ASX RELEASE

Ellex Medical Lasers Limited (ASX:ELX)

Adelaide, Australia

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Topic: **Trading Update: Full-Year Result for 2013 Financial Year**

Adelaide, Australia, 29 August 2013 – Ellex Medical Lasers Limited (ASX:ELX), a pioneer in medical technologies for the diagnosis and treatment of eye disease, today announced its audited financial results for the full-year ended 30 June 2013. A net profit before tax (NPBT) of $0.14 million was reported on revenues of $42.8 million. This result was down from the $1.1 million NPBT on revenues of $47.8 million achieved for the year ended 30 June 2012. Cash from operations increased from $1.8 million to $1.9 million during the period.

As previously advised in the Company's Trading Update on 14 August 2013, the deterioration in the value of the Japanese Yen negatively impacted the Company's profit performance during the 2013 financial year.

"On average, 70% of Ellex's revenues are received in either US dollars, Euros or Japanese Yen. For most of the 2013 financial year we saw a continuation of the high Australian dollar against both the US dollar and the Euro. This was compounded by a significant strengthening of the Australian dollar against the Japanese Yen, particularly during the second half of the 2013 financial year. Of the total reduction in group sales revenue during the period, approximately $1.2 million can be directly attributed to the devaluation of the Japanese Yen and the ensuing impact on our Japanese business," commented Ellex CEO, Tom Spurling.

Despite a 5% improvement in revenues from $19.8 million to $20.8 million in the second half compared to the prior comparable period, full-year revenues were down 9.8% compared to the 2012 financial year. In the 30 June 2012 year the Company achieved sales revenue from a non-recurring sale into the Australian optometry market. After allowing for this, revenue for the year ended 30 June 2013 fell by approximately 3.5% compared to the prior comparable period.

In Asia, a concerted effort to improve distribution management and marketing efforts delivered an increase in revenue of 45% from a low base. Revenue growth of 3% was also achieved in Europe and the Middle East, despite the continuation of weak economic conditions in these regions. This positive result follows the establishment of a direct sales operation in France in April 2012, which also involved the relocation of the Company's European headquarters to Lyon, a growing biotech cluster and the second largest city in France.

In the USA, sales were down compared to the 2012 financial year due to ongoing customer concern regarding the economic environment and the impact of proposed legislative changes to the country's healthcare system. However, the US market continues to offer considerable potential for sales growth following the US market launch of the Company's world-leading glaucoma SLT laser platform in July 2013.

"We command a strong position in the global glaucoma treatment laser market and expect our US sales to lift in 2014 following the US launch. We also anticipate that this growth will be augmented by the introduction of several new products into the US and other markets over the coming financial year," said Mr. Spurling.

Commenting on the Company's performance, Mr. Spurling stated: "The revenue lift in the second half of the 2013 financial year was pleasing and can be attributed to improved service and contract manufacturing revenues, as well as initial sales results of new product introductions."

"In the face of weakened product demand caused by the high Australian dollar, we undertook a number of initiatives designed to improve factory utilisation by exploiting our unique medical device manufacturing capabilities through contract manufacturing. The results are now starting to show and we expect growth in this area during the coming financial year," added Mr. Spurling.

Operating costs decreased during the period, despite investment in the expansion of the Company's US sales network, as well as a number of marketing initiatives to support the US market introduction of its glaucoma laser platform. Employee costs were reduced by 8% to save $1 million. Product gross margins also increased marginally as a result of an improved product mix and manufacturing cost reduction efforts.

"Our work on cost control has been very important in funding our ongoing product development program," said Mr. Spurling.

Commenting on the future outlook of the Ellex business, Mr. Spurling added: "Since June 2013 we have experienced improved exchange rates, new business has developed and our focus on cost containment has continued. This provides a solid platform for improved operational performance in 2014."

ABOUT ELLEX

Ellex Medical Lasers Limited (ASX:ELX) is a pioneer in the development of medical technologies for the diagnosis and treatment of eye disease. Since 1985, Ellex has evolved from a manufacturing company of primarily OEM products to direct marketing of its own branded products through subsidiaries in the United States, Japan, Germany and Australia, and a network of distribution partners in more than 100 countries. Today, more than 20,000 Ellex laser and imaging systems are used worldwide in the fight against blindness. In more recent times, Ellex has diversified its product range to include distribution of a number of complementary third-party ophthalmic products.

For additional information about Ellex and its products, please visit www.ellex.com.

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