



ASX / MEDIA RELEASE

Profitable second half for financial year 2006.

Melbourne Australia, Thursday 27 July, 2006.

Compumedics Limited (the "Company") was profitable during the second half of the financial year even taking into account the positive impact of the European legal settlement (previously announced), and the associated recovery phase of the European business. The loss after tax to 31 December 2005 of \$3 million was reduced to approximately \$1.5 million as at 30 June 2006. This encouraging result was achieved with sales of about \$37.2 million being slightly down (2.5%) on the prior year coupled with strenuous, ongoing cost reduction, and structural, productivity and operational improvement initiatives previously announced having a positive effect on profitability of the order of \$1.5 million in the second half year results. These cost savings are expected to have a continued positive impact moving forward.

Given the stronger profit performance in the second half, the Company is compliant with all its bank covenants at year-end and the cash generated from this enhanced profitability materially improves the financial standing of the Company.

The Rest of World businesses have all shown growth over the prior year. The USA business demonstrated positive recovery and growth in the past 6 months with an expectation of a continued positive trend.

On a go-forward basis, continued prudent cost constraints coupled with increasing traction in sales and marketing, particularly in the US, together with scheduled new generation product releases planned for the coming year, the Company is well positioned for 2007. The foregoing financial information remains subject to audit. More detailed information will be provided with the detailed Appendix 4E report of the full-year 2006 result scheduled for release in late August, 2006.

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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 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 12,000 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.

Compumedics has grown to become a global medical diagnostic 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 (2005), reflecting its continued commitment to an effective sales and R&D organisation.

www.compumedics.com