



SHARPENING OUR FOCUS

From the Ellex Chairman

To Our Shareholders:

The financial year 2008 presented a unique set of challenges for Ellex. We have seen a marked change in the global economic environment and this has directly affected our market. This, along with strong competition, meant our result was not in line with the Board's or shareholders' expectations.

Under the leadership of our new CEO, Kevin McGuinness, management is taking steps to ensure that we can meet the challenges of the changing environment. Our focus is on improving operational performance to drive improved earnings and cash flow in financial year 2009.

In the past year, we took our first steps in establishing a new direct sales channel in the United States, the largest market for our products. Our existing direct sales in Japan and Australia continue to strengthen and our distribution in Europe continues to perform very well. This distribution platform represents a key strategic asset for our business.

Our products continue to set the pace for innovation in the ophthalmic device industry. We invested approximately 8 percent of revenue in research and development during the financial year, with specific activities including the Ellex 2RT (Retinal Regeneration Therapy) initiative, the development of a new photocoagulator and further improvements to the Eye Cubed ultrasound product. These projects will continue to be a focus in financial 2009.

In October 2007 we welcomed Professor John Marshall and Kevin McGuinness to the Board of Directors. Both appointments have strengthened our Board. Mr Peter Falzon, who joined Ellex as CEO in March 2005, left in June 2008. Under Mr. Falzon's leadership, Ellex transitioned from an OEM manufacturer to one of the leading brands in the ophthalmic laser and ultrasound market, and established a platform for future growth. On behalf of the Board I would like to thank Peter for his contribution.

A handwritten signature in dark ink, appearing to read "V. Previn".

Victor Previn

Chairman