

## ASX ANNOUNCEMENT

### ASX ONLINE

Ellex Medical Lasers Ltd (ASX:ELX)

Adelaide, Australia

Date: 26 February 2009

Topic: Ellex Reports Record First Half Revenue

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#### Highlights

- Ellex delivers strong first half operating results, despite global financial downturn
- Record revenue for first half of \$30.4 million
- One-off items, including write-off of goodwill (\$21.7 million) resulted in net loss for the period
- Company experiencing continuing demand for its products
- Company has implemented a restructuring plan to materially reduce operating costs.

Adelaide, Australia, 26 February 2009 - Ellex Medical Lasers Limited (ASX:ELX), a global leader in the design and manufacture of ophthalmic laser and ultrasound systems, today announced its financial results for the half year ended 31 December 2008. The result demonstrates continued growth in a challenging economic environment.

During the half year, Ellex's revenue increased 21% over the previous corresponding period, to \$30.4 million. This result was achieved with a 1% increase in unit sales over the previous corresponding period. Both sales revenue and unit sales were at a record level for the company, with Ellex's sales revenue clearly benefiting from the relatively low Australian dollar exchange rate.

Earnings Before Interest Tax and Depreciation (EBITDA), prior to the impact of the non-cash one-off items, was \$2.5 million, a 13% increase over the prior comparable period. As a result of one-off items totalling \$25.964 million after tax, detailed below, including the write-off of goodwill during the period, Ellex's reported net loss after tax for the half was \$23.2 million (HY2008: net profit of \$1.2 million).

Commenting on the results, Ellex's CEO, Mr Simon Luscombe said "During the past six months of trading we have grown sales and operating results compared with last year, despite the deferral of some orders by our customers. This testifies to the strength of our brand and the effectiveness of our sales force. The fact that Ellex manufactures equipment used for medical re-imbursable procedures, has helped mitigate the effects of the current negative economic environment on our business".

#### One-Off Items

During the half year to 31 December 2008, Ellex incurred two one-off items which totalled \$25.3 million, which materially impacted reported profits. These were:

- Non-cash charge of \$21.7 million relating to the write-off of goodwill carried in the Company's balance sheet. This write-off is considered appropriate and prudent by the Directors, following receipt of independent professional advice in relation to this matter.
- Non-cash charge of \$3.6 million being the unrealised losses on outstanding foreign exchange positions at balance date. These losses have previously been foreshadowed by the Company.

## Bank Covenants

As a result of the accounting adjustments for the half year ended 31 December 2008, Ellex has breached two financial covenants within the finance facility. The Company's lender has responded and indicated that at this time the Bank intends to take no action in relation to these potential breaches for the 31 December 2008 period only, subject to their review of Ellex's facilities when the Bank is in possession of the 31 December 2008 audited financials and other necessary documents.

## Strategy

Ellex has positioned itself to increase profitability and cash flow going forward. Since October 2008, the Company has implemented a restructuring plan which has reduced staff by 18%. This reduction in operating costs, together with tighter inventory control is expected to positively impact operating cash flow during the current half year.

"The revenue growth in the first half is very pleasing; however, we have also placed a priority on implementing significant restructuring and cost reduction strategies during this period to better position our business to weather any further economic turmoil" commented CEO, Mr Simon Luscombe.

In January 2009, Ellex raised net proceeds of \$1.5 million through a rights issue which will, together with the expected improvement in operating cash flow, enhance the Company's underlying financial strength through debt reduction. In time, this will provide Ellex with the financial flexibility to continue to grow market penetration.

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## ABOUT ELLEX

Ellex Medical Lasers Limited (ASX:ELX) designs, manufactures and sells a complete line of lasers and diagnostic ultrasound systems used by ophthalmologists to diagnose and treat eye diseases. With more than 14,000 systems delivered to the market, Ellex has evolved since 1985 from a manufacturing company of primarily OEM products, to direct marketing of its own branded products through subsidiaries in the United States, Japan and Australia, and a network of distribution partners in more than 100 countries. In December 2006 Ellex acquired Innovative Imaging, a leading provider of diagnostic ultrasound devices for ophthalmology, initiating the expansion of its product line beyond lasers. Ellex maintains a strong emphasis on intellectual property and research into new and better treatments to manage and treat the leading causes of blindness.

For additional information about Ellex and its products, please visit: [www.ellex.com](http://www.ellex.com)

### For further information, please contact:

Giuseppe Canala  
Company Secretary  
W +61 8 8104 5200  
gcanala@ellex.com

Victor Previn  
Chairman  
W +61 8 8104 5200  
M +61 414 661 994  
vprevin@ellex.com

Simon Luscombe  
CEO  
W +61 8 8104 5200  
M +61 439 424 500  
sluscombe@ellex.com

Ellex Medical Lasers Limited  
82 Gilbert Street, Adelaide, SA 5000