

‘Defining *Life’s* Signals’



Annual General Meeting • November 2006

Agenda

- Meeting opens
- Chairman's address
- Ordinary business
- Meeting closes



Chairman's Address

Outline

1. Financial review – June 30, 2006.
2. Recent performance – 2005 issues faced.
3. Where we finished last year – 2006 financial year.
4. How we are currently trending - Q1 2007 update.
5. Strategy going forward.
6. Latest ASX releases to market:
 - Recovery affirmation – 20 November 2006
 - SHIL collaboration: Stroke diagnosis and treatment – 21 November 2006

Recent performance: 2005 issues faced

A short re-cap :

- Compumedics expanded rapidly over the period 2001 through to 2006, growing revenues 4-fold from \$9m to \$38m.
- Earnings in the same period were variable but not out of the ordinary for a small technology business expanding internationally.
- Compumedics acquired Neuroscan in Texas, USA during April 2002 and DWL in Singen, Germany during September 2004.
- In May 2003 the company initiated a restructure.
- The revised management and structure struggled.

The Solution

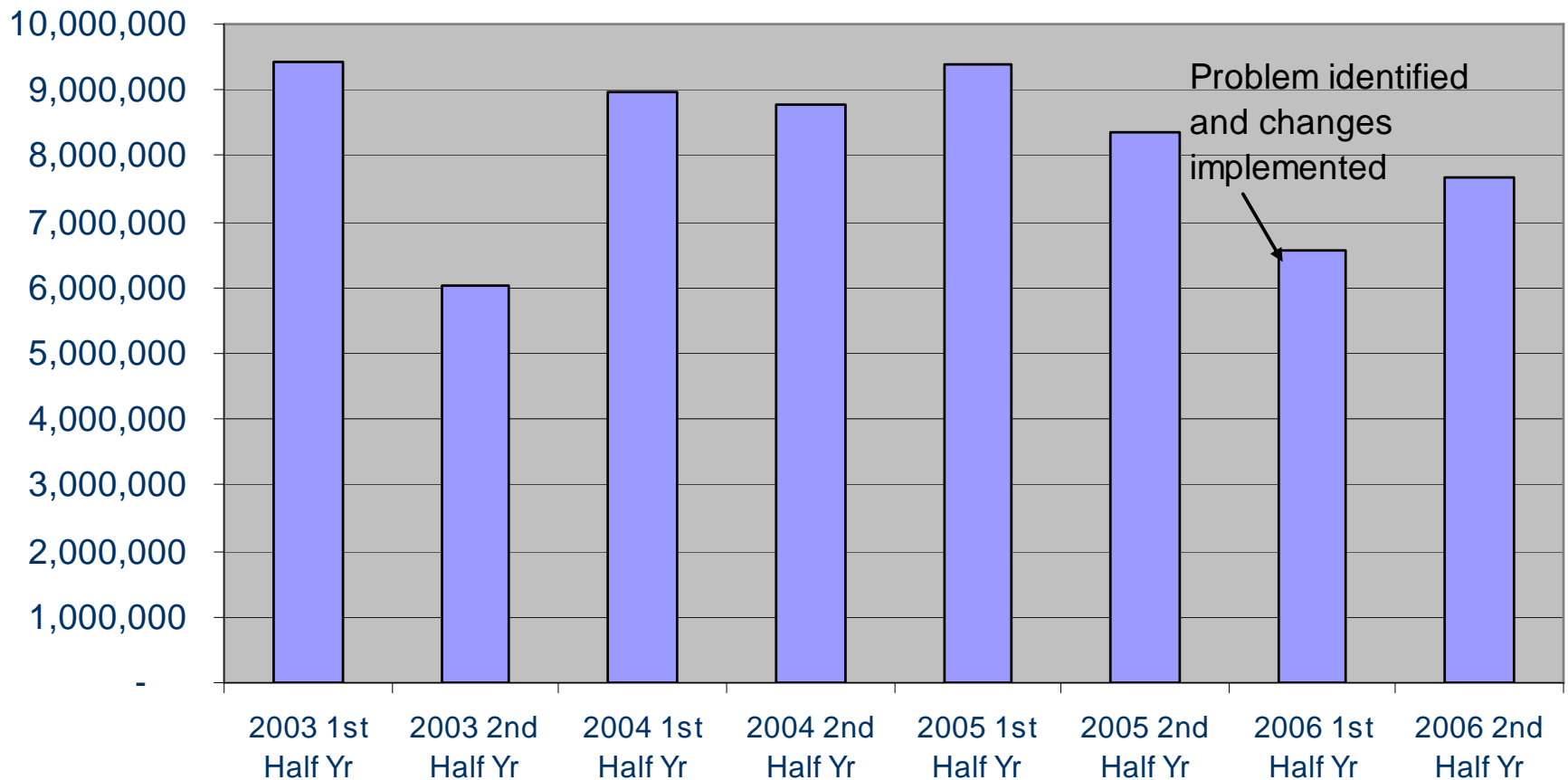
- In August 2005 the Company corrected the 2003 structure and strengthened operational and Sales & Marketing management across the USA and the rest of the world.
- A rapid performance recovery program was also instigated.
- After the 6 months to June 2006 the Company announced its return to profitability.
- In the quarter ending September 2006 the Company affirmed its performance recovery with a 44% USA sales increase compared to previous equivalent period, major USA contracts, and confirmation of its Neuroscan acquisition strategy with a AUD4m German clinical EEG contract.

Recent Performance: 2006 – Where we stand today

- New USA, Asian and European sales management in place.
- Major expense reduction, and controls introduced to deliver sustainability in earnings moving forward (\$4m annualised).
- Reduction of inefficiencies and waste.
- Real time business performance transparency through key measures across the entire business.

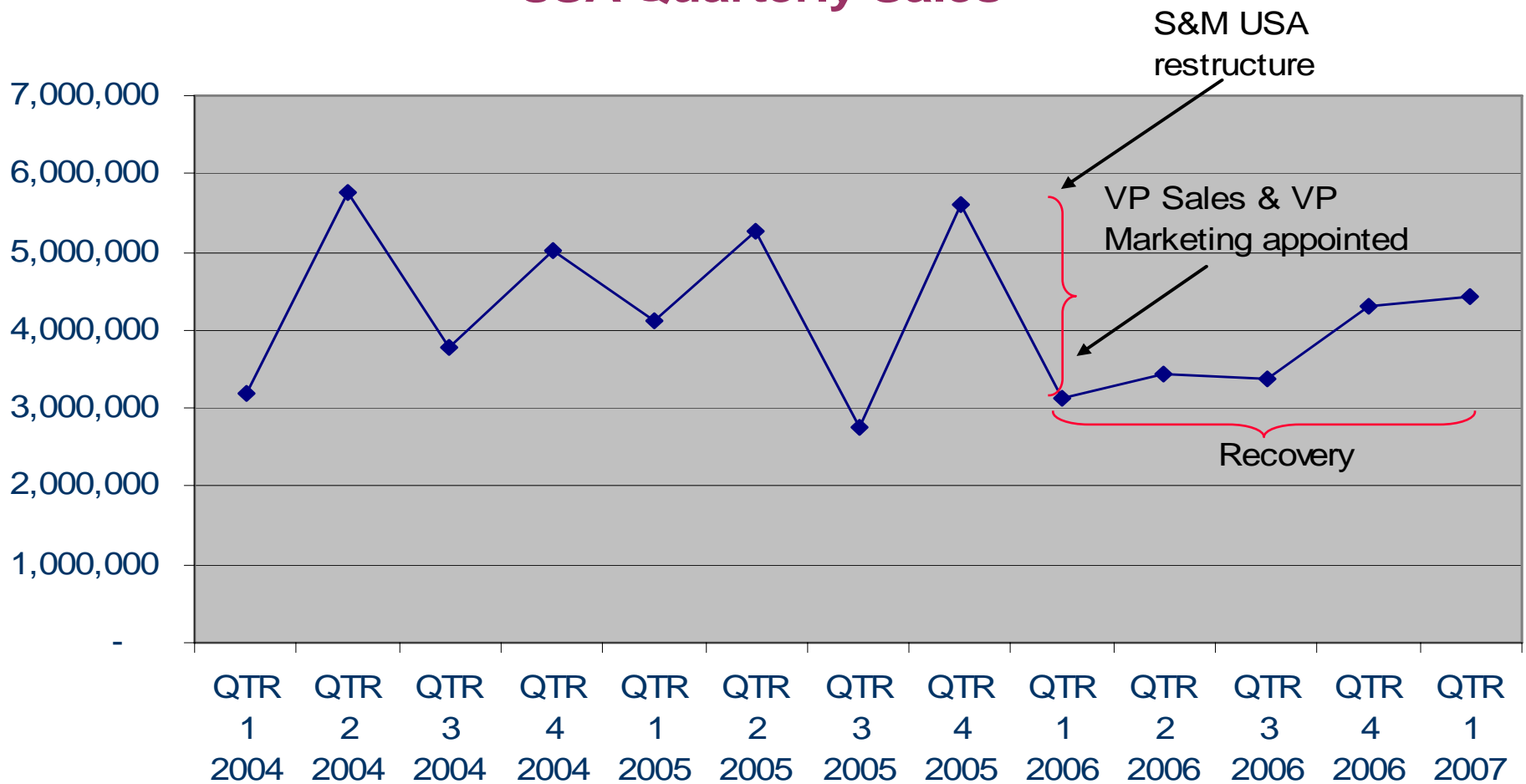
USA sales problem identified

USA Annual Sales



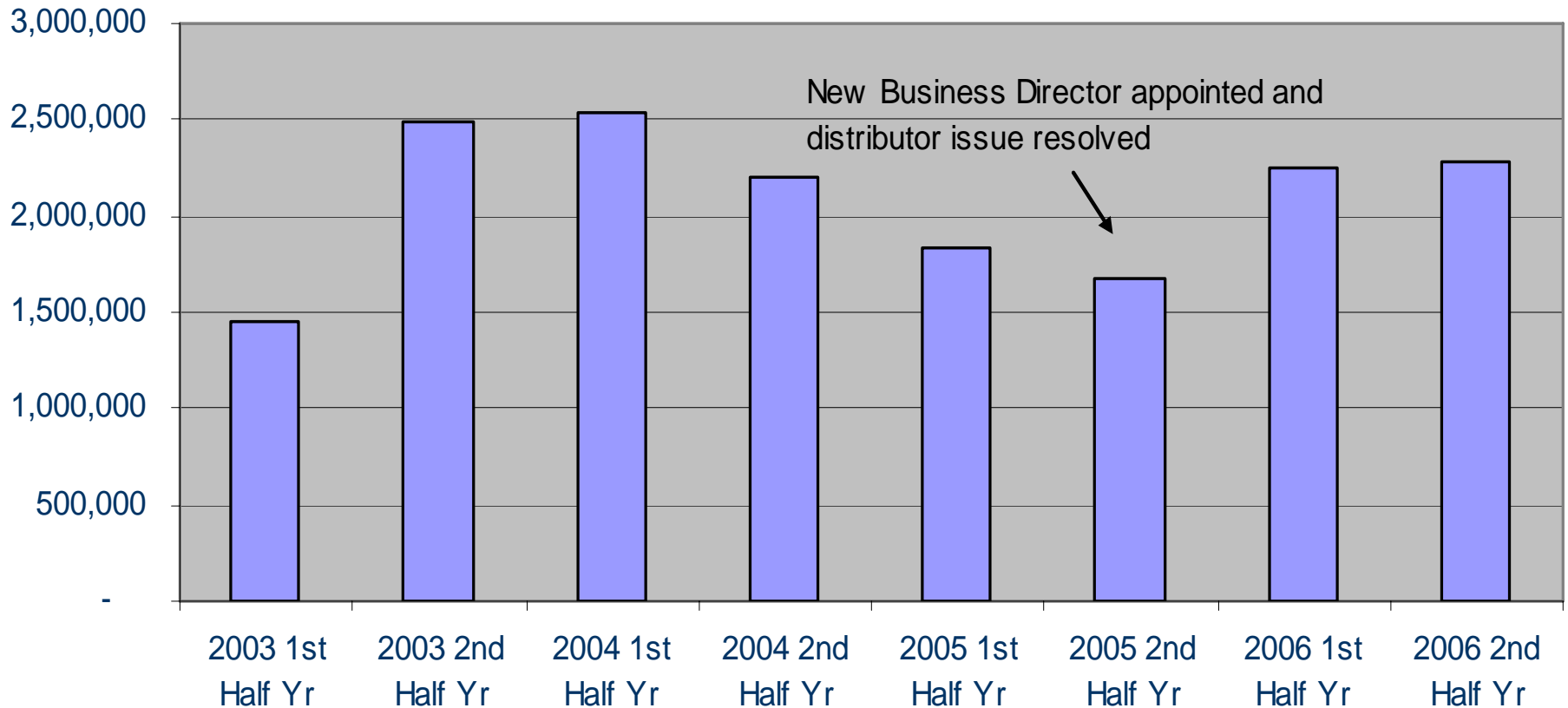
USA sales improving

USA Quarterly Sales



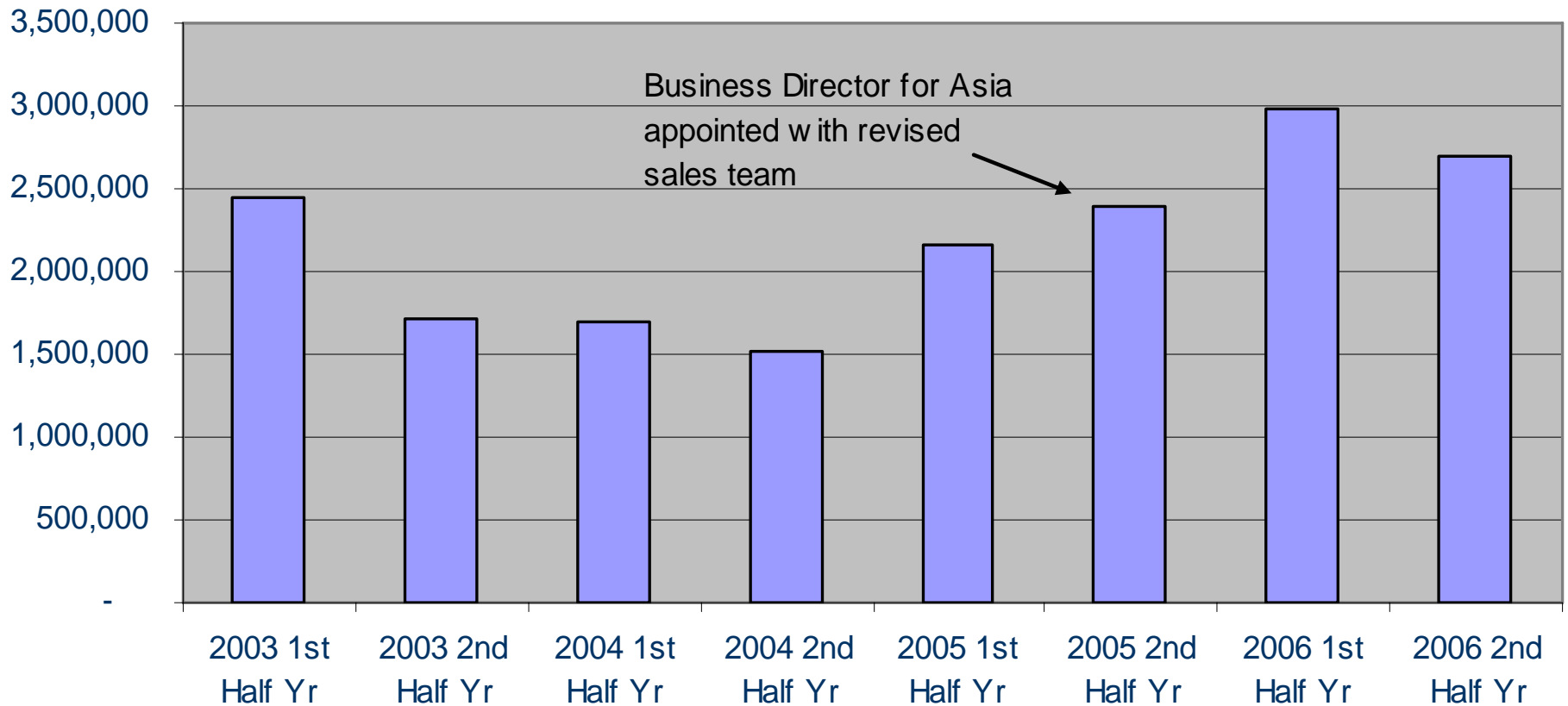
European sales improving

European Annual Sales



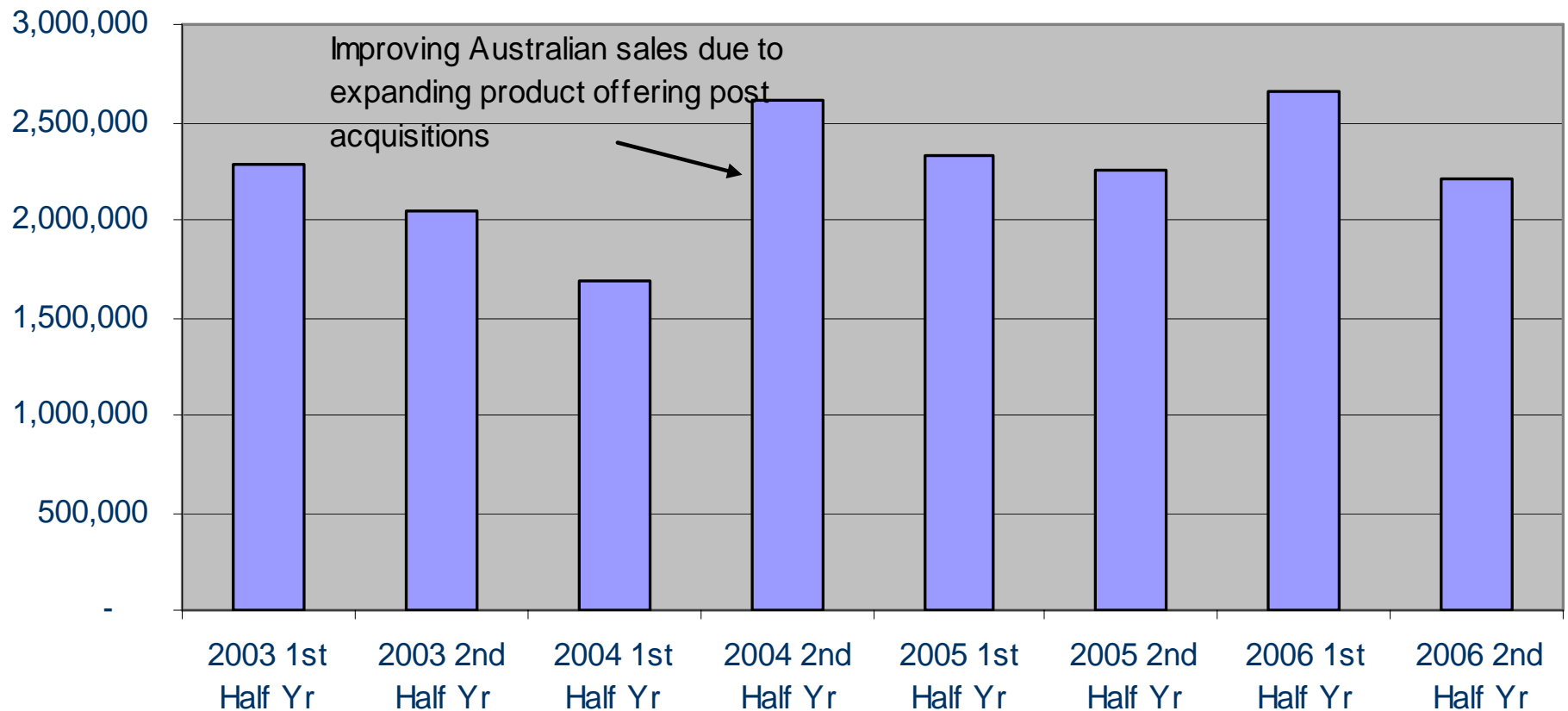
Asian sales improving

Asian Annual Sales



Australian sales growing

Australian Annual Sales



Recent Performance: 2006 – Where we stand today

- Revenues for the full year to June 30, 2006 were \$37.7m or slightly down (1.8%) on last year, while costs in the same period were reduced 6.3%.
- Impact of legal dispute on after-tax profits for the year approximately \$1.1m net of legal fees.
- Losses after-tax have been reduced from \$3m at the half-year to \$1.6m for the full year. Adjusted for extraordinary legal fees this becomes \$0.6m.
- Cost reductions on an annualised basis of \$4m taken out of the business, \$1.5m of which is in the current year's results.

Recent Performance: 2006 – Where we stand today

- The USA sales finished the year down on last year's sales by negative 18% but importantly finished the second half positive 18% higher than the first half. The first time in 2 years the US business has posted growth 2nd half over the 1st half.
- Improvements were seen in the USA average discounting and subsequent positive impact on profitability.
- The European business grew by 40% from \$3.3m to \$4.6m for the full year ended June 30, 2006 compared to the same period last year.

Recent Performance: 2006 – Where we stand today

- The Asian business (excluding Japan) grew by 51% from \$3.9m to \$5.9m for the full year ended June 30, 2006 compared to the same period last year.
- The DWL business grew by 7% from \$5.4m to \$5.8m for the full year ended June 30, 2006 compared to the same period last year.
- The Australian business grew by 2% from \$4.8m to \$4.9m for the full year ended June 30, 2006 compared to the same period last year.

Recent Performance: 2006 – Where we stand today

- The business has removed approximately \$4.0m in expenses on an annualised basis.
- The sources of costs were removed from the business commencing October 2005 and were largely completed by March 2006.
- The business has identified a further \$0.5m to \$1.0m in costs that can be removed from the business over the next 12 months.

Recent Performance: 2006 – Where we stand today

	2004 Actual	2005* Actual	2006 H1	2006 H2	2006 FY
Revenues	34.0	38.2	18.1	19.5	37.2
Margin \$	19.4	20.3	9.8	10.2	20.0
Margin %	57%	53%	54%	52%	53%
Other Revenues	0.4	0.3	0.0	1.3	1.3
Expenses	17.4	24.5	13.3	10.4	23.7
Earnings from Ordinary Activities	2.4	(3.9)	(3.0)	1.4	(1.6)
Tax	-	-	-	-	-
Earnings after tax	2.4	(3.9)	(3.0)	1.4	(1.6)

The Company expects to break even or make profits but whilst a rapid recovery progress is still being emphasised, forecast of profit position will be deferred until turnaround is more established.

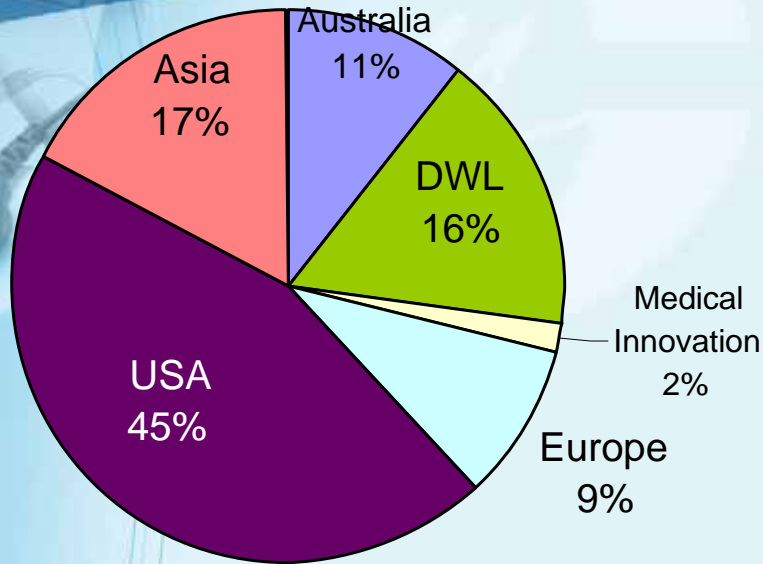
* Acquisition of DWL in Sept 2004 therefore not reflected in 2004

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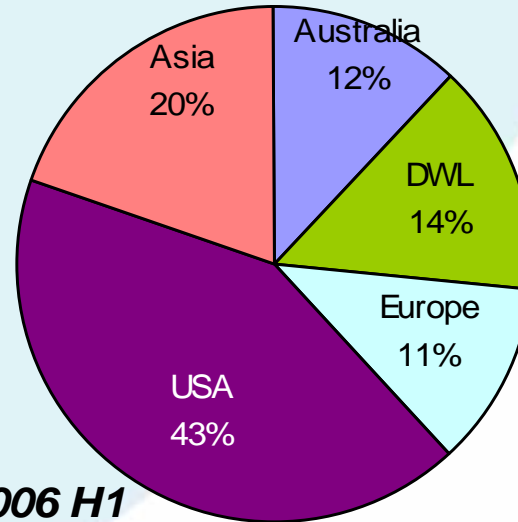


Recent Performance: 2006 – Where we stand today

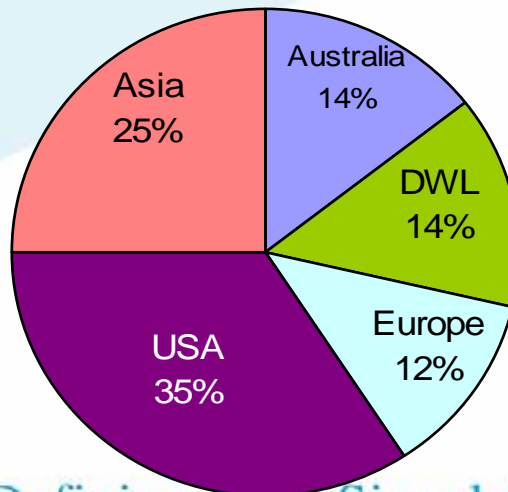
2005FY



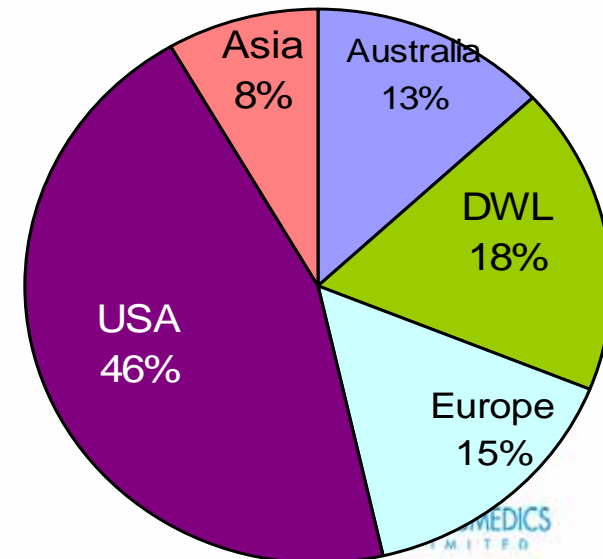
2006 FY



2006 H1



2006 H2



How we are currently trending

Q1 2007 – Update

- Record Q1 sales compared to any previous Q1 at \$8.1m, some 6.6% higher than last year.
- Strong Q1 performance from the US business – US sleep diagnostic business has now posted 3 consecutive quarters of growth.
- Q1 loss of approximately \$0.8m in line with budget and historical results for Q1.
- Q1 loss of \$0.8m compares to last year's \$1.9m loss for the quarter.
- Business in line with previous statements expects earnings to continue to improve through breakeven back to profitability in this half year to December 31, 2006.

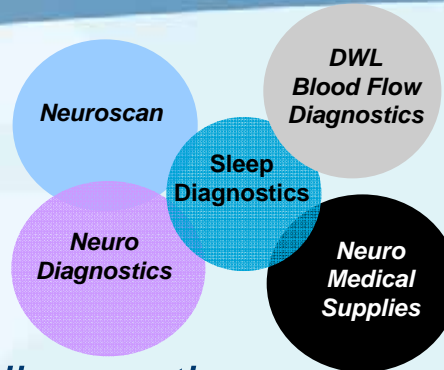
Strategy going forward: Market expansion

- International market expansion of the core sleep business.
- Expansion of core sleep-diagnostic and monitoring technology into the associated fields of neurology and cardiology.
- Expand recurring revenue base (sensors, electrodes and other consumables).
- Growth opportunities for core technology into stroke treatment, sleep treatment, fMRI and depth of anaesthesia.

Strategy going forward : Market expansion

- Maximise penetration of existing products into existing markets.
- Roll out of new generation hardware and software for existing products.
- Continuing vigilance on cost controls and further cost reduction possibilities.
- Tight management of working capital with particular emphasis on receivable and inventory management.

Strategy going forward : Market expansion



Building a global medical diagnostic company

- With Compumedics' core strategic edge being Sleep Diagnostics and
- Leveraging this technology into related fields including Neurosciences, Cardiology, Brain Research, Neuromedical supplies. Combined, these markets have annual sales of more than AUD 1.2 billion.
- In 2002, Compumedics acquired US-based Neuroscan, the world's leading developer of brain research instruments.
- In 2004, Compumedics acquired German based DWL, which has enabled Compumedics to expand its global operations into neuro and cardio diagnostics and equipment for brain research.
- From 1999-2006, the company has increased its sales from \$9 million to almost \$40 million, reflecting its product development initiatives, combined with its own strong distribution network in the United States, which accounts for 55% of sales. 90% of sales are exported world-wide.

Strategy moving forward : Core technology

Our Vision:

- Compumedics as a world leader in the diagnostic fields of:

Sleep

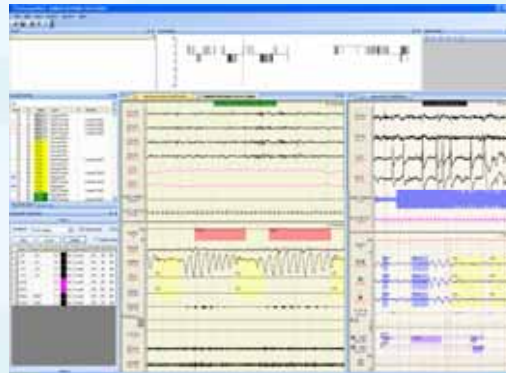
Neurology

Doppler Sonography

*Quality treatment starts with
diagnostics excellence*

Strategy going forward : FY 2007

New Products



Profusion PSG 3



Somte PSG



Nexus



Neuvo

Strategy moving forward: Core technology

No other company has the world's leading technology
and/or market position covering
3 of the key rapid growth new generation medical
technology market
first discovered in the 1980s

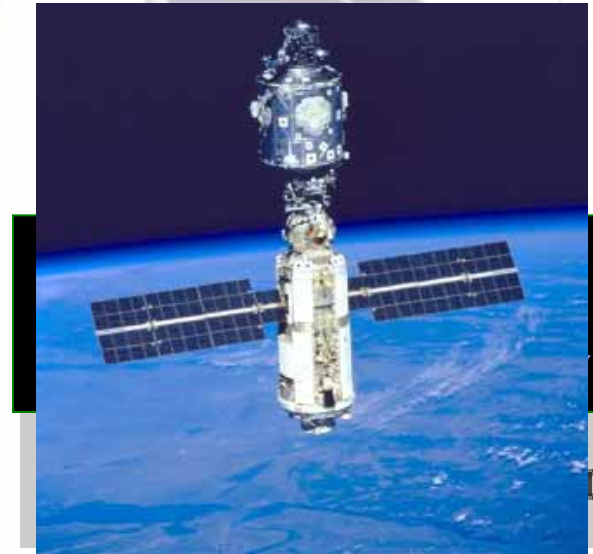
- ***Clinical Sleep***
- ***Transcranial Doppler (TCD)***
- ***Computerised Cognitive Neuroscience/EEG brain function***



Strategy moving forward: Core technology

Sleep Market

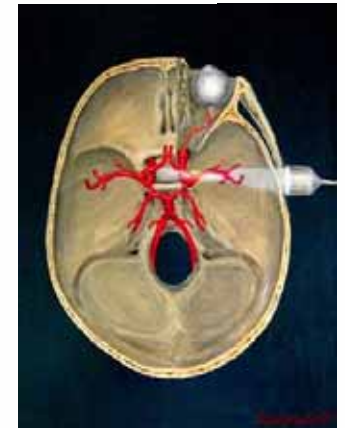
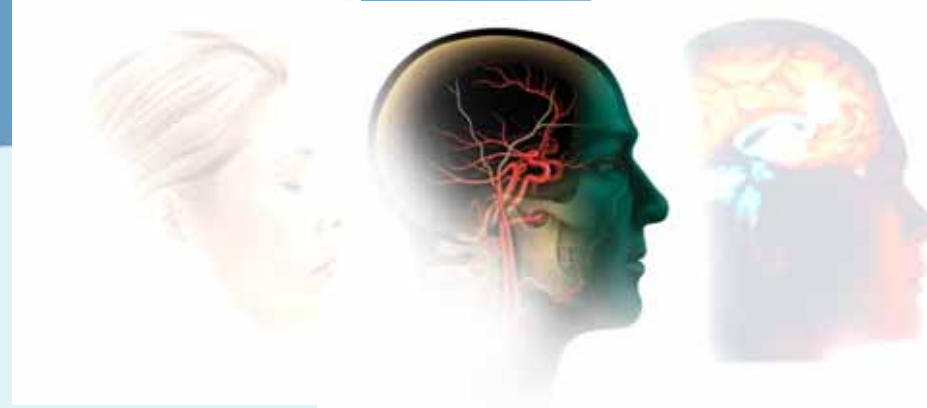
- *Pioneering of computerised PSG (CMP;1987) and CPAP treatment discovery [Sullivan, CE (1981), Sydney Australia]*
- *40% of the Australian Clinical EEG Market and 70% of the Australian Sleep Diagnostics Market.*
- *10% USA market share and growing in sleep diagnostics.*
- *Developed and installed Australia's first computerised sleep centre at Melbourne's Epworth Hospital in 1988.*



Strategy moving forward: Core technology

Transcranial Doppler (TCD) Market

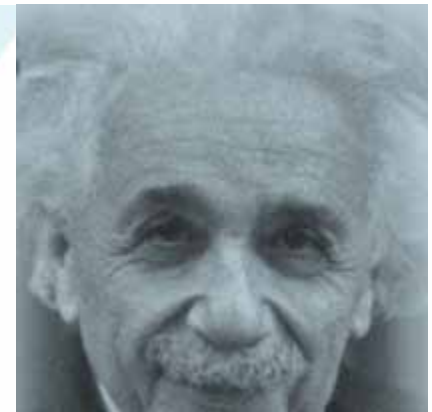
- *Developed by Dr. Rune Aaslid in 1982, today DWL's client*
- *DWL has a strong market share in Germany and well established distribution networks in Europe*
- *World's firsts include :*
 - *Bilateral Doppler ,*
 - *Emboli differentiation*
 - *Full digital doppler*



Strategy moving forward: Core technology

Computerised Cognitive Neuroscience/EEG brain function

- *Pioneered by Neuroscan in 1989*
- *Commands 90% of the US Market for Research EEG applications and a significant market share worldwide.*
- *Sells its products in over 50 countries worldwide to over 1500 universities, corporate laboratories and national research centres.*
- *First to commercialise high-density EEG/EP recordings, electromagnet source locationisation, merging of multi-modal neuroimaging data.*
- *World opportunity - \$1.2b size of the industry of which we have less than 3% market share.*



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Business Recap

- Turnaround continues into Q1 2007 financial performance.
- US business growing strongly again.
- Cost control continues.
- Underlying earnings will improve.
- Strong new product/technology pipeline for the remainder of FY2007.

Ordinary business

- Resolution 1. Financial Statements and Reports (non-binding Resolution)**
- Resolution 2. Election of Professor Graham Mitchell as Director**
- Resolution 3. Adoption of Remuneration Report (non-binding Resolution)**
- Resolution 4. Options issued to Director, Mr Bruce Rathie**
- Resolution 5. Redeemable Convertible Notes issued to D & DJ Burton Holdings Pty Ltd**

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Thank You