



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

Current performance:

**8th consecutive profitable six-month report, operating cash positive,
balance sheet remains strong**

**Results impacted by continuing difficult US market conditions
and compounded by high Australian dollar**

Other geographic territories stable or improving

Growth outlook:

**Key product and territory expansion opportunities remain the
focus to underpin FY2011 and beyond, as GFC conditions
abate**

Leading Australia-based medical device company, Compumedics Limited (ASX: CMP), is pleased to announce a net profit after tax of \$0.5m on revenues of \$32.4m for the year ended 30 June, 2010. The Company is also pleased to report its eight consecutive six month positive operating cash outcome, with operating cash of \$1.0m for the year ended 30 June 2010.

Highlights and Achievements for the year ended 30 June, 2010

- Net profit after tax (NPAT) was a solid \$0.5m and was the eighth consecutive profitable six-month report

- Revenues, impacted by difficult market conditions in the US and a high Australian dollar, were \$32.4m for the year ended 30 June 2010 or 15.6% lower than the prior year. In constant currency terms sales were down only 3.6% on the prior year. The declines in US revenues were partially offset by growth in Germany
- The Company was holding a record number of orders-on-hand at 30 June 2010 of \$3.0m
- The Company's German business has performed well in its key markets
- The Company closed the year ended 30 June 2010 selling with the rollout commencement of its next-generation sleep diagnostic device Grael® PSG into all of its key global markets
- The Company has posted the first sales of its new long-term EEG monitoring (LTM) device, Neuvo® and is currently short-listed for several opportunities in the US
- The Company is shipping its new sleep-treatment device SomniLink® SPAP® to Italy
- The US market remains challenging but the Company is taking the necessary steps to regain growth in this critical market
- Cost reductions of \$0.5m on an annualised basis have been achieved in the US business, with a further \$0.5m in cost reductions on an annualised basis currently being implemented at a Group level
- Key growth opportunities will underpin core business growth in FY2011 and beyond as market conditions allow.

Profits and operating cash for the year ended 30 June 2010

Compumedics achieved a net profit after tax of \$0.5 million for the year ended 30 June 2010 despite continued difficult conditions for sales of capital equipment medical devices into its key markets. The profit result also reflects a \$1.9m adverse swing in foreign exchange movements over the year.

Revenues decreased by 15.6% to \$32.4 million from \$38.4 million. In constant currency terms (that is restating FY09 revenues at FY10 exchange rates) revenues were down only 3.6%. Revenue declines were largely due to the continuing impacts of a difficult US market for the Company's capital equipment medical diagnostic devices. The decrease was compounded by the adverse movement in the exchange rate of the Australian dollar to the US dollar, but offset by growth in the Company's German business.

As a result the Company generated the following financial outcomes:

- EBITDA at \$1.2 million for the year ended 30 June 2010, down from the prior year result of \$3.7 million, which reflects the foreign exchange movement and US market impact
- Operating cash of \$1.0m for the year ended 30 June 2010 reflected tight management of the business and working capital given the operating environment the Company continued to experience in its key US market
- Net cash of \$1.9m for the year ended 30 June 2010, reflecting ongoing and stable operations
- Bank debt declined 14% at financial year-end from \$2.2m at the prior year end to \$1.9m at 30 June 2010
- New banking arrangements were put in place during the year that better suit the needs of the business, including long-term debt.

Key Growth Opportunities

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

1. The expansion of our core sleep-diagnostic and brain (neurological) monitoring businesses in Europe. Specifically, Germany and France, with Germany well underway and France in the formative stages
2. The entry of Compumedics into the global LTM EEG market with the world-wide release of its new innovative LTM device, Neuvo®. The Company has secured initial sales of the device in and is now establishing its USA LTM business
3. The evolution of the home-sleep-testing (HST) market in the US as a result of changes to USA private and government funding of HST and the expected growth in sales of small, limited channel sleep-diagnostic screener devices.

During the current financial year, Compumedics has sold directly to end-user customers in Germany its range of sleep-diagnostic systems. Germany is Europe's largest and the world's second biggest market for sleep-diagnostic devices. Compumedics' ongoing European focus will be further augmented with the Company's expansion into France, another major European market.

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

The Company is currently entering the LTM EEG market, a new and incremental market for Compumedics, with the launch of its innovative LTM product, Neuvo®. This is taking Compumedics into a pre-existing, but new market for the Company, which has estimated current annual sales of about USD250m. Compumedics is well positioned to capture a 5% share of this global market over the next couple of years. Initially, however, the Company will continue to work towards establishing USD6m annually in incremental revenues as it builds its market share to 5%.

Finally, 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 (SHHS) coordinated by the US National Institute of Health. The SHHS has completed in the order of 20,000 sleep studies using Compumedics' portable monitoring equipment. Compumedics has been in the process of reinvigorating its USA HST business and expects some announcements relating to these developments in the near future.

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 and is currently implementing strategies it has formulated over recent times to aggressively pursue this emerging market with a low-cost but leading technology device derived from the Company's existing and award-winning Somté device.

Compumedics is well positioned to capture 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. Compumedics is now selling this device into all its key global markets.

What is Compumedics 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 the US, the Company is not issuing guidance at this time.

Beyond the current financial year, the Company expects to escalate revenue growth rates, whilst maintaining earnings growth and continuing to strengthen the Company's balance sheet. This will be dependent on the external environment stabilising, particularly in its key off-shore markets. Additionally the Company expects external market conditions 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 to the Company's existing product range and incremental to the financial performance of the Company.

Strategically, the Company is currently reviewing 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. The purpose of this review is to maximise the return to shareholders in the most appropriate manner from the Company's unique and broad spectrum of technologies and products.

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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.

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