



## ASX / MEDIA RELEASE

### **Compumedics' half-year financial results**

Tuesday 27 February, 2007. Compumedics Limited (ASX code: CMP) today announced that it has continued to trade profitably in the first half of the 2006/2007 financial year to December 31, 2006 as it indicated in its guidance to the market on January 30, 2007.

Compumedics reported first half revenue of \$19.7m, a 9% increase over revenue from the first-half of the previous financial year. The half-year profit after taxes to December 31, 2006 was \$0.5m compared to a \$3.0m loss for the previous corresponding half year representing a \$3.5m turnaround in the profitability of the business over the first half of the previous financial year at the bottom line.

At the EBITDA line the result was a positive \$1.0m in the first-half compared to an EBITDA loss of \$2.3m in the previous corresponding half year, representing a \$3.3m positive turnaround in the EBITDA result from the first-half of the previous year. Importantly, the \$1.0m EBITDA result in the first-half of this financial year compares to the \$0.2m EBITDA result, excluding the legal settlement, from the second half of last financial year.

The results for the first half of the year reflects the on-going turnaround in the business following the significant restructuring undertaken in late 2005 through 2006, 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 fully flowed through to results for the first half of the financial year ended December 31, 2006. The cost reductions contributed about \$2.0m to the half-year result.

Mr. Burton, Executive Chairman, Compumedics Limited, noted, "Whilst the last eighteen 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 years 2005 and 2006 have demonstrated continued successful outcomes in this half with both growth in revenues and underlying earnings of the business for the first half of this year compared to the second half of last financial year. This is a reflection of our team's 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 still remains 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 without compromising our investment in R&D and consequentially

Compumedics has a significant pipeline of new-generation technology products and product upgrades.”

A more specific breakdown of the business results follows:

<b>AUDm</b>	<b>H1 2006</b>	<b>H1 2007</b>	<b>Variance</b>	<b>H2 2006*</b>	<b>H1 2007</b>	<b>Variance</b>
Revenues	18.1	19.7	9%	19.4	19.7	1.5%
EBITDA	(2.3)	1.0	3.3m	0.2	1.0	500%
NPAT	(3.0)	0.5	3.5m	(0.2)	0.5	n/a

\* excludes \$1.6m net impact of the legal settlement in H2 2006 reported numbers

The business performed better in the first half of the financial year compared to the previous corresponding half year due to higher sales and lower expenses. Cash expenses were lower in the first half of the financial year compared to the previous corresponding half year by about \$2.5m, excluding legal fees the variance is \$1.7m lower first half this year to the previous years first half.

#### USA business

The USA business performed significantly better in the first half of the financial year, reflecting the increasing strength of the USA business as it builds on its performance in the second half of last financial year. Revenues at \$9.0m were 40% higher for the first half compared to \$6.4m for the previous corresponding half year.

#### Asian business (excluding Japan)

The Asian business, excluding Japan, for sleep diagnostics had a very soft first half-year with revenues declining 46% compared to the previous corresponding half year.

This result is largely attributable to external issues in the Chinese market that have slowed sales considerably. This is expected to be resolved in the future but the Company cannot predict when this will occur, so other markets in the Asian region will be the focus for continuing business.

#### Japan

Japan posted a result of AUD0.5m, down on the \$1.0m in sales achieved in the previous corresponding half year. The Company is currently assessing its options for this market.

#### European business

The European business continued its growth with sales 35% higher than the previous corresponding half year at \$3.1m compared to \$2.3m.

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 more distributors in the region.

### Australian business

The Australian business posted revenues slightly lower than the previous corresponding half year at \$2.6m compared to \$2.8m. This was broadly in line with expectations.

### DWL business

The DWL business had a solid first half, posting revenue growth of about 6% over the prior year. The business has successfully continued to develop its distributor network through Asia and Europe and has benefited from a significant turnaround in the performance of the US DWL business in the first half of this financial year.

### **Future Outlook**

Given the early nature of the financial turnaround of the business the Company does not propose to give any specific guidance as to likely performance for the second half of the financial year.

The Company believes however that the business will continue to 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 continues to remain compliant with all its bank covenants at December 31, 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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