



Compumedics Returns to Profitability

Melbourne Australia, Thursday, 30 August, 2007

Leading Australian based medical diagnostics devices company, Compumedics Limited (ASX: CMP), is pleased to announce that it has returned to profitability in 2006-07 after two years of restructuring.

Highlights and Achievements for the period

- Major turnaround in performance
- Sales stabilised despite adverse impact of unfavourable Forex movements
- Substantial reduction in operating costs
- Bank debt significantly reduced
- R&D pipeline maintained
- New breakout SomniLink® SPAP® technology released and first revenue generated

Profitable Trading Results for 30 June 2007

Compumedics achieved a net profit after tax in 2006-07 of \$0.1 million compared with a loss of \$1.6 million in the prior year. Revenue fell slightly to \$36.7 million from \$37.7 million largely due to adverse currency movements. All key financial metrics markedly improved in 2006-07 including:

- Gross margins were up from 52% to 59% despite currency movements
- Cash expenses were reduced by \$2.8 million in 2006-07 and by \$5 million over the past two years
- EBITDA in 2006-07 was \$1.3 million compared with a loss of \$0.5 million in 2005-06
- Operating cash flow recovered from a deficit of \$1.5 million in 2005-06 to a positive \$0.8 million
- Borrowings were substantially reduced from \$6.4 million at June 2006 to \$3.4 million as at June 2007
- Borrowing costs, however, jumped from \$0.6 million in 2006 to \$0.9 million in 2007
- Revenue growth achieved in USA (+11%), Europe (+16%), Australia (+5%) and DWL (+6%) offset by fall in Asia (-36%), the latter primarily being attributable to adverse temporary Chinese regulatory changes, and currency movements.

Concerted and targeted efforts since 2005 have resulted in a turnaround of the core business, which has returned to profitability after two years of losses.

Compumedics restructured its management team in 2005 and put in place systems to ensure costs were carefully controlled and monitored. These initiatives have resulted in an approximate \$5 million reduction in operating costs notwithstanding a high priority to maintain research and development efforts.

Sales were stable despite the intense pressure from severe constraints imposed on working capital as the company successfully reduced its borrowings. Despite the marked reduction in borrowings, borrowing costs were very high. Nonetheless, these costs will be considerably lower in the current year.

In the face of these financial constraints, the Company maintained its R&D program and launched the SomniLink® SPAP®, an integrated positive airway-pressure system for the treatment of sleep apnoea. Further, the Company is about to release its innovative long-term neurological-monitoring product, Neuvo, which will take the business to another level.

David Burton, CEO, said about Compumedics' results,

"The move to profitable trading in the core business is sustainable with the current revenue stream."

"The restoration in profitability was achieved due to the focussed efforts of Compumedics' dedicated and highly skilled team of employees on restructuring the Company to more cost-effectively deliver its world-class products."

"I am pleased that, in the face of the constraints on working capital, the Compumedics team was able to maintain the level of revenue of recent years, with significantly reduced costs, and working capital. The Company is now in a stronger position to return to its traditional growth outlook, whilst restoring our cash reserves"

All divisions of the Group improve

Compumedics' businesses include its core sleep-diagnostics products and consumables from its Sleep Division, Doppler ultrasound blood flow scanning products from its DWL Division, and brain function research and clinical neurology products from its Neuroscan Division. Each of these divisions demonstrated continued improvement over the past year, and despite the pressure on working capital each division maintained on-going research and development programs to supply a pipeline of new products.

Over the past year, Compumedics has complemented its robust direct-sales sleep-diagnostics business in Australia and the United States with a series of distribution agreements with partners in Europe and the Middle East, which should result in incremental revenue of at least \$10 million over the next three years.

Compumedics will continue to pursue opportunities in each of the divisions of the group that will add profitable and sustainable growth and stand out growth where this is possible.

Affirmation of Compumedics' Sleep-Treatment Strategy

Compumedics' long-term strategy of complementing its suite of products for sleep diagnostics with new and innovative sleep treatment products reached a significant milestone in June 2007 with the completion of binding letter of intent with a major international partner in the medical devices market. The relationship commenced with Medigas Italia, a member of the global Praxair, Inc. group of companies, to commercialise Compumedics' SomniLink® SPAP® system in Italy and eastern European countries. The sleep-treatment market is in the order of ten-fold greater in magnitude than the sleep-diagnostics market in which Compumedics' current suite of products competes. Compumedics has commenced negotiations to exploit the greater global sleep-treatment market with several companies, collectively which represent \$10 billion in annual sales. Compumedics expects to be able to update the market on outcomes of these negotiations when they reach material outcomes.

Outlook for 2007-08

Compumedics expects the business to grow overall in 2007-08 and for profitability to be enhanced through this growth and a continuing focus on costs and, in particular, financing costs.

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About Compumedics

Compumedics Limited, founded in 1987, is a global leader in the design and manufacture of diagnostic technologies for sleep disorders, neurophysiology and cardiology. In 1987 Compumedics established Asia Pacific's first fully computerised sleep laboratory. Compumedics holds 80% share of the Australian sleep-diagnostic market, and has a major and rapidly growing presence in the US, European and Asian

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marketplaces for its sleep, neurological, and Doppler blood-flow diagnostic monitoring devices.

In 1995 the company was selected to supply equipment to the US Sleep Heart Health Study, the world's largest sleep study of its kind, currently exceeding 14,000 studies with 20,000 patients scheduled by 2008. The company has corporate headquarters in Melbourne, Australia and offices in the United States, Asia and Europe.

In 1998 Compumedics was awarded the overall Australian Exporter of the Year.

In 2000 Compumedics was listed on the Australian Stock Exchange.

In 2002, Compumedics acquired US-based Neuroscan - the world's leading supplier of instruments for brain-research. In the US - the world's largest medical device market - Neuroscan hold around 90% of the market for brain-research products. This acquisition has enabled Compumedics to take advantage of the synergies between research and clinical-based Neuro Diagnostic technologies, re-affirming our commitment as a world-class developer of both sleep and neuro-diagnostic systems.

In 2003 Compumedics was awarded the Frost & Sullivan Award for Market Expansion Strategy.

In 2004, Compumedics acquired German-based DWL Elektronische GmbH, enabling Compumedics to expand its global operations into the neurovascular and cardio-vascular diagnostic fields.

In 2006, Compumedics was awarded the Frost and Sullivan Technology Leadership award for the innovative Somté recorder product.

In 2007, Compumedics and its Chairman were inducted into the Victorian Manufacturing Hall of Fame for their pursuit of excellence in manufacturing.

Compumedics has grown to become a global diagnostic medical device company with world leadership in three of the most exciting high-growth sectors and some 12,000 systems installed. Compumedics businesses now include their core and pioneering sleep-diagnostics (Sleep Division), Neuro-diagnostics (Neuroscan and Neuroscience Divisions), and non-invasive blood-flow diagnostics (DWL Division). All of these fields were pioneered or discovered in the 1980s, validated in the 1990s and are only now undergoing rapid commercialisation into the rapidly expanding \$1 billion plus global market.

The company has increased its sales more than 4 fold from \$9 million (1999) to \$38 million (2006), reflecting its continued commitment to an effective sales and R&D organisation.

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