



ASX / MEDIA RELEASE

Melbourne Australia, Thursday, January 12, 2006

Medical diagnostics company Compumedics Ltd (**ASX: CMP**) previously indicated at the AGM that sales in the first quarter of the year had been unexpectedly slow. Slow sales continued in the US clinical and research businesses in the second quarter but this was partially compensated for through stronger performances in other business units during that period, some of which were much stronger than in the prior period.

Overall, the first half sales will be approximately \$18 million (with about \$1.2 million orders on hand) as against \$19.3 million sales recorded in the prior year with \$ 0.7m orders on hand. The company considers this result to be credible given the slump in market conditions for key units in the US due to the adverse impact of the weakened US economy and the restructuring undertaken through the course of the 2005 calendar year. The USA clinical business has experienced improved performance over the recent periods and the product sales pipelines are at strong levels. Management is focused on converting this pipeline into sales for the second half year and success in this will drive results for the full year. However, given the uncertainties of the USA market, the company does not propose to give guidance as to the likely outcome for the year, although it still considers the previous 2006 sales guidance of \$38 million and a return to positive EBITDA earnings in the second half of the financial year to be achievable.

The company also indicated at the AGM that costs of approximately \$2 million on an annualised basis were to be taken out of the business. Another \$1 million of cost savings on an annualised basis have since been identified, particularly in the US. These savings will be reflected during the forthcoming six months.

The company also indicated previously that it was in a contractual dispute with its former distributor for sleep products in Europe. The company advises that settlement has been reached yesterday with the former distributor, which will result in a USD1.51m (approximately AUD2.0m) benefit to the company, of which USD1.45m will be received in cash. This income will be booked by the company in its accounts in early 2006.

The company also indicated at the AGM that it was in discussions with its bank regarding continued financial support during the ongoing business turnaround. The bank continues to express ongoing support for the company during this performance turnaround phase.

Despite a number of challenges confronting the business, the results indicate that the company is now making headway with its most recent US restructure activities; Europe is once again demonstrating growth and the Australia-New Zealand and Asia regions are performing well.

The recent investment in the significant strengthening of Compumedics' sales and marketing resources across USA, Europe and Asia coupled with cost reduction, the company believes, is the right strategy, evidenced by the re-emergence of sales growth in our key global markets. The company's view of its performance will remain cautious and its focus continues to intensify on profitability as well as stronger and more sustainable growth. The company is appreciative of investor focus upon the longer term potential performance of Compumedics and will continue to endeavour to hasten earnings improvement when and where possible.

Yours sincerely,



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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