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Compumedics Limited
Business Update: Appendix 4D Release

Half Yearly Report Revenues and Profitability Continue their Grow Trajectory

Current Performance Highlights:

- NPAT more than doubled to \$0.9 million and EBITDA up 46% to \$1.9 million for the half-year ending 31 December 2013, compared to \$0.4 million and \$1.3 million in the previous corresponding period (PCP).
- Revenues shipped and invoiced were up 8% to \$15.6 million, compared to \$14.5 million for the PCP. The Company achieved overall sales-order growth of 6% over the PCP. Importantly sales-order growth of 13% was achieved in Asia (including China), 10% in DWL (Compumedics Germany based transcranial Doppler [TCD] business), 6% in the USA and 4% in Australia, Europe was steady with sales orders over the PCP.
- The Company is currently considering several options for realising its eHealth sleep diagnostic platform and its DWL business.

Business Outlook:

- Strong growth outlook in neurology and sleep business :
 - \$34 million sales; Growth >10%; EBITDA \$4–5 million
- Strong Neurology monitoring growth platform – small market share in a large market
 - Asian EEG - largest segment of about \$900 million brain monitoring device market
 - Asian EEG - 2013 \$81.8 million PA to \$133.0 million by 2018, CAGR: 10.40%
- Strong sleep diagnostic growth into home sleep testing – expanding and larger HST market augmenting traditional PSG (polysomnography) testing
 - Apnoea Diagnostic and Therapeutic Devices market is to grow at a CAGR of 16.4%
 - Sleep Disorder Clinics in the US: Revenues \$7bn; CAGR: 9.8% PA
- Break-out medical innovation opportunities (i.e. eHealth)
 - 5-year growth outlook: wearable technology \$50- 70 billion ; mHealth \$22 billion; telemedicine \$35 billion
- Capitalisation review is now underway

Leading Australia-based medical device company, **Compumedics Limited (ASX: CMP)** ("**Compumedics**" and "**Company**"), is pleased to announce profitability and revenue growth for the half year ending 31 December 2014.

Comparable shipped and invoiced sales were \$15.6 million compared to \$14.5 million in the previous corresponding half year. Importantly, Net Profit After Tax (NPAT) grew to \$0.9 million compared to a \$0.4 million for the previous corresponding half year. As a result, the Company grew EBITDA, to \$1.9 million, an increase of \$0.6 million on the PCP \$1.3 million result.

The Company took \$13.8 million of new orders in the half year, resulting in \$3.9 million worth of sales orders on-hand at 31 December 2014, a significant improvement from the \$6.0m of sales-orders on hand at 30th June 2014.

Table 1 highlights the key financial performance measures on this basis.

Table 1

	H1 FY2014	H1 FY2013	Variance
Revenues – as reported	\$15.6m	\$14.5m	8%
EBITDA – as reported	\$1.9m	\$1.3m	46%
NPAT – as reported	\$0.9m	\$0.4m	125%

Highlights And Achievements For Compumedics For The Half-Year Ended 31 December, 2014:

- NPAT of \$0.9 million compared to \$0.4 million for the PCP. EBITDA was \$1.9 million compared to \$1.3 million in the PCP, as a result of ongoing efficiency gains in manufacturing, and the favourable impact of the lower Australian Dollar and increased shipments.
- Shipped and invoiced sales were 8% higher at \$15.6 million compared to \$14.5 million for the PCP.
- Cash on hand increased to \$1.6 million at 31 December 2014, compared to \$1.1m at 30 June 2014. Debt levels were slightly higher due to the new EFIC facility at \$2.5 million at 31 December 2014 compared to \$2.0 million at 30 June 2014.
- The Company had sales orders of \$3.9 million on-hand at 31 December 2014, which was an improvement on the \$6.0m sales orders on hand at 30th June 2014.
- The Company largely completed the transition of its EEG cap production to lower-cost Asia and is now working on transitioning production of its main sleep devices to Asia. These activities are scheduled for completion by the end of calendar 2015.

Table 2 shows the results for the six months to 31 December.

Table 2

AUDm	Medical diagnostic devices		Medical Innovation		As Reported	
	2014	2013	2014	2013	2014	2013
Revenues	15.6	14.5	0.0	0.0	15.6	14.5
R&D expense	2.4	2.1	0.7	0.4	3.1	2.5
EBITDA	2.6	1.7	(0.7)	(0.4)	1.9	1.3
EBITDA to revenue	17%	12%	-	-	12%	9%
Depreciation and amortisation	(0.3)	(0.3)	(0.4)	(0.3)	(0.7)	(0.6)
EBIT	2.3	1.4	(1.1)	(0.7)	1.2	0.7
Finance charges	(0.3)	(0.3)	-	-	(0.3)	(0.3)
Tax (exp)/credit	(0.0)	(0.0)	-	-	(0.0)	(0.0)
Net profit after tax (NPAT)	2.0	1.1	(1.1)	(0.7)	0.9	0.4
NPAT to revenue	13.0%	8%	-	-	6%	3%
Operating cash	1.1	1.0	(0.7)	(0.4)	0.4	0.6

Core diagnostic medical-device business separated from medical innovation business

Compumedics is pleased to report to the market, both aggregated and disaggregated financial performance, which is 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 streams 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 primarily includes technologies and products for the treatment of sleep disorders and less developed technologies for driver fatigue monitoring and depth of anaesthesia monitoring.

Key Growth Opportunities

The Company remains committed to its strategic growth plans, whilst at the same time improving productivity and efficiency throughout the business in order to continue to generate consistent and growing profits.

As previously noted, Compumedics has entered the LTEM market, a new and incremental market, with the launch of its innovative LTEM product, Neuvo®. This takes Compumedics into a pre-existing, but new market for the Company, which has estimated current annual sales of about US\$200 million in the US and approximately US\$400 million globally.

Epilepsy diagnosis and monitoring is a key target for the Neuvo® product. The US-based Epilepsy Foundation estimates that more than 3 million people in the US are affected by epilepsy with 200,000 new cases each year. Compumedics has made significant investments in product development, targeting the neurodiagnostics market to leverage its expertise in high-end amplifier design and physiologic signal processing. The combination of the Neuvo® LTEM system and the CURRY® neuroimaging analysis software suite, some of which is covered by patents, makes it easier for epileptologists and neurosurgeons to identify which specific regions in the brain are most likely to be the cause of severe seizure activity in an afflicted patient. As such the LTEM market provides another solid opportunity for growth for the Company over the foreseeable future.

In the Company's core sleep diagnostic business, Compumedics has the most sophisticated and advanced range of portable sleep-monitoring systems of any of the companies competing in these markets. The Company continues to be recognised as a leading sleep diagnostic company globally and as such the global sleep diagnostic markets continue to offer opportunities for growth, particularly in Asia Pacific and specifically China.

In addition, China represents a unique emerging market opportunity for Compumedics' complete range of diagnostic and monitoring systems, particularly given the country's close proximity and strong trade relations with Australia, coupled with Compumedics' time-earned reputation and establishment of premier reference centres throughout China. As China rapidly builds and expands its basic health infrastructure, mainly due to a continuously growing middle class, the focus will inevitably turn to new areas of health management, including sleep and neural disorders and brain blood-flow ultrasonography. This will provide a measurable upside for companies as well positioned and established as Compumedics in this space. Compumedics is participating already in this upside as revealed in recent business wins in China for its ultrasonography (DWL) products.

Strategic options

Compumedics currently has a number of unique technology applications focused on the emerging eHealth market for both professional and consumer sleep analysis and monitoring. The Company is currently engaged in discussions with third parties as to how best to scale up and commercialise these technologies, based on the incremental revenue aspect and the strength of the contracts won in China during the second half of last calendar year. More announcements will be made in relation to this as the Company pursues and concludes its milestones around funding, distribution and sale of this technology and service package.

Financial Outlook

Compumedics expects the identified key growth opportunities to continue to deliver an increase in revenues and earnings in the current financial year.

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 eHealth markets as new products and technologies are rolled out
- 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, as the business continues to demonstrate growth and profitability

Strategically, Compumedics continues to review all business development options available to fully unlock the commercial potential within the range of technologies and products that the Company currently has or is developing.

About Compumedics Limited

Compumedics Limited (ASX: CMP) is a medical device company involved in the development, manufacture and commercialisation of diagnostics technology for the sleep, brain and ultrasonic blood-flow monitoring applications. The Company owns US based Neuroscan and Germany based DWL Elektronische GmbH. In conjunction with these two subsidiaries, Compumedics has a broad international reach, including Americas; Australia and Asia Pacific; and Europe and the Middle East.

Executive Chairman, Dr David Burton, founded Compumedics in 1987. In the same year the Company successfully designed and installed the first Australian, fully computerised Sleep Clinic at Epworth Hospital in Melbourne. Following this early success, Compumedics focused on the development of products that sold into the growing international sleep clinic and home monitoring markets. Compumedics listed on the Australian Securities Exchange in 2000. Over the years, Compumedics has received numerous awards and accolades including Australia's exporter of the year and has been recognised as a Top 100 Innovator by both German and Australian Governments.

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