

7 August 2009



'Defining Life's Signals'

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Dear Compumedics stakeholders,

On behalf of the Board, management and Compumedics team we would like to take this opportunity to update you on your Company's performance over the past year and thank you for your continued support.

The following update document highlights the strength of the overall Compumedics business model with particular emphasis on the record high profits; record low debt; record positive cash generation; and resilience of our sales at ≈\$38M despite the GFC. NPAT is expected to be at least 250% higher than the previous year being at least \$2.4m.

Importantly, the results will mark four consecutive years of six-monthly profitable reporting to the ASX since the commencement of the Company's 2006 performance transition program. In this period the profits have increased by \$7.5m, the bank debt has decreased by \$6.5m to \$2.2m, costs have reduced by \$5m pa, gross margins have improved by 5% and all the while the revenues have remained firm and the R&D investment at about 3 times the industry average (15% of annual sales).

While we are cautiously optimistic it is also clear that Compumedics is one of the few quality Australia-based medical device companies with a hardened and proven balance sheet, substantial sales, extraordinary core growth and new breakout growth prospects.

While the first phase of the Compumedics journey as a listed Company resulted in 400% sales growth (\$9m to \$38m), the results of the second phase being consolidation and re-positioning, is marked by today's results. The third phase will be a return to revenue growth based on the rejuvenation of the core business performance as further outlined in the attached business up-date.

Yours sincerely,

David Burton  
Chairman and Chief Executive Officer



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