

CONSOLIDATED RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half year ended 31 December 2006

Ellex Medical Lasers Limited ACN 007 702 927

This results announcement is to be read in conjunction with the statutory financial statements attached to this announcement.

Consolidated Results

Revenues from ordinary activities	up	26%	to	\$A'000 21,225
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	27%	to	2,204
Profit for the period, before tax	up	28%	to	1,431
Profit from ordinary activities after tax	up	18%	to	1,207
Net profit for the period attributable to members	up	13%	to	1,158
Dividends (distributions)				
		Amount per security		Franked amount per security
Final Dividend		Nil		Nil
Interim Dividend		Nil		Nil
Previous corresponding period		Nil		Nil
Record date for determining entitlements to the dividend	NOT APPLICABLE			
Acquisitions				
Acquisitions during the half year ended 31 December 2006				
1. Innovative Imaging, Inc was acquired on 1 December 2006 and contributed net profit after tax of \$169 thousand.				
2. Ellex Australia Pty Ltd was established on 1 October 2006 and acquired the business of Coherent Lasers (Aust) Pty Ltd. A contribution of net profit after tax is \$198 thousand.				

OTHER INFORMATION

For the half year ended 31 December 2006

Ellex Medical Lasers Limited ACN 007 702 927

Net Tangible Assets per Security	Half Year ended 31 December 2006	Half Year ended 31 December 2005
Net tangible asset backing per ordinary security (excludes value attributable to goodwill and intellectual property)	\$0.15	\$0.14

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	0.00 ¢	0.00 ¢	0.00 ¢
Previous year	0.00 ¢	0.00 ¢	0.00 ¢
Interim dividend:			
Current year	0.00 ¢	0.00 ¢	0.00 ¢
Previous year	0.00 ¢	0.00 ¢	0.00 ¢

Ellex Medical Lasers Limited

ACN 007 702 927

Half-year report for the half-year ended 31 December 2006

Directors' report

The directors of Ellex Medical Lasers Limited submit herewith the financial report for the half-year ended 31 December 2006. 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 P Falzon

Chief Executive Officer

Mr A Sundich

Non-Executive Director

Review of operations

Ellex Medical Lasers Limited (Ellex) generated a Net Profit After Tax of \$1.2 million (2005: a profit of \$1.0 million) on revenue of \$21.2 million (2005: \$16.8 million), accounted for on the basis of Australian equivalents to International Financial Reporting Standards (A-IFRS). These financial statements should be read in conjunction with the press release and investor presentation released with the financial statements.

Auditor's independence declaration

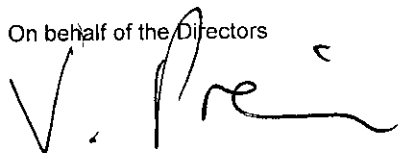
The auditor's independence declaration is included on page 2 of the half-year report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and 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



Victor Previn

Director

Adelaide, 26 February 2007

The Board of Directors
Ellex Medical Lasers Limited
82 Gilbert Street
Adelaide SA 5000

26 February 2007

Dear Board Members

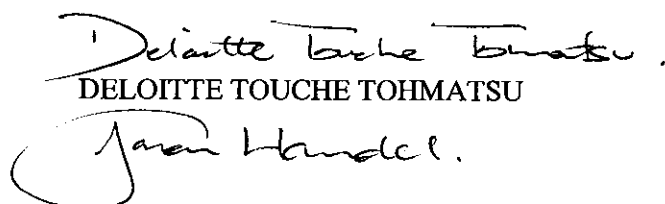
Ellex Medical Lasers Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ellex Medical Lasers Limited.

As lead audit partner for the review of the financial statements of Ellex Medical Lasers Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU

J J Handel
Partner
Chartered Accountants

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, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising Ellex Medical Lasers Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 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.


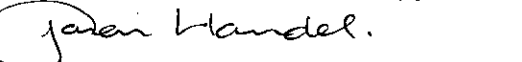
Auditor's Independence Declaration

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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


DELOITTE TOUCHE TOHMATSU


Jason Handel
Partner
Chartered Accountants
Adelaide, 26 February 2007

Directors' declaration

The directors declare that:

- (a) 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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 -

A handwritten signature in black ink, appearing to read 'V. Previn', with a horizontal line extending to the right.

Victor Previn
Director

Adelaide, 26 February 2007

**Condensed consolidated income statement
for the half-year ended 31 December 2006**

	Consolidated	
	Half-year ended 31 Dec 2006 \$'000	Half-year ended 31 Dec 2005 \$'000
Revenue	21,225	16,782
Other income	452	293
Changes in inventories of finished goods and work in progress	189	(636)
Raw materials and consumables used	(11,177)	(8,610)
Employee benefits expense	(5,771)	(4,756)
Depreciation and amortisation expense	(577)	(379)
Legal costs	(18)	(18)
Advertising and marketing	(915)	(413)
Borrowing costs	(196)	(239)
Product development raw materials and consumables used	(223)	(95)
Other expenses	(1,558)	(814)
Profit before tax	1,431	1,115
Income tax expense	(224)	(94)
Profit for the period	1,207	1,021
Attributable to:		
Equity holders of the parent	1,158	1,021
Minority interest	49	-
	1,207	1,021
Earnings per share:		
From continuing operations:		
Basic (cents per share)	2.0	1.7
Diluted (cents per share)	1.8	1.6

Notes to the financial statements are included on pages 10 to 12.

**Condensed consolidated balance sheet
as at 31 December 2006**

	Consolidated	
	31 December 2006 \$'000	30 June 2006 \$'000
Current assets		
Trade and other receivables	10,345	6,871
Other financial assets	151	46
Inventories	13,306	12,088
Current tax assets	20	-
Other	537	562
Total current assets	24,359	19,567
Non-current assets		
Property, plant and equipment	2,572	2,230
Deferred tax assets	1,045	908
Goodwill	20,919	18,844
Other intangible assets	91	47
Capitalised development expenditure	5,725	4,880
Other assets	133	-
Total non-current assets	30,485	26,909
Total assets	54,844	46,476
Current liabilities		
Trade and other payables	8,025	5,529
Bank overdraft	1,287	560
Borrowings	2,834	1,635
Current tax payables	443	75
Provisions	1,112	877
Other liabilities	186	365
Total current liabilities	13,887	9,041
Non-current liabilities		
Trade and other payables	1,236	-
Borrowings	1,417	58
Provisions	195	214
Other liabilities	2,391	2,019
Total non-current liabilities	5,239	2,291
Total liabilities	19,126	11,332
Net assets	35,718	35,144
Equity		
Issued capital	28,149	27,985
Reserves	(1,044)	(246)
Retained earnings	8,613	7,405
	35,718	35,144
Parent entity interest	35,649	35,144
Minority interest	69	-
Total equity	35,718	35,144

Notes to the financial statements are included on pages 10 to 12.

**Condensed consolidated statement of recognised income and expense
for the half-year ended 31 December 2006**

	Consolidated	
	Half-year ended 31 Dec 2006 \$'000	Half-year ended 31 Dec 2005 \$'000
Exchange differences arising on translation of foreign operations	(816)	35
Issue of Share Options to employees	18	17
Net income/(expense) recognised directly in equity	(798)	52
Profit for the period	1,207	1,021
Total recognised income and expense for the period	409	1,073
Attributable to:		
Equity holders of the parent	360	1,073
Minority interests	49	-
	409	1,073

Notes to the financial statements are included on pages 10 to 12.

Condensed consolidated cash flow statement for the half-year ended 31 December 2006

	Consolidated	
	Half-year ended 31 Dec 2006 \$'000	Half-year ended 31 Dec 2005 \$'000
Cash flows from operating activities		
Receipts from customers	18,503	15,096
Payments to suppliers and employees	(18,130)	(13,610)
Interest and other costs of finance paid	(196)	(239)
Income tax refund	-	27
Income tax paid	(12)	(43)
Net cash provided by operating activities	165	1,231
Cash flows from investing activities		
Interest received	8	5
Payment for property, plant and equipment	(554)	(296)
Payment for intangible assets	(44)	(19)
Payment for acquisition of businesses	(1,712)	-
Payment for capitalised development costs	(496)	(627)
Net cash used in investing activities	(2,798)	(937)
Cash flows from financing activities		
Proceeds from issues of shares	165	-
Proceeds from borrowings	2,598	1,093
Repayment of borrowings	(41)	(78)
Net cash provided by financing activities	2,722	1,015
Net increase in cash and cash equivalents	89	1,309
Cash and cash equivalents at the beginning of the period	(560)	(1,485)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(816)	35
Cash and cash equivalents at the end of the period	(1,287)	(141)

Notes to the financial statements are included on pages 10 to 12.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006, other than as detailed below.

Adoption of new and revised Accounting Standards

In the current reporting period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies.

2. Segment information

The consolidated entity has one business segment, being the manufacture and sale of ophthalmic equipment, which is shown in the Condensed Consolidated Income Statement and Balance Sheet in this half year report.

The consolidated entity has not presented a separate segment report.

3. Income taxes

Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets:

Timing difference – Intellectual Property
Tax losses – revenue (Japan)

	31 Dec 2006	31 Dec 2005
	\$'000	\$'000
	3,854	4,464
	1,975	1,710
	5,829	6,174

The Australian Tax Office is currently conducting a routine tax audit on the company for the financial years 2004 and 2005. There is no reason to believe the audit will reveal any material discrepancy.

4. Dividends

	Half-year ended 31 Dec 2006		Half-year ended 31 Dec 2005	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend	Nil	Nil	Nil	Nil
Unrecognised amounts				
Fully paid ordinary shares				
Interim dividend	Nil	Nil	Nil	Nil

5. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, Ellex Medical Lasers Limited issued 356,733 ordinary shares for \$165,000 on exercise of 356,733 share options issued under its executive and employee share option plans. There were no other movements in the ordinary shares capital or other issued share capital of the company in the current or prior half-year reporting period.

Ellex Medical Lasers Limited issued 366,664 share options (2005: 3,800,000) over ordinary shares under its executive share option plan during the half-year reporting period.

6. Acquisitions

Establishment of new subsidiary – Ellex Australia Pty Ltd and the acquisition of Coherent Laser business

On 1 October 2006, the Group established Ellex Australia Pty Ltd, an 80% owned company which then acquired 100% the Coherent Lasers (Aust) Pty Ltd business goodwill and stock for consideration of \$399 thousand. Ellex Australia's principal activity is the direct sale of the Ellex range of lasers and other ophthalmic products to Australian ophthalmologists. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination \$'000	Fair value adjustments \$'000	Fair value \$'000
Net assets acquired:			
Inventory	52	-	52
	52	-	52
Goodwill arising on acquisition			347
Total consideration, satisfied by cash & payables			399

The initial accounting for this acquisition has only been provisionally determined at reporting date. Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Coherent Lasers (Aust) Pty Ltd. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Group also acquired the customer relationships as part of the acquisition. These assets were not able to be reliably measured and separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Included in the net profit after tax for the period is \$198 thousand attributable to the additional business generated by Ellex Australia Pty Ltd. Also, included in the goodwill above is an amount payable of \$116 thousand (discounted) to the previous owner based on forecast sales generated over the next 3 years.

Had this entity been established at 1 July 2006, the revenue contributed by this business to the consolidated group has been estimated at \$2.2 million with a net profit after tax of \$283 thousand. The Directors consider these 'pro forma' numbers to represent an approximate measure of the performance of the business on an annualised basis and to provide a reference point for comparison in future periods.

Acquisition of new subsidiary – Innovative Imaging, Inc

On 1 December 2006, the Group acquired 100% of issued share capital of Innovative Imaging, Inc for consideration of \$1.8 million plus additional payments for goodwill of an estimated \$1.6 million over 3 years. Innovative Imaging's principal activity is the design and manufacture of ophthalmic diagnostic ultrasound systems in the United States of America. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination \$'000	Fair value adjustments \$'000	Fair value \$'000
Net assets acquired:			
Cash and cash equivalents	150	-	150
Trade and other receivables	306	-	306
Inventory	593	-	593
Other assets	16	-	16
Property, plant and equipment	-	122	122
Capitalised development costs	-	592	592
Trade and other payables	(120)	-	(120)
	945	714	1,659
Goodwill arising on acquisition			1,729
Total consideration, satisfied by cash & payables			3,388

The initial accounting for the acquisition of Innovative Imaging, Inc has only been provisionally determined at reporting date. Innovative Imaging, Inc became wholly owned on acquisition.

6. Acquisitions (cont...)

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Innovative Imaging, Inc. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Group also acquired the customer lists and customer relationships of Innovative Imaging as part of the acquisition. These assets were not able to be reliably measured and separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Included in the net profit after tax for the period is \$169 thousand attributable to the additional business generated by Innovative Imaging, Inc. Also, Included in the goodwill above are amounts payable of \$1,642 thousand (discounted) to the previous owners based on forecast sales and gross profits generated over the next 3 years.

Had this entity been established at 1 July 2006, the revenue contributed by this business to the consolidated group would have been \$2.3 million and a net profit after tax of \$524 thousand. The Directors consider these 'pro forma' numbers to represent an approximate measure of the performance of the business on an annualised basis and to provide a reference point for comparison in future periods.

CORPORATE DIRECTORY

Directors

Victor Previn	BE (Chairman)
Peter Falzon	BEc (Group Chief Executive Officer)
Alex Sundich	BEc, MComm, ACA, ASIA (Non-Executive Director)

Company Secretary

Kevin McGuinness	BAA, ACA
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Registered Office

Ellex Medical Lasers Limited
ABN 15 007 702 927
82 Gilbert Street
Adelaide South Australia 5000
Telephone: +61 8 8104 5200
Facsimile: +61 8 8104 5651

Auditors

Deloitte Touche Tohmatsu
190 Flinders Street
Adelaide South Australia 5000

Legal Advisors

Thomson Playford
101 Pirie 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.au

Websites:

www.ellex.com
www.slt-ellex.com

Stock Exchange

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