



**ASX / MEDIA RELEASE**  
**Melbourne Australia**  
**31 August, 2012**

**Compumedics Limited**  
**Business Update: Appendix 4E Release**

***Current Performance Highlights:***

- Sales orders taken increased 7% over the previous year to \$32m on a constant currency basis. Sales orders shipped down 6% over prior year to \$28m on a constant currency basis. This was due to working capital constraints which are now close to resolution
- Record sales orders on-hand of \$6.4m at 30<sup>th</sup> June 2012 as a result of delayed shipments
- NPAT and EBITDA both impacted by delayed shipments at \$(2.8)m and \$(0.1)m respectively, compared to \$0.1m and \$0.7m respectively for the prior year. NPAT also impacted by write down of deferred tax asset (\$0.9m).
- Operating cash of \$1.4m up from \$(0.3)m in the prior year and bank debt reduced by 40% to \$2m at 30<sup>th</sup> June 2012
- US, Asian and DWL businesses all showed sales growth with sales orders taken, at 21%, 19% and 15% respectively, over the prior year, on a constant currency basis, offset by declines in Australia, Japan and Europe.

***Business Outlook:***

- The Company's articulated expansion strategy, focused on a bigger footprint in sleep diagnostics, expansion into neuro-monitoring and Long-Term EEG Monitoring (LTEM) market and entry into sleep-treatment, remains on track, as evidenced by the growth in sales-orders. This growth will be further enhanced as the factors affecting the historically high exchange rate abate and world markets continue to improve.
- Further, with working capital constraints close to resolution, the business will clear the current record sales orders on-hand and continue to build sales growth and positive earnings momentum in FY2013.

Leading Australia-based medical device company, Compumedics Limited (ASX: CMP), is pleased to announce continued significant sales order growth, with new sales orders taken for FY2012, 7% higher than the prior year, \$31.9m compared to \$29.9m, on a constant currency basis. The Company is disappointed this did not translate to shipped sales and reflected in reported revenues for the year ended 30<sup>th</sup> June 2012, being \$27.9m compared to \$29.7m for the prior year, on a constant currency basis. This was an outcome of the Company not being able to obtain adequate working capital funding in a timely manner. This issue is in the process of being resolved.

As a consequence the Company was holding record sales orders on-hand of approximately \$6.4m and generated a loss before tax of \$1.9m compared to a profit of \$0.1m for the prior year. Earnings before interest, tax, depreciation and amortization (EBITDA) were a loss of \$0.1m for the year ended 30<sup>th</sup> June 2012, down on last year's \$0.7m positive EBITDA result. Earnings were directly impacted by the Company's inability to ship a significant proportion (at least \$4.5m) of the sales orders on-hand by 30<sup>th</sup> June 2012. Had more normal working capital conditions prevailed and the Company shipped an additional \$4.5m of sales-orders, the Company would have generated profits after tax of between \$0.5m and \$1.0m and an EBITDA result between \$2.2m and \$2.7m. With the working capital constraints that led to this situation close to being resolved, the Company expects to be able to ship these sales-orders on-hand through the first half of FY2013, in addition to the forecast sales-orders for this period.

The following table highlights the key financial performance measures on this basis.

	<b>FY2012</b>	<b>FY2011</b>	<b>Variance</b>
<b>Sales orders taken – constant currency</b>	<b>\$31.9m</b>	<b>\$29.9m</b>	<b>7%</b>
Revenues – as reported	\$27.9m	\$30.9m	(10)%
<b>Revenues – constant currency</b>	<b>\$27.9m</b>	<b>\$29.7m</b>	<b>(6)%</b>
EBITDA – as reported	\$(0.1)m	\$0.7m	n/a
NPAT – as reported	\$(2.8)m	\$0.1m	n/a

### **Highlights and Achievements for Compumedics for the year ended 30 June, 2012**

- Sales orders taken for the year ended 30<sup>th</sup> June 2012 were \$31.9m a 7% increase on the \$29.9m in sales orders booked for the prior year, in constant currency
- EBITDA was approximately break-even for the year ended 30<sup>th</sup> June 2012, despite the inability to ship all the sales orders received
- Operating cash was significantly higher at \$1.4m for the year ended 30<sup>th</sup> June 2012, compared to negative operating cash of \$(0.3)m for the prior year
- Most of this operating cash was utilised to repay bank debt resulting in bank debt declining by 40% to just under \$2.0m at 30<sup>th</sup> June 2012, compared to \$2.8m for the prior year



- The US business performed strongly with total sales orders taken 21% higher – USD10.5m compared to USD8.7m for the prior year
- The US neuro-diagnostic business took sales orders 118% higher than the prior year – USD2.4m compared to USD1.1m
- Sales orders taken in Asia were 19% higher than the prior year, with continuing strong growth out of China driving most of this overall sales-order growth
- As a consequence the Company had record sales orders on-hand at 30<sup>th</sup> June 2012 of \$6.4m.

### **Core diagnostic medical-device business separated from medical innovation business**

As commenced last financial year, Compumedics is pleased to report to market, both aggregated and disaggregated financial performance attributable to its core diagnostic medical-device business and its investment in technologies and products being developed in its medical innovation business. The Company believes the disaggregated information provides the investment community with a clearer and more transparent picture of these two distinct activities currently being undertaken within the Company.

The Company's core diagnostic medical-device business encompasses the technology and products currently sold globally for the diagnosis and/or monitoring of sleep disorders and neurological disorders, and for the monitoring of blood flow through the brain. It also includes products and technology used in advanced brain function research.

The Company's medical innovation business principally includes technologies and products for the treatment of sleep disorders and less developed technologies for driver fatigue monitoring and depth of anaesthesia monitoring.

	<b>Earnings adjusted for unrealised FX losses</b>					
AUDm	<b>Medical diagnostic devices</b>		<b>Medical Innovation</b>		<b>As Reported</b>	
	<b>FY2012</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2011</b>
Revenues	27.4	29.8	0.5	1.1	27.9	30.9
R&D expense	3.0	3.4	1.6	1.3	4.6	4.7
<b>EBITDA</b>	<b>0.5</b>	<b>3.1</b>	<b>(0.6)</b>	<b>(1.0)</b>	<b>(0.1)</b>	<b>2.1</b>
<b>EBITDA to revenue</b>	<b>1.8%</b>	<b>10.4%</b>			<b>0.0%</b>	<b>6.8%</b>
Depreciation and amortisation	(0.4)	(0.4)	(0.8)	(0.6)	(1.2)	(1.0)
EBIT	0.1	2.7	(1.4)	(1.6)	(1.3)	1.1
Finance charges	(0.5)	(0.4)	-	-	(0.5)	(0.4)
Tax (exp)/credit	(1.0)	0.8	-	-	(1.0)	0.8
<b>Net profit after tax (NPAT)</b>	<b>(1.4)</b>	<b>3.1</b>	<b>(1.4)</b>	<b>(1.6)</b>	<b>(2.8)</b>	<b>1.5</b>
<b>NPAT to revenue</b>	<b>(1.8)%</b>	<b>10.4%</b>			<b>(6.8)%</b>	<b>4.9%</b>
Operating cash	2.0	0.7	(0.6)	(0.9)	1.4	(0.2)
Total assets	16.0	18.2	3.9	4.4	19.9	22.6

## Highlights and Achievements for the “diagnostic” medical-device businesses for the year ended 30 June 2012:

- Sales orders taken for the year ended 30<sup>th</sup> June 2012 were \$31.9m a 7% increase on the \$29.9m in sales orders booked for the prior year, in constant currency
- EBITDA was \$0.5m for the year ended 30<sup>th</sup> June 2012, despite the inability to ship all the sales orders received
- Operating cash was significantly higher at \$2.0m for the year ended 30<sup>th</sup> June 2012, compared to \$0.7m for the prior year
- Most of this operating cash was utilised to repay bank debt resulting in bank debt at 30<sup>th</sup> June 2012 being just under \$2.0m, 40% lower than the \$2.8m for the prior year
- The US business performed strongly with total sales orders taken 21% higher – USD10.5m compared to USD8.7m for the prior year
- The US neuro-diagnostic business took sales orders 118% higher than the prior year – USD2.4m compared to USD1.1m
- Sales orders taken in Asia were 19% higher than the prior year, with continuing strong growth out of China driving most of this overall sale order growth
- As a consequence the Company had record sales orders on-hand at 30<sup>th</sup> June 2012 of \$6.4m.

## Highlights and Achievements for the medical innovation business for the year ended 30 June 2011:

- NPAT for the medical innovation business was a loss of \$1.4m for the year ended 30<sup>th</sup> June 2012. This largely resulted from investment in products and technologies primarily for the sleep-treatment market. This result compares with a \$1.6m loss for the prior year
- EBITDA for the medical innovation business was a loss of \$0.6m, largely reflecting the amortisation associated with the capitalised development costs for the sleep-treatment device, SomniLink® SPAP®
- Revenues for the medical innovation business were \$0.5m for the year ended 30 June 2012. The revenues were generated almost entirely from the Company's CardioSleep Services® business in the US, which has now been wound down. This compares to revenues of \$1.1m in the prior year
- The patented SomniLink® SPAP® sleep-treatment device is in the process of being re-submitted for FDA review
- The Company has substantively completed the process of transitioning manufacture of the SomniLink® SPAP® to our Taiwanese sub-contractor whom we have used over many years.

## Key Growth Opportunities

The Company believes current key growth opportunities derive from the following primary initiatives:

1. Continuing the current two to three-fold expansion of the Company's core sleep and neuro medical diagnostic device sales focus in the Company's key US and European markets
2. Continuing Compumedic's expansion into the global Long-Term EEG Monitoring (LTEM) market with its new innovative LTEM device, Neuvo®. Having secured initial



sales of the device in the critical US market the Company will continue to expand its market penetration in this and other major geographic markets

3. The evolution of the home-sleep-testing (HST) market in the US as a result of changes to US private and government funding of HST and the expected growth in sales of small, limited channel sleep-diagnostic screener devices.

During the financial year 2012 the Company has continued a major renewal and expansion of Compumedics' US- based direct sales team. This has involved expanding the existing sales team in the US to ensure Compumedics has a footprint over all major markets within the US. The Company also implemented changes to its Australia-based sales team during the financial year ended 30 June 2012. These changes together with a renewed focus in the German market will enable Compumedics to further underpin the revenue growth achieved in the financial year ended 30<sup>th</sup> June 2012, as evidenced by the sales orders taken.

As noted, Compumedics has entered the LTEM market, a new and incremental market for Compumedics, with the launch of its innovative LTEM product, Neuvo® about one year ago. This is taking Compumedics into a pre-existing, but new market for the Company, which has estimated current annual sales of about USD200m in the US and globally approximately USD400m. Compumedics is well positioned to capture a 5% share of this global market over the next few years. Compumedics has achieved approximately \$4m in annual incremental revenues from this market over the last two years and will look to expand this through to the initial target of a 5% global market share.

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 US HST business and expects some announcements relating to these developments in the near future. The Company has a consistent track record of winning technological awards for its new products.

The HST market in the US is still emerging and growth has been hampered by low reimbursement rates and general uncertainty over reimbursements across the sleep-diagnostic market. It is expected these issues will be resolved early in 2013. Compumedics has therefore continued to focus to-date on its traditional customer base but 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.

## 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, the Company is not issuing specific financial guidance at this time.

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 mergers, acquisitions, or alliances 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 continues to review 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.

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#### About Compumedics

Compumedics Limited was founded in **1987** by current Chairman/CEO Dr. David Burton and today 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 computerized 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, with over 8,000 participants scheduled by 2008. With headquarters in Melbourne, Australia and offices in the United States and Europe, its 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 Germany-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 its innovative Somte® recorder product. In **2007**, Compumedics and its Chairman were inducted into the Victorian Manufacturing Hall of Fame. In **2008** the DWL division received a top 100 German Innovation award. With 20,000 systems installed globally across the finest hospital, universities and clinics 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. In **2010** Compumedics was recognized by the Australian Innovation Government and Industry body as one of Australia's Top 100 Health Innovators through its world leading devices for sleep diagnostics. In **2011** Compumedics was selected as one of the 25 innovative Australian companies by the Australian Governments Department of Innovation, Industry, Science and Research (Industry). For further background please visit: [www.compumedics.com](http://www.compumedics.com) <http://www.compumedics.com>