



ASX / MEDIA RELEASE
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Compumedics Limited
Business Update: Appendix 4D Release

Current half-year performance:

Revenue growth of 7% in constant currency (stable when reported in Australian dollars)

NPAT of \$0.1m, this compares to Net Loss After Tax of \$1.1m in the prior corresponding half-year

Neuro diagnostic business grew ≈52% globally following release of the Neuvo® long-term EEG monitoring (LTEM) system.

USA neuro diagnostic business grew ≈275% over the prior corresponding half-year, in US dollars, as a result of the new Neuvo® LTEM product roll out and the securing of several key-opinion-leader sites

Business outlook:

Key product and territory expansion initiatives to underpin on-going growth in FY2012 and beyond

Leading Australia-based medical device company, Compumedics Limited (ASX: CMP), is pleased to announce a net profit after tax of \$0.1m on revenues of \$14.9m for the half-year ended 31 December 2011. This compares to revenues of \$15.2m and net loss after tax of \$1.1m for the prior year.

Given the significant fluctuations in the value of the Australian dollar, relative to the US dollar and the Euro, Compumedics has chosen to show its financial results on an "as reported

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basis" and also on a "constant currency" basis. The results on a constant currency basis restate the financial performance of the corresponding prior half-year (Dec 2010), using current financial half-year foreign currency exchange rates (Dec 2011). The constant currency basis also excludes unrealised foreign exchange gains or losses derived at the reporting period as a consequence of the revaluing the Company's investments in its offshore subsidiaries. As the Company changed its accounting policy in relation to these unrealised exchange gains and losses at 1st January 2011, adjustments for this only impact the 31 December 2010 numbers.

The following table highlights the key financial performance measures on this basis.

	Dec 2011	Dec 2010	Variance
Revenues – as reported	\$14.8m	\$15.0m	(1.5)%
Revenues – constant currency	\$14.8m	\$13.8m	7.0%
EBITDA – as reported	\$0.9m	\$(0.9)m	n/a%
<i>Unrealised FX gains/(losses) - restatement of investments in off-shore subsidiaries</i>	\$0.0m	\$(1.5)m	
EBITDA – less unrealised FX losses	\$0.9m	\$0.6m	50.0%
NPAT – as reported	\$0.1m	\$(1.1)m	n/a%
<i>Unrealised FX losses - restatement of investments in off-shore subsidiaries</i>	\$0.0m	\$(1.5)m	
Tax adjustments	\$0.0m	\$0.8m	
NPAT – less unrealised FX losses	\$0.1m	\$(0.4)m	n/a%

Highlights and achievements for Compumedics "as reported" to the ASX for the half-year ended 31 December 2011

- Net profit after tax (NPAT) was \$0.1m a significant improvement on the prior corresponding half-year loss of \$1.1m
- Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$0.9m. This compares to EBITDA loss of \$0.9m for the prior year.
- EBITDA for the prior corresponding half-year, excluding unrealised FX losses associated with restating the investments held in the offshore subsidiaries in the USA and Germany, was \$0.6M. This compares to \$0.9m for the current year on a like-for-like basis.
- Revenues were \$14.8m for the half-year ended 31 December 2011. This compares to \$15.0mm for the prior corresponding half-year. On a constant currency basis (that is restating last year's revenues using this year's foreign currency exchange rates) revenues were 7% higher than the prior year's.
- Operating cash for the year was \$0.7mm compared to negative \$1.3m for the prior corresponding half-year.

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- Despite the significant orders shipped in December 2011 the Company held substantial orders-on-hand at 31 December 2011 of approximately \$2.8m, almost double that held at 31 December 2010.
- The Company will seek additional funds to support the renewed growth of the business within the context of the current and ever-changing financing environment.

Core medical diagnostic device business separated from medical innovation business

Compumedics, as previously indicated when presenting the full year number to 30 June 2011, will disclose both aggregated and disaggregated financial performance attributable to its core diagnostic medical device business and its investment in technologies and products being developed in its medical innovation business. The Company believes the disaggregated information will provide the investment community with a clearer and more transparent picture of these two distinct activities currently being undertaken within the Company.

The Company's core medical diagnostic device business encompasses the technology and products currently sold globally for the diagnosis and/or monitoring of sleep disorders and neurological disorders, and for the monitoring of blood flow through the brain. It also includes products and technology used in advanced brain function research.

The Company's medical innovation business principally includes technologies and products for the treatment of sleep disorders and for the provision of a complete sleep diagnostic service to medical practitioner, the latter, through the Company's CardioSleep Services® brand. It also includes less developed technologies for driver fatigue monitoring and depth of anaesthesia monitoring.

AUDm	Earnings adjusted for unrealised FX losses					
	Medical diagnostic devices		Medical Innovation		As Reported	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Revenues	14.6	14.4	0.3	0.6	14.9	15.0
R&D expense	1.6	1.8	0.5	0.6	2.1	2.5
EBITDA	1.4	1.4	(0.5)	(0.7)	0.9	0.7
EBITDA to revenue	9.6%	9.7%			6.0%	4.7%
Depreciation and amortisation	(0.2)	(0.2)	(0.3)	(0.3)	(0.5)	(0.5)
EBIT	1.2	1.1	(0.8)	(1.0)	0.4	0.1

Highlights and achievements for the “diagnostic” medical device businesses for the half-year ended 31 December 2011:

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- EBITDA for the core medical diagnostic device business was \$1.4m consistent with EBITDA in the prior corresponding half-year. Compumedics' core medical diagnostic device business has typically generated EBITDA to revenues of about 10%, over the last 5 years
- Revenues for the core medical diagnostic device business were \$14.8m for the half-year ended 31 December 2011. This compares to \$15.0m for the prior corresponding half-year. On a constant currency basis revenues were 7% higher than the prior corresponding half-year for the core medical diagnostic device business
- Operating cash for the core medical diagnostic device business was \$1.2m compared to negative \$0.7m for the prior corresponding half-year
- USA business posts 50% revenue growth for the half year, compared to the prior corresponding half-year, driven largely by the neuro-diagnostic business but with growth in sleep-diagnostics also.
- Globally Compumedics achieved 51% growth in revenues for the neuro-diagnostic business, compared to the prior corresponding half-year
- Australian, Asian and DWL business all post revenue growth, in constant currency, in the half year to 31 Dec 2011, (24%, 26% and 3% respectively) with Europe and Japan partly off-setting this growth (down 60% and 43% respectively) for the total group
- Carry over orders-in-hand of about \$2.8m, almost double prior year position

Highlights and achievements for the medical innovation business for the year ended 30 June 2011:

- EBITDA for the medical innovation business was a loss of \$0.5m, compared to a loss of \$0.7m in the prior corresponding half-year. This reflects the investment being made in finalisation of development issues with the SomniLink® SPAP® and development activities of other products and technologies in the medical innovation business.
- Revenues for the medical innovation business were \$0.3m for the half-year ended 31 December 2011. The revenues were generated almost entirely from the Company's CardioSleep Services® business in the USA. This compares to revenues of \$0.6m in the prior year.
- The patented SomniLink® SPAP® sleep-treatment device has received TGA certification in Australia and the CE Mark for Europe.
- Clinical trials for the FDA application for SomniLink® SPAP® are well underway, but have been delayed due to patient availability. As a consequence the FDA application which was due to be submitted before the end of calendar 2011, is running a few months late and is now due for submission by end of March 2012.
- The Company has transitioned complete manufacture of the SomniLink® SPAP® to our Taiwanese sub-contractor whom we have used over many years for circuit board manufacture in the core diagnostic business. So far an initial batch of 200 units has been produced.

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Key Growth Opportunities

As the understanding of the links between sleep quality and normal function across the whole range of body systems increases, new and valuable insights into the mechanisms of many common diseases, and the potential role for improving breathing and sleep quality in the treatment of those conditions will be gained.

The Company has in place the capability to diagnose and gain valuable insight into a range of critical body functions that have linkages in a wide range of diseases and disorders.

Accordingly, the Company's technology turns vast amounts of data into valuable information that leads to more accurate diagnosis, and consequently, more effective treatment and therapy.

The two principal growth pathways for the Company consist of our core medical diagnostic business and expansion into the neuro-diagnostic market around the world and our new emerging technologies within the medical innovation (MI) division, including the sleep-treatment system, SomniLink® SPAP®, which is in the very early stages of commercialisation.

To better align the management and funding requirements of these two divergent businesses and product/technology groups the Company may spin out the MI division into a separate legal entity as part of an overall process to better capture the value inherent in the Company's technology portfolio.

In terms of the growth opportunity in the MI division, including sleep-treatment, Compumedics has developed a range of new products and services which will be outlined to the market as we establish our distribution and commercialisation strategies moving forward and as part of the proposed spin-out of the MI division.

In terms of the key growth opportunities for the core sleep, brain and ultrasonic blood-flow monitoring businesses the Company believes these will come from four primary areas, being:

1. The entry of Compumedics into the global long-term EEG monitoring (LTEM) market with the worldwide release of its new innovative LTEM device, Neuvo®.
2. The expansion of our core sleep-diagnostic business in the USA through the continuing expansion of the sales force there.
3. The expansion of our core sleep-diagnostic, and brain function businesses in Asia, with particular focus on China, South Korea and Europe, specifically Germany and France.
4. The evolution of the home-sleep-testing (HST) market in the USA as a result of on-going changes to USA private and government funding of HST and the expected growth in sales of small limited channel sleep-diagnostic screener devices

Financial outlook

Compumedics expects the identified key growth opportunities to deliver an increase in revenues and earnings in the current financial year. However, given the on-going uncertainty pervading the economic conditions of its key trading markets, particularly Europe, and to a lesser extent, the USA, the Company is not issuing specific financial guidance at this time.

Compumedics expects growth beyond the current financial year to result from a combination of:

- organic growth from the core businesses and the key growth opportunities identified, including expansion into the neuro-diagnostic market,
- the expansion of the business into sleep-treatment markets, and
- opportunistic mergers, acquisitions, or alliances that are identified as being complementary to the Company's existing product range and incremental to the financial performance of the Company.

Strategically, the Company continues to review all business development options available to it to fully unlock the commercial potential within the range of technologies and products the Company currently has or is developing.

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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 14,000 studies with 20,000 patients scheduled by 2008. With headquarters in Melbourne, Australia and offices in the United States, and Europe the products are distributed in over 50 countries. **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 holds around 90% of the market for brain-research products. **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 Chairman were inducted into the Victorian Manufacturing Hall of Fame. **In 2008** the DWL division received the top 100 German Innovation award. With 20,000 systems installed globally across the finest hospital, universities and clinics the Compumedics sales have grown more than 4 fold from \$9 million (1999) to \$39 million (2008). **In 2009** Compumedics was awarded a design award for its Grael® PSG/EEG premium laboratory based product. In 2011 Compumedics one several key-opinion-leader sites for the supply of its new neuro-diagnostic range of products, these sites included the new Royal Children's Hospital in Melbourne and several key USA based sites.
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