



ASX / MEDIA RELEASE

Compumedics' full-year financial results

Mon 11 September, 2006. Compumedics Limited (ASX code: CMP) today announced that the business has returned to profitable trading in the second half of the financial year ended June 30, 2006 as it indicated in its guidance to the market on July 27, 2006.

Compumedics reported second-half financial year revenue of \$19.4m, a 7% increase over revenue from the first-half of the financial year. Significantly, EBITDA was positive \$1.7m in the second half compared to a first half EBITDA loss of \$2.3m, representing a \$4.0m positive turnaround in the EBITDA result from the first half.

The full-year results to June 30, 2006 were revenue of \$37.6m and an EBITDA loss of \$0.5m. Full-year revenue at \$37.6m represented a 2% decline in revenue for the same period in the previous year, whilst the EBITDA result represented a \$2.1m turnaround from June 30, 2005.

The results for the second half and the full year reflected the significant restructuring undertaken last year in relation to the sales and marketing leadership of the business, and significant operational and productivity improvements during the course of the 2006 financial year.

Management has removed approximately \$4m of expenses, on an annualised basis, from the cost-base of the business which flowed through to results for the second half of the financial year. The cost-cutting contributed about \$1.5m to the 2006 full-year result.

Mr. Burton, Executive Chairman, Compumedics Limited, noted, "Whilst the last twelve months have presented a challenging period for the business, I am pleased to see that the hard work and dedication of our team during calendar 2005 have demonstrated successful outcomes such as returning to positive earnings in the second half. This is a reflection of their commitment to the goals of the Company. Compumedics people continue to work diligently and with a great deal of resilience as we strengthen our business fundamentals moving forward."

Mr. Burton further noted, "There is still much work to be done in order to complete our performance turnaround and restore our traditional growth trajectory in revenues and earnings. Of equal importance is the fact that this performance turnaround is being achieved with modest reductions in R&D spending and consequentially Compumedics has a significant pipeline of new-generation technology products and upgrades."

A more specific breakdown of the business results follows:

AUDm	H1	H2	Variance	Full year	Prior full year	Variance
Revenues	18.1	19.4	7%	37.5	38.2	(1.8)%
EBITDA	(2.3)	1.7	4.0m	(0.5)	(2.6)	2.1m
NPAT	(3.0)	1.4	4.4m	(1.6)	(4.6)	3.0m

The business performed better in the second half of the financial year due to a number of factors. These include higher sales, lower expenses and also the favourable outcome of our legal dispute with our former distributor in Europe. Sales were \$1.4m higher in the second half which had a positive impact of \$0.7m on EBITDA. Cash expenses were lower in the second half by about \$2.0m which contributes directly to EBITDA for the second half year. Finally, the impact of the legal settlement with our former distributor in Europe had a \$1.6m positive impact in the second half of the financial year at the EBITDA line. The underlying EBITDA result excluding the settlement was \$0.2m profit in the second half of the financial.

USA business

The USA business performed significantly better in the second half of the financial year, reflecting the increasing stabilisation of the USA business post the significant restructure there.

The US business did not report growth over the prior period with sales of USD10.7m compared to USD13.2m. However, the US business posted growth of 18% comparing the second half over the first half.

Asian business (excluding Japan)

The Asian business, excluding Japan sleep diagnostics had a very strong year with sales of AUD5.9m representing 51% growth over the prior full-year result.

This result is largely attributable to the new infrastructure that has been put in place in this market and the success of engaging new, and an increasing number of, distributors in the region.

Japan

Japan posted a result of AUD2m, broadly in line with the prior year.

European business

The European business had a return to growth with sales of AUD4.6m, representing 40% growth over the prior full-year result.

This result is largely attributable to the new infrastructure that has been put in place in this market and the success of engaging new and an increasing number of distributors in the region.

Australian business

The Australian business posted growth for the full year at about 2% when compared to the prior full-year result.

DWL business

The DWL business had a solid year posting revenue growth of 7% over the prior year. The business has successfully continued to develop its distributor network through Asia and Europe and this is expected to continue into the new financial year as well as a renewed push into the USA market.

Future Outlook

Given the significant changes within the business over the twelve months to June 30, 2006 and the early nature of the financial turnaround of the business the Company does not propose to give any guidance as to likely performance for financial year 2007.

The Company believes that the business will grow during 2007 and will operate profitably. The Company will up-date the market as to the financial performance of the group as the financial year progresses and the certainty of the current improved performance of the business increases.

Bank covenants

As a consequence of the improved trading position of the business the Company was compliant with all its bank covenants at June 30, 2006 and has continued to remain compliant with its bank covenants as they relate to the immediate trading periods.

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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.

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