

Ellex Medical Lasers Ltd (ELX)
PRELIMINARY FINAL REPORT
TWELVE MONTHS TO 30 JUNE 2004

FOR IMMEDIATE RELEASE

27 August 2004

ELLEX LAYS PLATFORM FOR GROWTH

Result Highlights

- NPAT pre-goodwill of \$0.9 million, after expensing \$3.0 million on growth initiatives associated with R&D and Distribution.
- EBITDA for the year up \$0.5 million to \$4.3 million compared to \$3.8 million for the previous year, excluding the \$3.0 million investment.
- Revenues of \$26.6 million, in line with previous corresponding period.
- Break even net cash flow from operating and investing activities after R&D expense, leaving positive funds of \$750,000 at year end.

Ellex Medical Lasers Limited ("Ellex") today announced the Company had achieved a pleasing full year result, in line with expectations, and consistent with the Company's stated objective of investment, for the 2004 year.

In announcing the results, Ellex Managing Director, Mr Victor Previn, said that the Company was pleased with the progress made throughout the year, and that the benefits of this strategy would begin to transpire through to sales in the next two to three years.

"We have been able to implement these initiatives successfully, maintained profitability on a pre-goodwill basis, and not used our debt facilities to achieve this." Mr Previn said.

Net Profit After Tax (NPAT), pre-goodwill, was \$0.9 million and NPAT after all charges was a loss of \$0.2 million. The result was achieved on revenues of \$26.6 million compared to \$26.1 million in the previous year.

KEY GROWTH INITIATIVES

As previously highlighted, Ellex maintained throughout the year a focus on delivering to shareholders a platform for growth that would, in the short term, curb profits. In this regard, \$3 million was spent on the following initiatives:

- Expansion of the Company's R&D capability through a new, US based, R&D centre. This included securing a talented team with over ten years experience in the ophthalmic laser market. This team has brought complimentary skills to the Company's R&D facility in Australia and will enable Ellex to accelerate product development over the next two years.
 - Establishment of a direct distribution and sales operation in Japan. Japan is the second largest ophthalmic laser market in the world behind the US and Ellex now
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has a direct presence in these two significant markets, through wholly owned subsidiaries.

During the period, Ellex also secured an R&D grant to assist in developing a new range of retinal lasers (photocoagulators). This project involves both a US and an Australian R&D effort between October 2003 and December 2005. Prototypes for the first range of products are in their final development stages, with market release targeted for later this calendar year.

During the period Ellex secured an R&D Start Grant from the Australian Government's business unit, AusIndustry for the development of a range of ophthalmic lasers and associated delivery systems. This competitive scheme is directed at encouraging innovative research in Australia. Prototypes for the first products of the range are targeted for later this calendar year.

Ellex expects these two strategies to deliver substantial growth in revenue and profits over the next two – three years.

SALES INITIATIVES CONTINUE

Ellex said that sales initiatives had continued throughout the year, with Japan remaining a strong focus.

In March, regulatory approvals had been received for the Japanese market with modest sales to the year-end. The Company has now bedded down sales initiatives in this region and believed that this initiative would add significant value to the group moving forward, particularly with the release of the retinal lasers this financial year.

The Company said that the distributor review program was also progressing well with a number of key appointments late in the financial year and after the financial year.

"We are placing much more emphasis on our distributor management, training and sales facilitation." Mr Previn said.

As part of this program the Company announced the appointment of a new European Marketing Manager, Ms Christine Warren. Ms Warren, who has over 20 years experience in the industry, joined Ellex in July and will focus on driving performance in the European and Middle Eastern regions, as well as assisting in global marketing strategies from her base in France.

OUTLOOK

Ellex said that the general market conditions over the past twelve months had continued to be difficult, although there were signs that some improvement was not far away.

The Company said that the ophthalmic laser market had contracted in the 2003 Calendar Year but believed that improved US economic conditions would benefit the Ophthalmic industry.

"The strengthening Australian Dollar, combined with the contracting market and the Distribution review program, had made the period under review challenging, however, the focus on building the Company's platform for growth would bode well for the future." Mr Previn said.

Mr Previn said that at the time of the AGM in November, Ellex would provide further update and guidance on the impact of the new strategies.

ABOUT ELLEX

Ellex Medical Lasers Limited leads the world in the supply of innovative integrated laser systems for use by eye surgeons throughout the world under its brand "LasereX". Ellex has been manufacturing lasers for more than 15 years and our extensive range includes Nd:YAG Laser Photodisruptors and Green Laser Photocoagulators for retinal treatment. Ellex is currently pioneering the development of Selective Laser Trabeculoplasty (SLT) as a treatment for elevated IOP in patients with Glaucoma and is the only manufacturer of the SLT/YAG combination Laser.

For more information about the company log on to our web site at www.ellex.com.au

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