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Compumedics Limited
Business Update: Appendix 4E Release

Current performance:

- **Record final profit of \$2.7m achieved on resilient revenues of \$38m.**
- **Record operating cash of \$4.5m delivers net cash position and sound balance sheet at 30 June 2009**

Growth outlook:

- **Four key growth opportunities in the core business to underpin FY2010 and beyond**

Leading Australia-based patient monitoring company, Compumedics Limited (ASX: CMP), is pleased to announce a record net profit after tax of \$2.7m on resilient revenues of \$38m for the year ended 30 June, 2009. The Company is also pleased to report record operating cash of \$4.5m, for the year ended 30 June 2009.

Highlights and Achievements for the year ended 30 June, 2009

- Record net profit after tax (NPAT) of \$2.7m, more than three times the prior year result of \$0.8m
- Revenues have remained resilient at \$37.6m compared to \$38.5m, despite the extremely difficult global trading environment this year
- Record operating cash of \$4.5m for the year ended 30 June 2009 is more than double the prior result of \$1.8m
- Record net cash of \$2.5m for the year ended 30 June 2009 is over four times the prior year result of \$0.6m
- The Company has recorded a net cash position at 30 June 2009 of \$0.4m compared to a net debt position of \$2.2m at the prior year end

- The net cash position was achieved through cash and cash equivalents increasing from \$0.6m at the prior year end to \$2.6m at 30 June 2009 and bank debt declining further from \$2.8m at the prior year end to \$2.2m at 30 June 2009
- Several new products released or in the final stages of release
- Four key growth opportunities to underpin core business growth in FY2010 and beyond

Record profits and operating cash for the year ended 30 June 2009

Compumedics achieved a net profit after tax of \$2.7 million for the year ended 30 June 2009, which was over three times the \$0.8 million result achieved in the prior year.

Revenues decreased by 2.5% to \$37.6 million from \$38.6 million, largely due to the impacts of the global financial crisis on the Company's US and Europe-based businesses. These decreases were largely offset by the favourable exchange rate of the Australian dollar to the US dollar. Importantly all key financial metrics continued to improve during the year ended 30 June 2009:

- EBITDA at \$3.4 million for the year ended 30 June 2009, which almost doubled the prior year result of \$1.9 million.
- Operating cash flow at \$4.5 million for the year ended 30 June 2009, which was more than double the prior year result of \$1.9 million.
- Net cash inflows of \$2.5 million for the year ended 30 June 2009, which were about four times the prior year result of \$0.6 million
- Bank borrowings were reduced further from \$2.8 million at June 2008 to \$2.2 million as at June 2009, a further 21% reduction over the prior year
- Borrowing costs, were 14% lower at \$0.56 million in 2009 compared to \$0.71 million in 2008
- Annuity-type revenues related to supplies, technical services and sleep services continued to grow this year representing 20% of total revenues, up from 13% of total revenues in the prior year

Compumedics has again, in the year ended 30 June 2009, delivered significantly improved financial performance over prior financial years, recording record profits, operating and net cash on resilient sales despite the extremely difficult global trading environment.

These much stronger financial results have been achieved through better margins and tighter control of costs as well as a more favourable Australian dollar exchange rate to both the US dollar and the Euro during the course of the financial year ended 30 June 2009.

All core business segments performed well

Compumedics' core business segments being sleep, brain and ultrasonic blood flow monitoring all performed well in the financial year ended 30 June 2009 despite the extremely difficult trading environment. Revenues were down 11% in the global sleep monitoring business and some 17% lower in the brain monitoring business as both of these businesses were impacted by spending deferrals in the USA and Europe.

However the ultrasonic blood flow (DWL) business was up 23% globally over the prior financial year and supplies and service were also 27% higher than the prior financial year.

Key Growth Opportunities

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 evolution of the home-sleep-testing (HST) market in the US as a result of recent changes to USA private and government funding of HST and the expected growth in sales of small limited channel sleep-diagnostic screener devices
2. The expansion of our core sleep-diagnostic and brain (neurological) monitoring businesses in Europe. Specifically, Germany and France are being established as direct sales bases
3. The entry of Compumedics into the global long-term EEG monitoring (LTM) market with the world-wide release of its new innovative LTM device, Neuvo®
4. For the first time the Company is realising a range of new products designed to compete across the complete sleep monitoring spectrum from the lowest cost home sleep testing (HST) devices to the latest premium Grael™ sleep laboratory based systems.

Compumedics has the most sophisticated and advanced range of portable sleep-monitoring systems of any of the companies competing in these markets. The Company has been recognised as the leader in this field since winning the contract to supply the world's largest sleep study of its kind with portable systems; the Sleep Heart Health Study coordinated by the US National Institute of Health, will have completed in the order of 20,000 sleep studies using Compumedics' portable monitoring equipment by the end of this year. This study now forms the basis of a standardised on-line research sleep-study reference database accessed by sleep researchers throughout the world.

The HST market in the US is currently estimated to be approximately USD10m pa and growing at double digit rates. Compumedics has to-date focused on its traditional customer base but is currently implementing strategies to aggressively pursue this emerging market with a low cost but leading technology device derived from the Company's existing Somté device.

Compumedics is well positioned to establish a substantial share of this growing sleep screening market sector.

Compumedics is concurrently enhancing its presence in its traditional US sleep laboratory market with the launch of its new Grael PSG sleep diagnostic device, the world's first premium performance high-definition sleep diagnostic amplifier.

As previously announced Compumedics recently commenced direct sales of its sleep-diagnostic systems in Germany, Europe's largest and the world's second biggest market for sleep-diagnostic devices. Compumedics' recent successes with this strategy will be complemented by the Company's expansion into France, another major market within the European zone.

The Company believes it can add incremental revenues of between \$3m to \$10m per annum through the successful penetration and expansion into these two specific markets within Europe and a general enhancement of the Company's sleep-diagnostic distribution network across Europe.

Finally, the Company is about to enter the long-term EEG monitoring (LTM) market, a new and incremental market for Compumedics, with the launch of its innovative LTM product,

Neuvo®. This will take Compumedics into an already existing, but new market for the Company, which has estimated existing annual sales of about USD250m. Compumedics is well positioned to establish a 5% share of this global market over the next couple of years representing the potential of about USD6m pa in incremental revenues to the Company.

What is Compumedics financial outlook?

Compumedics expects the identified key growth opportunities to deliver an increase in revenues of between five and fifteen percent in the coming financial year, dependent on the external environment continuing to stabilise and for external conditions to remain broadly where were at the time of writing. This would lead to revenues for FY2010 being between \$39m and \$43m.

Beyond the current financial year, the Company expects to escalate revenue growth rates back to the more historical levels achieved by the Company following its listing on the ASX, whilst maintaining earnings growth and continuing to strengthen the Company's balance sheet. This will be dependent on the external environment continuing to stabilise and for external conditions to remain broadly where they currently stand and to gradually improve over time, particularly in the US and European territories.

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,
- The expansion of the business into sleep-treatment markets, and
- Opportunistic acquisitions that are identified as being complementary and incremental to the financial performance of the Company.

Strategically, the Company is undertaking a strategic business revenue and is also reviewing its board structure for the coming phase of growth ahead and is highly focused on the continued strengthening of the business and increasing stakeholder returns.

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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 received a design award for its Grael™ PSG/EEG premium laboratory based product. www.compumedics.com