CSME[4].

Segment EBITDA improved by $0.2 million to a loss of $0.2 million for the half. Ellex expects to establish a regulatory pathway with the FDA for 2RT® in iAMD during the 2019 calendar year following an extensive review of the literature, clinical data, input from expert FDA consultants and a face to face meeting with the FDA.

Cash Flow and Balance Sheet

Operating cash flow of -$1.8 million versus -$0.5 million in the pcp reflected an increase in working capital associated with higher inventory build on sales expectations, particularly for Ellex iTrack in 2019. Capital expenditure of $0.4 million was down 73% on the pcp following the completion of the manufacturing expansion of Ellex's Mawson lakes facility in Adelaide and Ellex iTrack™ manufacturing in Fremont, California. The installed capacity at both sites provides Ellex with the flexibility and capability to meet the expected increase in demand for its innovative ophthalmology products over the long term.

The Company maintains a conservative level of debt, with gearing (D/D+E) of 18% and net cash of $3.9 million (gross debt: $15.3 million, cash $19.2 million). Balance sheet capitalised development costs of $15.2 million grew 2% over the pcp, reflecting a reduction in product development capitalised during the period (down 18% to $1.3 million). Total product development expenditure (expensed and capitalised) was flat versus the pcp.

Outlook

While Ellex iTrack and Ellex 2RT performed strongly for the 1H, there was an unexpected slow down in core Laser % Ultrasound sales in the US and EMEA in the 2QFY19, which saw group revenue growth moderate for the 1H versus the AGM update in October.

Ellex iTrack will show continued growth in FY19, with EBITDA results now expected to be similar to FY18 levels. Laser & Ultrasound segment FY19 EBITDA growth on FY18 is expected, with continued clinical adoption of Ellex Tango™ / Ellex Tango Reflex™ in glaucoma and diligent cost management.

Ellex reaffirms it remains on track to grow group sales and deliver an improved EBITDA result in FY19 subject to global economic conditions and foreign exchange rates.

- ENDS -

---

[4] 2RT is FDA cleared for clinically significant macular edema (CSME) in the United States since 2014

Investor Conference Call Details

As a reminder, Ellex will be hosting an investor conference call this morning at 9:00 am Australian Eastern Daylight Time, with the details below.

CONFERENCE ID: **5772299**

TOLL FREE DIAL-IN DETAILS:
Australia toll-free: 1800 123 296
Australia local dial: +61 2 8038 5221
USA: 1855 293 1544
UK: 0808 234 0757
Hong Kong: 800 908 865
Singapore: 800 616 2288
Japan: 0120 994 669
China: 4001 203 085
India: 1800 2666 836

Webcast Link: The slide presentation and audio can also be viewed live at the following link: https://webcast.openbriefing.com/5059/

A recording of the call and slide presentation will be made available within the Investors section of the Company website at: https://www.ellex.com/investors/presentations/

- ENDS -

ABOUT ELLEX

Ellex designs, develops, manufactures and sells innovative product 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 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

---

For further information on Ellex please contact:

Tom Spurling
CEO
Ellex Medical Lasers Limited
3 Second Avenue, Mawson Lakes SA 5095
W +61 8 7074 8293 | M +61 417 818 658
tspurling@ellex.com

Dr. Tom Duthy
Investor Relations & Corporate Development
Ellex Medical Lasers Limited
3 Second Avenue, Mawson Lakes SA 5095
M +61 402 493 727
tduthy@ellex.com

Maria Maieli
CFO & Company Secretary
Ellex Medical Lasers Limited
3 Second Avenue, Mawson Lakes SA 5095
W +61 8 7074 8200
mmaieli@ellex.com

Julia Maguire
Media Relations
The Capital Network
M: +61 419 815 386
julia@thecapitalnetwork.com.au

CONSOLIDATED RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half year ended 31 December 2018
Ellex Medical Lasers Limited ACN 007 702 927

This results announcement and the half-year report attached to this announcement should be read in conjunction with the annual financial report for the year ended 30 June 2018.

Current reporting period: Half-year ended 31 December 2018
Previous corresponding reporting period: Half-year ended 31 December 2017

Consolidated Results

				$A'000
Revenues from ordinary activities	Up	9%	To	41,630
Consolidated results				
(Loss) before interest, tax, depreciation and amortisation (EBITDA)	Down	12%	to	(846)
(Loss) for the period, before tax	Up	7%	to	(3,048)
(Loss) from ordinary activities after tax	Down	0.3%	to	(2,699)
Net (loss) for the period attributable to members	Down	0.3%	to	(2,699)

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend Interim Dividend	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividend	NOT APPLICABLE	

OTHER INFORMATION

For the half-year ended 31 December 2018
Ellex Medical Lasers Limited ACN 007 702 927

Net Tangible Assets per Security	Half Year ended 31 December 2018	Half Year ended 31 December 2017
Net tangible asset backing per ordinary security (excludes value attributable to goodwill, other intangible assets, deferred tax asset, capitalised development expenditure and related deferred grant income)	$0.34	$0.37

Dividends

Date the dividend (distribution) is payable	NOT APPLICABLE
Record date to determine entitlements to the dividend (distribution)	NOT APPLICABLE
If it is a final dividend, has it been declared?	NOT APPLICABLE

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend: Current year Previous year	0.00 ¢ 0.00 ¢	0.00 ¢ 0.00 ¢	0.00 ¢ 0.00 ¢
Interim dividend: Current year Previous year	0.00 ¢ 0.00 ¢	0.00 ¢ 0.00 ¢	0.00 ¢ 0.00 ¢

Details of entities over which control has been gained or lost during the period

The group has not gained or lost control over any entities during the half-year ended 31 December 2018.

Ellex Medical Lasers Limited

ACN 007 702 927
Report for the half-year ended 31 December 2018

Contents | Page

Directors' report

The directors of Ellex Medical Lasers Limited (the Company and the Group) submit herewith the financial report of Ellex Medical Lasers Limited and its subsidiaries (the Group) for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company during or since the end of the half-year are:

Name	
Mr V Previn	Chairman
Mr A Sundich	Non-Executive Director
Mr G Canala	Non-Executive Director
Mr Rahmon Coupe	Independent Director
Mr Mike Southard	Executive Director
Mr Mike Mangano	Independent Director

Ms Maria Maieli continued as Company Secretary for the period covered by this report.

Principal Activities

The principal activities of the Company during the financial period were the manufacture, service and distribution of medical equipment.

There were no significant changes in the nature of the activities of the company during the period.

Review of operations

Ellex Medical Lasers Limited (Ellex) generated a Net Loss after Tax of $2,699 thousand for the half-year ended 31 December 2018 (2017: a Net Loss After Tax of $2,709 thousand) on revenue of $41,630 thousand (2017: $38,103 thousand).

<u>Group</u>
The Company's strategy to focus on glaucoma therapy continues to gain traction. Revenue from devices for glaucoma therapy were $23.2 million for the first half, up 18% on the prior comparable period. Glaucoma therapy now comprises 56% of Ellex group revenues.
Ellex has a unique combination treatment offering for glaucoma with the Ellex iTrack minimally invasive glaucoma surgery (MIGS) device and glaucoma treatment lasers (SLT), for the large and fast-growing glaucoma therapy market.
Total revenue for the group were $41.6 million, an increase of 9% over the prior comparative period. During the half year, revenue growth was aided by the fall in the value of the Australian dollar against the United States dollar, the Japanese Yen and the Euro.

<u>Ellex Lasers & Ultrasound</u>
Laser and Ultrasound division revenue grew by 4% to $33.9 million, which was aided by the fall in the value of the Australian dollar.
Sales growth within the laser & ultrasound segment was driven by a $2.9 million (21%) increase in sales of lasers for treating glaucoma. The glaucoma laser sales growth was augmented by a $0.4 million (5%) increase in sales of Ellex's best-in-class retinal laser range. Sales of lasers for treating cataract and vitreous opacities fell by $0.9 (11%) due mainly to general purchasing uncertainty in Europe. Diagnostic ultrasound sales fell by $1.2 million. Gross margin (excluding labour costs) improved to 59% and operating costs were held constant despite the impact of the fall in the value of the Australian dollar: As a result, reported EBITDA for this segment grew to $5.9 million from $3.9 million in prior corresponding period.

<u>Ellex iTrack</u>
Sales revenue in the USA for Ellex iTrack™ grew by 39% to $4.5 million for the period. This growth was achieved as a result of the investment in commercial infrastructure in the USA. Sales growth of 27% to $0.6 million was achieved in China as marketing efforts with our distribution partner continued. Sales in other markets, outside USA and China, fell by 10% to $1.4 million as a result of a potential ownership change of our German distribution partner and competitive pressure in Germany. The gross margin on sales improved as a result of the improved mix of sales into the US market versus lower-priced distributor sales.

The Group has adopted the new revenue standard AASB 15 Revenue from Contracts with Customers from 1 July 2018, which has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 15, the Group has adopted the new rules using the full retrospective approach and has restated the 2018 comparative figures.

The Group is required to recognise revenue on a different basis compared to the prior policy of recognition. This primarily relates to revenue being deferred for maintenance services that are included in the sale of medical devices, which are included in the overall price of the goods sold.

The adoption of the new standard has no impact on cash flow, nor total revenue recognised from any contract over the life of the contract.

The impact on reported net profit/(loss) after tax is shown in Note 3 of the half- year report.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year report.

Rounding of amounts

The company is a company of the kind referred to in ASIC Instrument 2016/191. In accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors

V. Previn

Victor Previn
Chairman
Adelaide, 21 February 2019

Auditor's Independence Declaration

As lead auditor for the review of Ellex Medical Lasers Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ellex Medical Lasers Limited and the entities it controlled during the period.

M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
21 February 2019

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Note	Consolidated Group	
		Half-year ended 31 Dec 2018 $'000	RESTATED Half-year ended 31 Dec 2017 $'000
Revenue		**41,630**	**38,103**
Other income		250	143
Changes in inventories of finished goods and work in progress		1,358	(925)
Raw materials and consumables used		(17,030)	(16,004)
Employee benefits expense		(16,734)	(13,679)
Depreciation and amortisation expense		(1,917)	(1,704)
Facilities expense		(1,191)	(1,086)
Legal expenses		(51)	(84)
Impairment expense		(124)	-
Advertising and marketing expense		(2,162)	(1,595)
Congress expenses		(1,543)	(889)
Finance costs		(161)	(185)
Product development raw materials and consumables used		(712)	(452)
Realised foreign exchange gain/(loss)		469	(221)
Other expenses	**11**	(5,130)	(4,267)
(Loss)/profit before tax		**(3,048)**	**(2,845)**
Income tax benefit/(expense)		349	136
(Loss)/profit for the period		**(2,699)**	**(2,709)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations (tax: nil)		1,094	120
Total comprehensive (loss)/income for the period		**(1,605)**	**(2,589)**
Earnings per share:			
From continuing operations:			
Basic (cents per share)		(1.88)	(2.16)
Diluted (cents per share)		(1.88)	(2.16)

Notes to the consolidated financial statements are included on pages 9 to 13.

Consolidated statement of financial position
as at 31 December 2018

		Consolidated Group	
	Note	31 December 2018 $'000	RESTATED 30 June 2018 $'000
Current assets			
Cash and cash equivalents		19,682	23,067
Trade and other receivables		16,123	14,663
Inventories		25,960	22,458
Other current assets		878	1,030
Total current assets		**62,643**	**61,218**
Non-current assets			
Trade and other receivables		269	294
Inventories		-	304
Property, plant and equipment		14,297	14,576
Intangible assets		4,155	3,885
Capitalised development expenditure		15,187	14,885
Deferred tax assets		8,914	8,303
Total non-current assets		**42,822**	**42,247**
Total assets		**105,465**	**103,465**
Current liabilities			
Trade and other payables		9,419	6,391
Borrowings	**9**	15,285	9,097
Provisions		3,491	3,203
Deferred income		3,690	3,735
Current tax liabilities		201	135
Total current liabilities		**32,086**	**22,561**
Non-current liabilities			
Borrowings	**9**	45	5,902
Provisions		492	434
Deferred income		1,203	1,324
Total non-current liabilities		**1,740**	**7,660**
Total liabilities		**33,826**	**30,221**
Net assets		**71,639**	**73,244**
Equity			
Issued capital		78,311	78,311
Reserves		1,415	321
Accumulated (losses)/profit		(8,087)	(5,388)
Total equity		**71,639**	**73,244**

Notes to the consolidated financial statements are included on pages 9 to 13.

Consolidated statement of changes in equity for the half-year ended 31 December 2018

	Issued capital $'000	Other reserve $'000	Foreign currency reserve $'000	Accumulated profits/ (losses) $'000	Total $'000
Balance at 1 July 2017	**55,949**	**142**	**(823)**	**1,665**	**56,933**
Effect from change in standard	-	-	-	(2,954)	(2,954)
Tax impact from change in standard	-	-	-	975	975
Net impact from change in standard	-	-	-	**(1,979)**	**(1,979)**
Restated balance at 1 July 2017	**55,949**	**142**	**(823)**	**(314)**	**54,954**
Issue of share capital	23,577	-	-	-	23,577
Transaction costs	(1,181)	-	-	-	(1,181)
Total of transactions with owners	**22,396**	**-**	**-**	**-**	**22,396**
(Loss) for the period	-	-	-	(2,709)	(2,709)
Other comprehensive income	-	-	120	-	120
Total comprehensive income	**-**	**-**	**120**	**(2,709)**	**(2,589)**
Restated balance at 31 December 2017	**78,345**	**142**	**(703)**	**(3,023)**	**74,761**
Balance at 1 July 2018	**78,311**	**142**	**179**	**(3,372)**	**75,260**
Effect from change in standard	**-**	**-**	**-**	(2,771)	(2,771)
Tax impact from change in standard	**-**	**-**	**-**	755	755
Net impact from change in standard	**-**	**-**	**-**	**(2,016)**	**(2,016)**
Restated balance at 1 July 2018	**78,311**	**142**	**179**	**(5,388)**	**73,244**
Issue of share capital	-	-	-	-	-
Transaction costs	-	-	-	-	-
Total of transactions with owners	**-**	**-**	**-**	**-**	**-**
(Loss) for the period	-	-	-	(2,699)	(2,699)
Other comprehensive income	-	-	1,094	-	1,094
Total comprehensive income	**-**	**-**	**1,094**	**(2,699)**	**(1,605)**
Balance at 31 December 2018	**78,311**	**142**	**1,273**	**(8,087)**	**71,639**

Notes to the consolidated financial statements are included on pages 9 to 13.

Consolidated statement of cash flows for the half-year ended 31 December 2018

	Note	Consolidated Group	
		Half-year ended 31 Dec 2018 $'000	Half-year ended 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		44,337	42,416
Payments to suppliers and employees		(45,780)	(42,674)
Interest and other costs of finance paid		(158)	(182)
Income tax paid		(170)	(60)
Net cash (used in)/provided by operating activities		**(1,771)**	**(500)**
Cash flows from investing activities			
Interest received		85	42
Payment of deferred consideration		-	(1,927)
Payment for building		-	(32)
Payment for plant and equipment		(446)	(1,625)
Proceeds from the sale of plant and equipment		8	12
Payment for intangible assets		(378)	(143)
Payment for capitalised development costs		(1,273)	(1,553)
Net cash used in investing activities		**(2,004)**	**(5,226)**
Cash flows from financing activities			
Proceeds from issue of share capital	**12**	-	23,577
Payment of capital raising costs	**12**	-	(1,689)
Proceeds from borrowings		496	1,093
Repayment of borrowings		-	(51)
Repayment of mortgage		(600)	(400)
Repayment of leases		(87)	(52)
Net cash provided by/(used in) financing activities		**(191)**	**22,478**
Net increase in cash and cash equivalents		(3,966)	16,752
Cash and cash equivalents at the beginning of the period	**10**	23,067	8,456
Effects of exchange rate changes on the balance of cash held in foreign currencies		63	(13)
Cash and cash equivalents at the end of the period	**10**	**19,164**	**25,195**

Notes to the consolidated financial statements are included on pages 9 to 13.

Notes to the Consolidated financial statements for the half-year ended 31 December 2018

Note 1: Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Note 2: General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six months ended 31 December 2018 and are presented in Australian Dollars, which is the functional currency of the Parent Company. They do not include all of the information required in the annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 21 February 2019.

Note 3: Significant accounting policies

The accounting policies adopted are consistent with those of the last financial statements for the year ended 30 June 2018 except for the following:

New and amended standards adopted by the Group
A number of new accounting standards became applicable for the current reporting period, including the adoption of the new revenue standard AASB 15 Revenue from Contracts with Customers and AASB 9 Financial instruments during the six months to 31 December 2018.

AASB 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 15, the Group has adopted the new rules using the full retrospective approach and has restated the 2018 comparative figures via retained earnings.

The change in accounting policy primarily relates to revenue being deferred for maintenance services that are included in the sale of medical devices, which are included in the overall price of the goods sold.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of control to the buyer and where all obligations incidental to the sale have been completed by Ellex. The sales price for goods is reduced by any amounts relating to future services yet to be performed such as preventative maintenance services. Transaction price is allocated between performance obligations on a relative standalone price-basis.

The Group generates revenues from additional after-sale service and maintenance, preventative maintenance services included in the sale of goods, and extended warranty contracts. Consideration received for those services is initially deferred in deferred revenue and is recognised as revenue in the period the service is performed.

The adoption of the new standard has no impact on cash flow, nor total revenue recognised from any contract over the life of the contract.

The impact of adopting AASB 15 is shown below.

Consolidated Statement of Financial Position

	30 June 2018 reported $'000	30 June 2018 restated $'000	Movement $'000
Deferred revenue	(964)	(3,735)	(2,771)

Deferred tax asset	7,548	8,303	755

Consolidated statement of profit or loss and other comprehensive income

	31 Dec 2017 reported $'000	31 Dec 2017 restated $'000	Movement $'000
Revenue	38,243	38,103	(140)
Income tax benefit	265	136	(129)
Net (loss) after tax	(2,440)	(2,709)	(269)

The Group has adopted AASB 9 from 1 July 2018, which has resulted in changes in accounting policies, however has not resulted in any adjustments to the amounts recognised in the financial statements.

The Group has changed the accounting policy for trade receivables as a result of adopting AASB 9, specifically the provisioning for trade debtors where the Group now utilises the expected credit loss model to calculate the provision for doubtful debts. The new policy for the provisioning for trade debtors has not resulted in any changes made to the balance as it was calculated under the old policy.

Impact of standards issued but not yet applied by the Group
AASB 16 Leases:
The entity has undertaken a detailed assessment of the impact of AASB 16. Based on the entity's preliminary assessment, the likely impact on the first-time adoption of AASB 16 for the year ending 30 June 2020 includes:

• there will be a significant increase in right to use leased assets and financial liabilities recognised on the balance sheet of approximately $3.5 million.
• EBITDA will increase as rental repayments are replaced with amortisation and interest expense. The estimated increase in amortisation expense is $643 thousand and an increase in interest expense of $19 thousand for FY20.
• Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 4: Estimates

When preparing the interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the interim financial statements, including the key source of estimate uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018.

Note 5: Commitments

There is no commitment for the purchase of property, plant and equipment at 31 December 2018.

There are no other changes to the commitments disclosed at 30 June 2018.

Note 6: Contingencies

There has been no change in contingent liabilities since the last annual reporting period.

Note 7: Events occurring After the Interim Period

No matters or circumstances have arisen since the end of the half hear which significantly affected or could significantly affect the operations, of the Group, the results of the operations or the state of affairs of the Group in the future financial years.

Note 8: Operating Segments

(i) Segment performance

	Lasers & Ultrasounds $'000	2RT $'000	iTrack $'000	Total $'000
Six months ended 31 December 2018				
Revenue				
External sales	33,912	1,250	6,468	41,630
Total segment revenue	33,912	1,250	6,468	41,630
Segment EBITDA	5,928	(214)	(4,005)	1,710
Depreciation, amortisation and impairment	(1,336)	(39)	(664)	(2,039)
Segment results	4,592	(253)	(4,669)	(330)
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
• Corporate costs, quality and service charges				(2,731)
• Finance costs				(161)
• Interest and other revenue				174
Net (loss) before tax from continuing operations				(3,048)
Restated Six months ended 31 December 2017				
Revenue				
External sales	32,685	198	5,221	38,103
Total segment revenue	32,685	198	5,221	38,103
Segment EBITDA	3,871	(414)	(2,188)	1,269
Depreciation, amortisation and impairment	(1,219)	(7)	(476)	(1,701)
Segment results	2,652	(421)	(2,664)	(433)
Reconciliation of segment result to group net profit before tax				
Unallocated items:				
• Corporate costs, quality and service charges				(2,353)
• Finance costs				(185)
• Interest and other revenue				125
Net (loss) before tax from continuing operations				(2,845)

Note 8: Operating Segments (Cont)

(ii) Segment assets

	Lasers & Ultrasounds $'000	2RT $'000	iTrack $'000	Total $'000
31 December 2018				
Segment assets - opening	76,343	4,958	13,861	95,162
Segment asset changes for the period:				
• Net movement in segment assets	(1,436)	1,329	1,496	1,389
Total segment assets	**74,907**	**6,287**	**15,357**	**96,551**
Reconciliation of segment assets to group assets				
Inter-segment eliminations				
Unallocated assets:				
• Deferred tax assets and current tax asset				8,914
Total group assets				**105,465**
30 June 2018				
Segment assets – opening	65,577	3,298	11,360	80,235
Segment asset changes for the period:				
• Net movement in segment assets	10,766	1,660	2,501	14,927
Total segment assets	**76,343**	**4,958**	**13,861**	**95,162**
Reconciliation of segment assets to group assets				
Inter-segment eliminations				
Unallocated assets:				
• Deferred tax assets and current tax asset				8,303
Total group assets				**103,465**

Note 9: Borrowings

ANZ Banking facility are treated as current liabilities resulting from a breach of the EBITDA covenant. There is no request by ANZ to repay any of its facilities other than in the normal course of business. Ellex is working with ANZ to ensure it meets its obligations. A waiver has been issued by ANZ post 31 December 2018. All other covenants have been met at 31 December 2018 (Borrowing Base ratio and Gearing Ratio).

Note 10: Reconciliation of cash and cash equivalents

	Half-year ended 31 Dec 2018 $'000	Year ended 30 June 2018 $'000
Cash and cash equivalents	19,682	23,067
Bank overdraft	(518)	-
	19,164	**23,067**

Note 11: Other expenses

	Half-year ended 31 Dec 2018 $'000	Half-year ended 31 Dec 2017 $'000
Consulting fees	1,324	845
Travel expenses	1,944	1,835
Other expenses	1,862	1,587
	5,130	**4,267**

Note 12: Proceeds from share issue

22,454,241 fully paid ordinary shares were issued during the period ended 31 December 2017 at $1.05.

	Half-year ended 31 Dec 2018 $'000	Half-year ended 31 Dec 2017 $'000
Proceeds from issue of share capital	-	23,577
Payment of capital raising costs	-	(1,689)
	-	**21,888**

Directors' declaration

The directors declare that:

(a) The financial statements and notes are in accordance with the corporations Act 2001, including:

- (i) complying with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

(b) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors

Victor Previn
Chairman

Adelaide, 21 February 2019

Independent auditor's review report to the members of Ellex Medical Lasers Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ellex Medical Lasers Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Ellex Medical Lasers Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ellex Medical Lasers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ellex Medical Lasers Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

M. T. Lojszczyk
Partner

Adelaide
21 February 2019

Corporate directory

Directors

Mr Victor Previn	BE (Chairman)
Mr Alex Sundich	BEc, MComm, ACA, FFINSIA (Non-Executive Director)
Mr Giuseppe Canala	BTECH, BA, FAICD (Non-Executive Director)
Mr Rahmon Coupe	BEng (Hons) (Independent Director)
Mr Mike Southard	B.S., SEP (Executive Director)
Mr Mike Mangano	B.S. (Independent Director)

Company Secretary

Ms Maria Maieli	MPAcc, CPA

Registered Office
Ellex Medical Lasers Limited
ABN 15 007 702 927
3 Second Avenue
Mawson Lakes, South Australia 5095
Telephone: +61 8 7074 8200
Facsimile: +61 8 7074 8231

Auditors
PricewaterhouseCoopers
Level 11, Franklin Street
ADELAIDE, South Australia, 5000

Share Registry
Computershare Investor Services Limited
Level 5, 115 Grenfell Street
Adelaide, South Australia, 5000

GPO Box 1903
Adelaide, South Australia, 5001

Enquiries within Australia: 1300 556 161
Enquiries outside Australia: +61 3 9415 4000
Website: www.computershare.com

Websites:
www.ellex.com

Stock Exchange
The company Ellex Medical Lasers Limited is listed on the Australian Securities Exchange (ASX).
The ASX Code is: ELX-Ordinary Shares.
OTCQX: ELXMY, ELXMF