



Financial Results for Year Ending June 30, 2005

➤ RECORD REVENUES OF \$38 MILLION

Melbourne Australia, Tuesday, September 13, 2005

Medical diagnostics company, Compumedics Ltd (ASX: CMP) today reported financial results for the year ended June 30, 2005.

Revenues for the year ended June 30, 2005 were \$38 million, a 12% increase over the year ended June 30, 2004, and a loss after tax of \$3.9m, compared to a profit of \$2.4m for the previous corresponding period. The trading result was affected by lower sales in the core business, one-off costs associated with the acquisition of DWL in the US, restructuring costs associated with global sales and marketing, and non-cash foreign-exchange losses associated with the US and European businesses as the Australian dollar continued to appreciate against these currencies. Below par operational margins also contributed to the loss. This disappointing result is being addressed by an operational restructure and a series of cost reduction initiatives are now under way. Increased marketing and sales expenses have been incurred to underpin future growth.

Compumedics' Executive Chairman & CEO, David Burton, said: "This year was an extraordinary year of correction and adjustment at Compumedics. While we have felt some short-term pain, I believe we are making the hard decisions and changes necessary to sustain growth and return to profitability moving forward. Currently the strength of the sales pipelines and the outcomes of our cost-reduction programs appear to reflect positively for the financial year ahead. The company must continue on its growth trajectory to increase its value. Our technology and market developments are on target and we expect sustainable revenue growth with profits and cash generation to return in 2006."

Earnings before interest, tax, depreciation and amortization (EBITDA) declined to a loss of \$2.6m for the year ended June 30, 2005 compared to a \$2.9m profit in the previous corresponding period.

Research and development expenses, at \$7.8m for the year ended June 30, 2005, were 21% of revenues. "This high level of investment in R&D reflects Compumedics' continued strategic commitment to sleep- and brain-function technology, along with our thriving pipeline of new products and technology, underpinning our above industry-average sales growth. The increase in R&D expenditure as a percentage of sales was primarily driven by the acquisition of DWL in the current year. Compumedics expects that, as it continues to grow, R&D expenses will level out to around 12% of revenues on an on-going basis within 3 years, while also serving to underpin many years of sustainable growth," said Mr. Burton.

Net cash for the year ended June 30, 2005 decreased by \$3.7m. This compares to a \$2.9m increase in cash for the year ended June 30, 2004. The decrease in cash was driven by the operating performance of the business, which is being addressed. In addition, the Company repaid loans of \$1.4m and paid a dividend of \$0.7m.

The full year results are summarised below:

AUD \$ million	12 months to June 30 2005	12 months to June 30 2004
Operating Revenue	38.1	34.0
EBITDA	(2.6)	2.9
EBIT	(3.9)	2.4
Profit after Tax	(3.9)	2.4
Gross Margin	53%	59%
EBITDA/Op. Revenue	(7%)	9%
Profit after tax/Op. Revenue	(10%)	7%

Other highlights for the year included:

- Acquisition of the DWL business in September 2004, adding world-class blood-flow Doppler technology to the Compumedics Group as well as a European base for future expansion of the Compumedics Group in that territory
- Release of Curry 5.0. Curry 5.0 represents the world's leading source-reconstruction software for brain-research. Importantly, this software has application to the clinical market, initially focused on epilepsy
- Employment of Vice President Sales, Americas and Vice President Marketing, Americas in May and June 2006 respectively
- Employment of European Business – Director in May 2005 and Asia Pacific Business – Director in July 2005
- Continued expansion of the Neuroscan business into one of the world's leading economies, China, with 30 of our 128-channel brain-research systems now installed in that country
- Establishment of strengthened sales, marketing and operational structures and leadership, designed to strengthen the sales force, and reduce costs through ongoing elimination of waste

Regional Performance

Whilst overall, results for each business segment declined, at a consolidated level there was growth reported in geographic areas within the business segments.

The sleep-diagnostics business grew in the USA, as already noted, although not at historical rates of growth. This growth in the USA was offset by sales declines in both Europe and Asia as a result of the sales and management issues there. In addition, Dräger Medical did not perform under our distribution agreement, so the agreement has been terminated effective July 31, 2005 in the current financial year. As a consequence, the business has employed a sales and marketing manager for the European business to re-build the distribution channels there. Compumedics is taking legal action against Dräger Medical for failure to perform under a distribution contract and for specific breaches of the contract.

The Brain Research (Neuroscan) business declined in the USA as a consequence of reduced funding for such activities in light of commitments to the Iraq war. Sales in Asia Pacific and Europe, however, improved as funding issues do not exist in these markets. In particular, China has seen significant growth with over 100 installations of Synamp2 now booked into the Chinese market.

The Neurosciences business, comprising clinical EEG (electroencephalography) and DWL is an area of significant investment for the company, with clinical EEG being a much larger market opportunity for the business in the long term. This area also reflects the acquisition of the DWL business and the costs involved with the acquisition incurred in the past financial year.

New Products

Compumedics continues to build a strong pipeline of new products and technologies across its sleep-diagnostics, neuro-diagnostics and brain-research markets.

Expected product releases in 2006 are:

- Maglink version 2 – the next generation of brain-research technology for recording EEG in the MRI (magnetic resonance imaging).
- Profusion 3.0 – a completely new version of Compumedics' core sleep-diagnostic software
- Nexus – further enhancements and modules for Compumedics' health-network and lab-management solutions software
- Neuvo EEG- a new generation EEG-monitoring system
- Stim RT – the next generation of brain-research stimulatory hardware.

Outlook

As stated in the updated guidance to market on July 22, 2005 the company expects that it will build on its 2005 performance during 2006, delivering revenues of at least \$44 million.

The company announced during the fourth quarter of last financial year the initiatives being taken to strengthen the sales and marketing teams in the US and Europe with appointments of high-performance executives. The business has also strengthened its Asia-Pacific sales and marketing resources during late June and July 2005.

These appointments indicate that the company is likely to be able to continue to achieve sustainable revenue growth-rates. Also, given other initiatives, including cost reduction and further efficiency gains, the company expects to operate profitably in financial year 2006.

The strategy of the Company remains sound. In particular, discussions continue with USA advisers and investors as the Compumedics business is particularly strong in the USA where some 50% of the Company's revenue and people are now based.

A further strategic focus for the year ahead will see intense focus upon new value-adding medical-innovation outcomes, while at the same time restraining R&D expenditure.

While our Company is relatively young, it is evident that we have captured technology and market leadership in 3 key areas of medical diagnostics that were only invented or discovered in the 1980s, and were only scientifically validated in the 1990s.

We are only just beginning to see the rapid commercialisation of these technologies. Compumedics' sales have increased from \$8m in 2000 to the current \$38m pa, with 12,000 Compumedics' systems installed in many of the most prestigious institutions and hospitals worldwide.

Compumedics pioneered the sleep-diagnostic industry following the discovery of continuous positive-airway pressure-treatment (CPAP) in 1981 at Sydney University by Professor Colin Sullivan. Sydney University was a founding reference site. Today, Compumedics is the fastest growing sleep-diagnostic company in the USA (5 years of 35% growth), the number

one PSG sleep-diagnostic company in Australia (80% market share), Japan (50%), and China, amongst other countries.

The discipline of cognitive neuroscience and the associated fields of neuropsychology/neurophysiology and instruments for measuring brain function were pioneered by Compumedics' subsidiary, Neuroscan. Neuroscan has equipped 3,000 of the world's leading research institutions including Albert Einstein, Mayo and Stanford, and has an 80% market share of the neurophysiological research institutions worldwide. Compumedics purchased Neuroscan in April 2002.

Transcranial Doppler (TCD) was discovered by Rune Aaslid in 1982 and DWL of Germany thereafter developed the field so that today CMP-DWL is the technology and market leader in that field. Germany is the most active Doppler blood-flow measurement market in the world, due in part to the TCD invention in Austria and DWL's pioneering development of the German market where they hold 50-60% market share. CMP purchased DWL in September 2004.

Our main objectives remain focused, and our resolve to improve margins through ongoing elimination of waste, while maintaining our high growth remains firm. We look forward to communicating with shareholders as we stay the course, lift our game, and improve our company's value.

For further information:

David Burton
Executive Chairman, CEO
Phone: +61 3 8420 7300
Fax: +61 3 8420 7399

David Lawson
CFO/Company Secretary
Phone: +0011 1 915 225 0319
Fax: +0011 1 915 845 2965

About Compumedics

Compumedics Limited, founded in 1987, is a global leader in the design and manufacture of diagnostic technology for sleep disorders, neurophysiology and cardiology. In 1987 Compumedics established Asia Pacific's first fully computerised sleep laboratory.

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.

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 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, enabling Compumedics to expand its global operations into the neuro-vascular and cardio-vascular diagnostic fields.

Compumedics is a global medical diagnostic company with world leadership in three of the most exciting high-growth sectors and some 1200 systems installed, including 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.

Today, the company has increased its sales more than 4 fold from \$9 million to \$38 million, reflecting its continued commitment to an effective sales and R&D organisation.

www.compumedics.com