

Ellex Medical Lasers Ltd (ELX)

ASX Release

December 2003 Half Year Release

FOR IMMEDIATE RELEASE

18 February 2004

Result Highlights:

- Revenue up 5.8% to \$13.4 million - up from \$12.6 million in the previous corresponding period.
- Investment of \$1.1 million in US R&D and Japan Distribution expensed
- EBITDA pre US R&D and Japan up 43% to \$2.0 million – up from \$1.4 million in the previous corresponding period
- Net Profit after Tax (pre goodwill) of \$629,000 down from \$1.1 million in the previous corresponding period (pre goodwill)
- Net Operating Cash-flow to \$0.8 mill to December 2003, up from negative \$0.1 million in the previous corresponding period.

The Directors of Ellex Medical are pleased to announce the Company's results for the six month period to December 2003, a result in line with the Company's previous guidance. After the planned increase in Research and Development costs, Ellex was able to record a NPAT after all charges of \$53,000 for the half year to December 2003. On a pre-goodwill basis NPAT was \$629,000.

Ellex Medical Managing Director, Mr Victor Previn said that the Company's strategy to increase investment in R&D and distribution would place the Company on a path to greater market share, revenues and profitability over the next three to five years.

"In August 2003, we announced our intention to establish a new R&D facility in California to strengthen and accelerate the Company's product development program. In the same release we advised that we were reviewing distribution opportunities in the Asian region." Mr Previn said.

The total costs expensed on these new initiatives for the half year was \$1.1 million. EBITDA before these costs was \$2.0 million compared to \$1.4 million for the same period last year.

"We are pleased to advise that our growth initiatives are progressing as planned. Our R&D facility in California is complete and our new team is working well. Last month we announced our intention to establish direct distribution in Japan. This is at a more formative stage. Our programs are on track."

Mr Previn said the strength of the Australian Dollar was proving a major challenge. He said that although the business was well hedged against its US\$ transactions, a significant amount of the Company's exports were in Australian dollars and these customers had effectively seen a 10% to 25% increase in price against their local currency. He said this was affecting sales and margins.

Ellex also advised that it had finalised its agreements with AusIndustry in relation to its \$3.3 million R&D Grant announced in January. These funds would be used to assist in the development of a new generation of photocoagulator lasers.

Ellex increased its cash reserves from \$1.1 million at 30 June 2003 to \$1.8 million in December but flagged that continued investment in the second half would likely see cash reserves fall.

With respect to the balance of the financial year ended June 2004, he confirmed a target NPAT pre-goodwill of \$1 million, but said there remained a number of major challenges in achieving this.

FOR FURTHER INFORMATION, please contact:

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ABOUT ELLEX

Ellex Medical Lasers Limited has been manufacturing the Laserex® range of ophthalmic lasers for use by Ophthalmic surgeons throughout the world for more than 15 years. 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. We lead the world in innovative integrated design, giving benchmark performance, features and quality, at a competitive price. For more information about the company log on to our web site at www.ellex.com.au