

ASX RELEASE

Ellex Medical Lasers Limited (ASX:ELX)

Adelaide, Australia

Date: 28 July, 2017

Release: Immediate

Topic: ELX FY17 Trading Update Earnings



Highlights:

- **Underlying EBITDA in constant currency of \$3.1m achieved after net investment of \$2.3m in Ellex iTrack™ and \$0.9m in 2RT growth initiatives**
- **Earnings result negatively affected by appreciation of AUD against USD & Euro as well as material investment in new product segment – Ellex iTrack™**
- **2018 financial year will see Ellex implement an aggressive growth strategy for Ellex iTrack™ significantly increasing expenditure across sales and marketing**

Adelaide, Australia, DATE – Ellex Medical Lasers Limited (ASX:ELX), a global leader in medical devices for the diagnosis and treatment of eye disease, today announced that it expects to report profit before tax (PBT) for the fiscal year ended 30 June, 2017 as described in the table below.

| | FY17 A\$ Million – Reported profit before tax. | | | | |
|---------------------------------|---|---------------|------------|------------------|--------------|
| | Lasers & Ultrasound | iTrack | 2RT | Corporate | Total |
| Revenue | 62.4 | 8.2 | 1.0 | - | 71.6 |
| EBITDA/(loss) | 7.4 | (1.3) | (0.6) | (4.1) | 1.4 |
| Amortisation & interest | (2.8) | (0.6) | - | - | (3.4) |
| Profit before tax/(loss) | 4.6 | (1.9) | 0.6 | (4.1) | (2.0) |

As flagged previously, the business has committed to a major investment in the iTrack™ business segment, as well as the 2RT laser, both of which have the potential to be significant markets for Ellex.

In addition, the Company's earnings have been affected appreciation in the value of the AUD against the USD and Euro as well as one off costs associated with the Company's move to its new Adelaide Headquarters, which is expected to produce significant operational improvements and increases in manufacturing capacity moving forward.

On an underlying basis (adjusting currently fluctuations and abnormal expense) 2017 earnings in each of its 3 business segments are as follows:

| | FY17 A\$ Million – EBITDA Underlying | | | | |
|--------------------------|--------------------------------------|--------------|--------------|--------------|------------|
| | Lasers & Ultrasound | iTrack | 2RT | Corporate | Total |
| EBITDA reported | 7.4 | (1.3) | (0.6) | (4.1) | 1.4 |
| FX impact | 1.2 | 0.1 | | | 1.3 |
| Non-recurring more costs | 0.4 | - | - | - | 0.4 |
| EBITDA Underlying | 9.0 | (1.2) | (0.6) | (4.1) | 3.1 |

Recap on Strategy

Ellex is a trusted global, ophthalmic brand. Ellex has materially grown shareholder value by leveraging that brand through its investment in Ellex iTrack™, a 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.

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, achieving sales growth of 53% in Q4 FY17. This material 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 comprised 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, an uplift of 49% on the prior comparable period. Growth outside of the USA was primarily driven by continued take-up in China and investment in additional management and marketing.

In addition to the USA, sales force costs have been incurred for improvements in structure, sales support, reimbursement management, production team and production site expansion, enhanced distribution management, tradeshow attendance and symposiums, journal publications and key opinion leader engagement. As a result, EBITDA for the iTrack segment experienced an EBITDA level loss of \$1.3m in 2017 (compared with an EBITDA of \$1.1m in 2016).

Lasers & Ultrasound

Underlying EBITDA of approximately \$9.0m compares with \$10.4m in 2016. EBITDA in 2017 for the laser and ultrasound segment was affected by decreases in revenues, increased investment in additional marketing and additional sales personnel in USA & Germany, and the result of \$0.4m non-recurring cost associated with the expansion and move of production facilities from central Adelaide, South Australia to northern Adelaide.

2RT

Underlying EBITDA level loss of approximately \$0.6m compares with EBITDA of \$0.3m in 2017. EBITDA for the 2RT business segment fell as a result of additional marketing and selling activities including liaising with, and learning from, the experiences of the growing pool of 2RT early adopters. This will support the commercial roll-out in FY19.

Additional details are attached.

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 both within and outside 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. These initiatives will add materially to costs and we expect that the iTrack™ business will incur a larger EBITDA level loss in FY18 than it did in FY17.

For the laser & ultrasound segment, subject to global economic conditions, in particular the stability of the foreign exchange rate between the A\$ and the Euro, US\$ and YEN, growth in sales and EBITDA is expected in FY18. Particular drivers of growth will include sale of lasers for treating floaters, a new ultrasound product and the cross-selling of glaucoma lasers with Ellex iTrack.

Until the results of the seminal LEAD (Laser intervention for Early Age related macular degeneration) clinical trial are known in the first half of FY19, EBITDA level losses in the 2RT segment will continue. A successful trial however may result in meaningful sales for 2RT commencing in the second half of FY19.

These results mentioned above are a preliminary estimate and prior to finalisation of the annual audit by the Company 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 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

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

Andrew Angus
Investor Relations
M +61 402 823 757
andrewangus@overlandadvisers.com.au

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



Trading Update – EBITDA by Business Segment Reported & Underlying

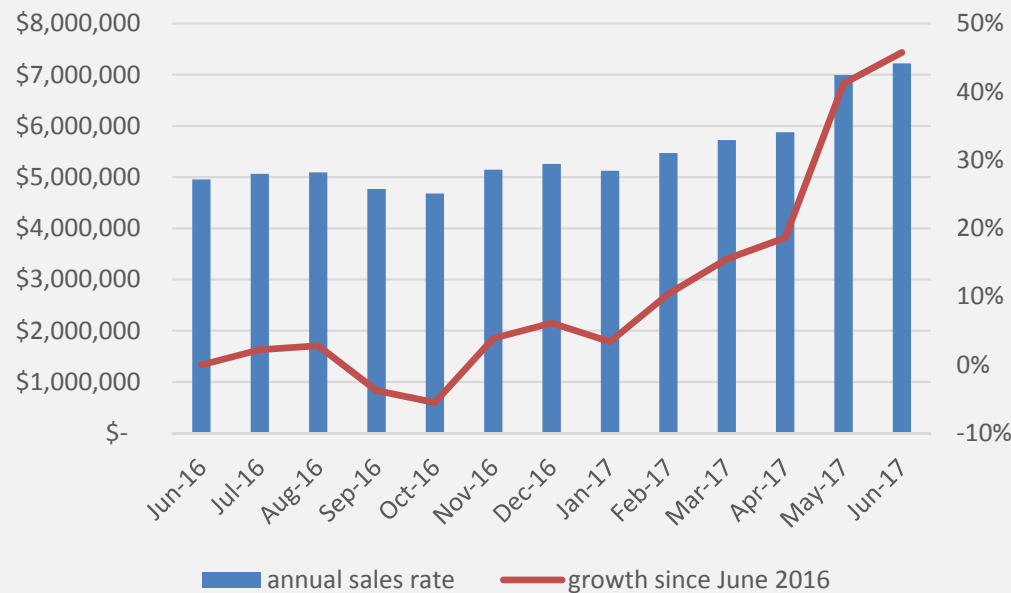
| | FY17 \$Amillions | | | | | FY16 A\$millions | | | | |
|---|----------------------------|--------------|--------------|--------------------------|------------|---------------------|------------|------------|--------------------------|------------|
| | Laser & Ultra-sound | iTrack | 2RT | Corporate ⁽³⁾ | Group | Laser & Ultra-sound | iTrack | 2RT | Corporate ⁽³⁾ | Group |
| Revenue | 62.4 | 8.2 | 1.0 | - | 71.6 | 65.2 | 6.3 | 1.4 | | 72.9 |
| COGS & Opex | (55.0) | (9.5) | (1.6) | (4.1) | (70.2) | (54.9) | (5.2) | (1.1) | (3.8) | (65.0) |
| EBITDA/(Loss) Reported | 7.4 | (1.3) | (0.6) | (4.1) | 1.4 | 10.3 | 1.1 | 0.3 | (3.8) | 7.9 |
| Adjustment for one off costs associated with move of production facilities ⁽¹⁾ | 0.4 | - | - | | 0.4 | | | | | |
| EBITDA/(loss) underlying | 7.8 | (1.3) | (0.6) | (4.1) | 1.8 | 10.3 | 1.1 | 0.2 | (3.8) | 7.9 |
| Impact of A\$ appreciation | 1.2 | 0.1 | - | - | 1.3 | | | | | |
| EBITDA/(loss) underlying at constant currency | 9.0 | (1.2) | (0.6) | (4.1) | 3.1 | 10.3 | 1.1 | 0.2 | (3.8) | 7.9 |
| EBITDA/sales | 14.4%⁽²⁾ | | | | | 15.8% | | | | |

- (1) Over December to March 2017, laser & ultrasound production facilities were expanded from Gilbert Street, Adelaide to a new site at Mawson Lakes, Adelaide. These costs were incurred as a direct result of the move and will not recur.
- (2) Small decline in EBITDA to sales rates as result of additional sales and marketing of investments in FY17 of the Reflex technologies for floaters and the “glaucoma laser plus iTrack™” campaign.
- (3) Includes costs not directly attributable to segments.

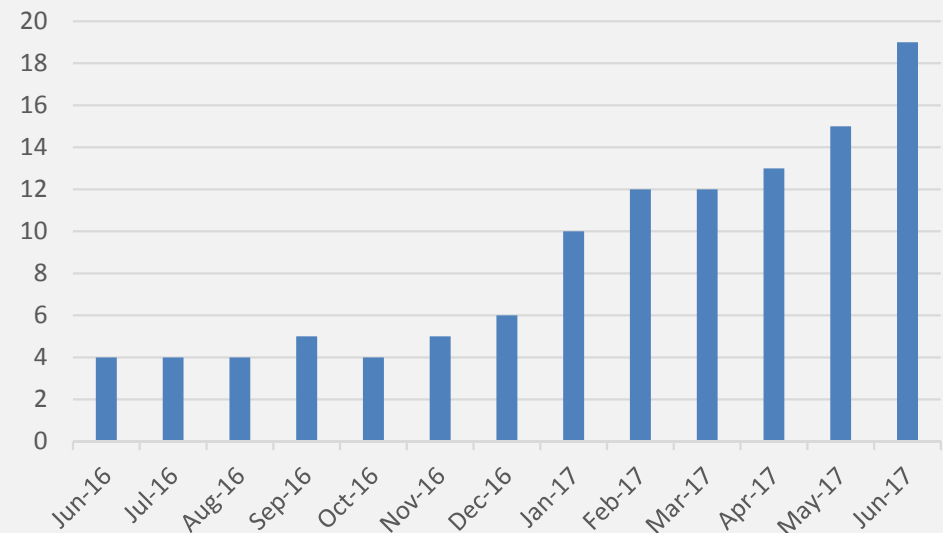


Trading Update – Ellex iTrack Annual Sales Rate (US\$)

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



Ellex iTrack global sales and sales support headcount



- 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 46% over the 12 months to 30 June 2017 and has accelerated sharply from January 2017 with the introduction of better reimbursement in the USA and the addition of sales representatives in the USA.