Ellex Medical Lasers Ltd (ELX)
PRELIMINARY FINAL REPORT
TWELVE MONTHS TO 30 JUNE 2005

FOR IMMEDIATE RELEASE 8 September 2005

Ellex Announces FY2005 Results

Result Highlights

- Total Revenue of $28.5 million up 7% on prior comparable period
- Net Profit after Tax before Goodwill Amortisation was $3k - consistent with first half result and in line with guidance
- New CEO appointed and management team restructured to pursue growth in revenue and profit
- Strong revenue growth in Japan with this business unit rapidly approaching break even
- Solitaire photocoagulator entered pilot production in March 2005 with 30 units shipped prior to 30 June 2005
- With the successful completion of the first photocoagulator design in California, the restructuring of group R&D and refocussing of resources back to Adelaide

Ellex Medical Lasers Limited ("Ellex") today announced the Company had achieved a satisfying full year result in line with expectations and has completed a restructuring plan expected to result in strong performance in FY2006.

In announcing the results, Ellex CEO, Mr Peter Falzon, said that the Company has completed its aggressive investments in R&D and is now focusing on driving the sales and marketing activities of the company to gain share against competitors. With the newest designs available in key market segments, Ellex has a competitive advantage to leverage in the global marketplace.

Total Revenue was $28.5 million up from $26.6 million in the prior comparable period. Strong revenue growth in Europe and Japan offset reductions in OEM revenues. Average gross margins increased from 38% in the prior comparable period to 43% in FY05 reflecting a higher proportion of Laserex branded sales. NPAT after all charges was a loss of $1.1 million compared to a loss of $0.2 million for the prior comparable period and NPAT pre Goodwill Amortisation was break-even which was consistent with guidance and the first half result.

Total R&D spend for the year was $3.9 million ($4.9 million including all associated overheads) compared to $3.7 million in the prior comparable period. This spend will reduce to a level around 10% of revenue going forward with the restructuring of R&D and in particular the savings by transferring R&D functions from California to Adelaide.
Cash flow from operating and investing activities for the year was negative $3.4 million compared to nil last year. Continuing investment in Japan, R&D and funding the production of the new photocoagulator product line were the key factors.

Key Accomplishments

During the FY2005 financial year, Ellex accomplished several strategic milestones that reposition it for growth in the coming years:

- Introduction of the Solitaire product expanding the company’s offering in the retinal market segment which represents a doubling of the company’s available market.

- Further progress in Japan where the company received regulatory approval to market its innovative SLT technology for glaucoma management.

- A significant decrease in reliance on revenue from OEM products to our own higher margin products, down from 45% to 36% of total product revenues year on year.

In summary, Ellex CEO, Mr. Peter Falzon, commented that we are pleased with the financial results of FY2005. We exit the year with a stronger product offering and a healthy shift in our revenue mix from reliance on OEM products to Ellex branded higher-margin products. Clearly the shipment of 30 Solitaire systems in the latter part of the half year signifies a strong entry into a lucrative new market. We enter FY2006 with a new management team focused on building Ellex’s brand value in our marketplace. We are also pleased with the transition of our founder, Victor Previn, from Managing Director to Chairman of the Board. The combination of a new management team focused on increasing market share and profitability combined with technical guidance from our founder and Chairman position Ellex to increase performance in the coming years.

ABOUT ELLEX

Ellex Medical Lasers Limited designs, manufactures and markets a complete line of lasers used by ophthalmologists to preserve vision and fight blindness. With more than 10,000 systems installed worldwide, Ellex has evolved from its starting point as an OEM supplier of ophthalmic lasers 15 years ago, to direct marketing of its own Laserex branded products through subsidiaries in the United States and Japan and through a network of distributors in more than 50 other countries. Ellex maintains a strong emphasis on intellectual property and research into new and better treatments to manage and cure the leading causes of blindness.

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

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