

‘Defining *life’s* signals’



> SLEEP DIAGNOSTICS

> NEURO DIAGNOSTICS

> BRAIN RESEARCH

Interim Results
6 months ended
31 December 2003

Outline

- Results at 31 December 2003
- Strategy focused and effective
- Future development

Interim results - Key points

Record 1H profits after tax at \$1.1m



Focus on operational efficiency plus the benefits of restructuring already incurred lead to improved profits.

Record 1H revenues, 5% growth year on year



Revenue growth less than previously achieved. Strong results for ROW Sleep up 66%: USA Neuroscan and Neuroscience up 53% and 94% respectively.

Record operating and net cash for the 1H



Operating cash for 1H was \$1.6m positive compared to \$(1.0)m negative in 1H last period.

Debtors days reduced to 86 days 31 December 2003 from 121 days 31 December 2002.

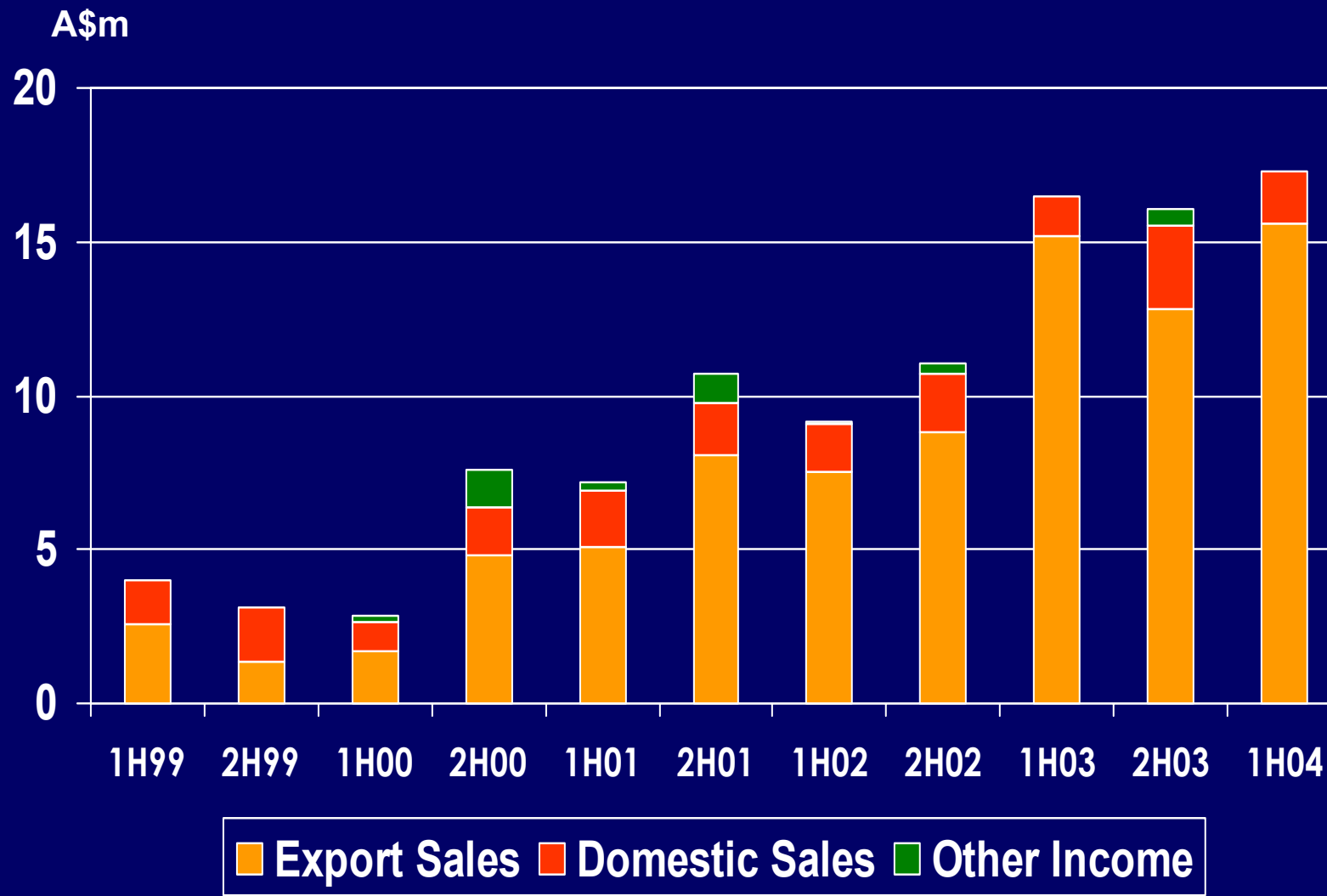
Remaining Neuroscan acquisition liability refinanced. Repayable over 3 years.

Key initiatives completed during the 6 months

- Focus on profitable growth together with the restructuring of the business has resulted in profits and cash for the period.
- Synamp 2 released to US and ROW Markets June 2003 generates \$2.5m in sales in first six months.
- Remaining Neuroscan acquisition liabilities refinanced with ANZ Bank, December 2003. In total a \$1.2m foreign currency gain on the original acquisition cost in Australian dollars has been realised to date.
- Focus on margin improvements through the period.

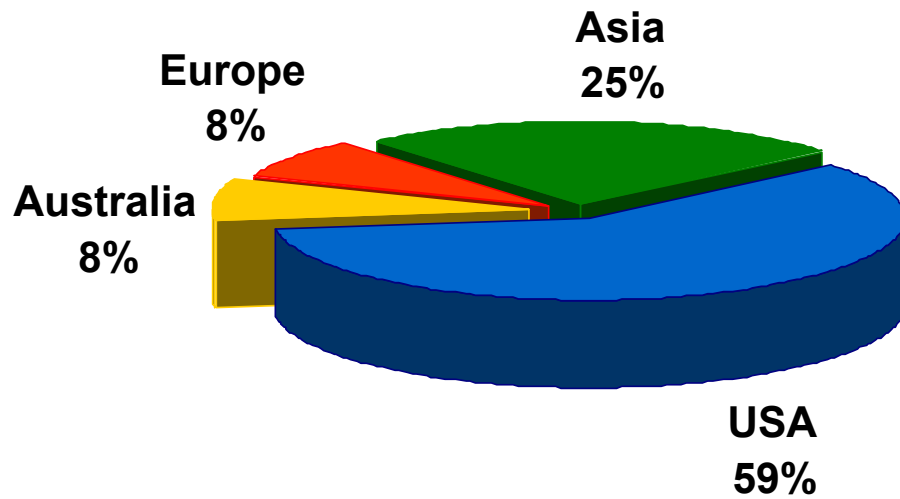
Historical Sales Graph

Defining Life's Signals

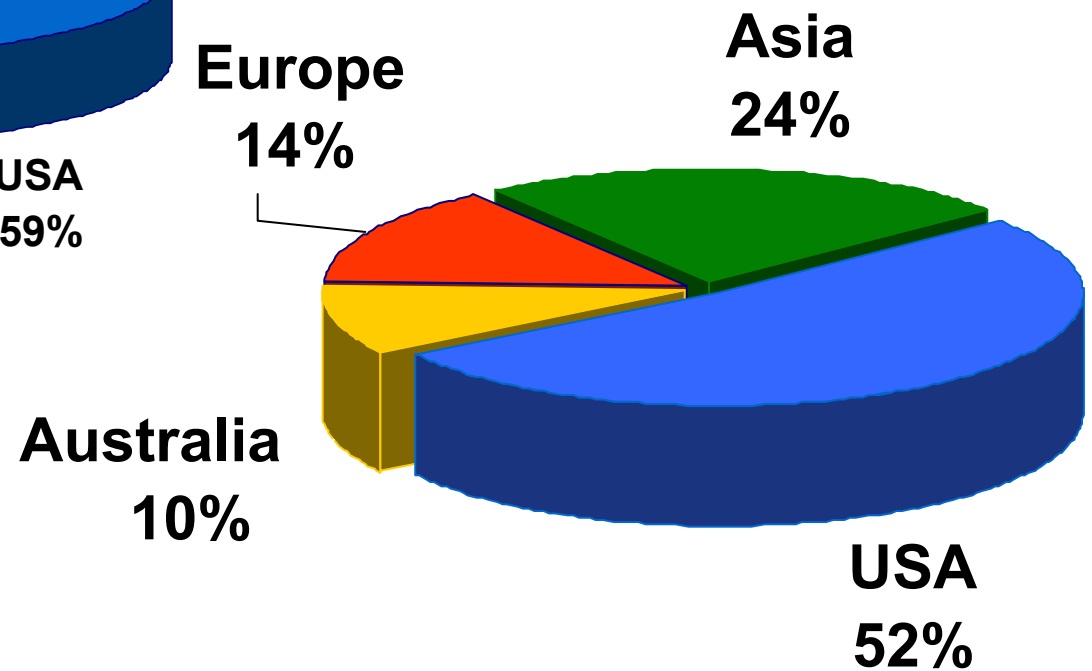


Regional sales

2003



2004



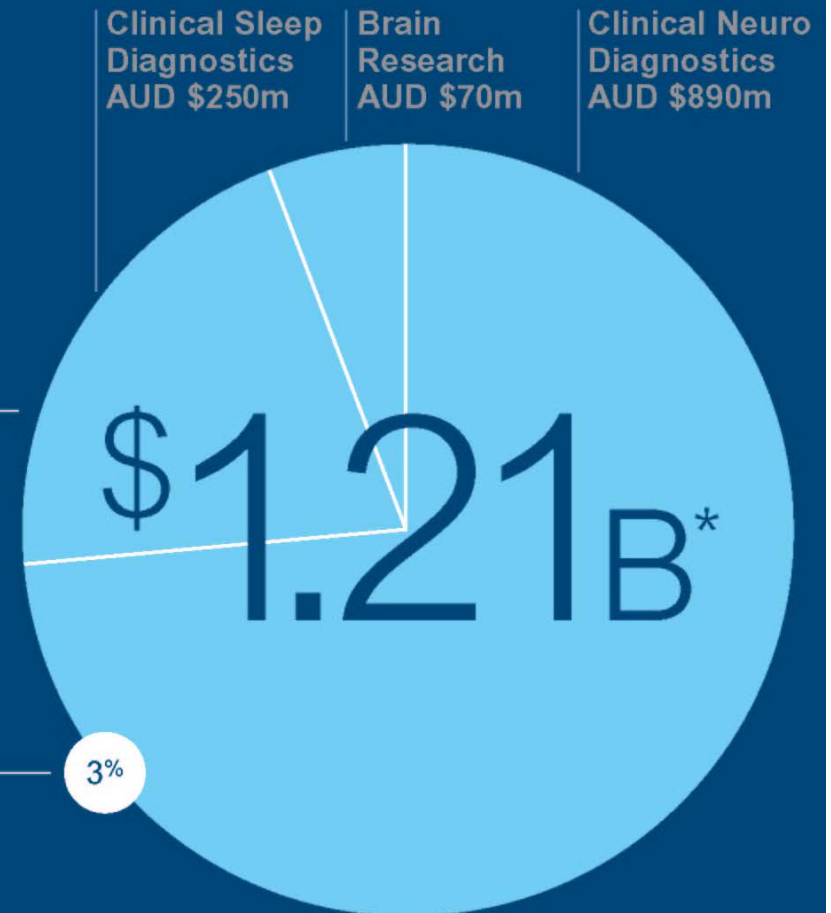
A Big Market to Grow In

Estimated global market value = AUD\$1.21 billion

Compumedics' core sleep diagnostic technology is now being leveraged into the associated fields of neuro diagnostics and brain research. Combined, these markets are more than \$1.2b globally.

Compumedics' current market share = 3% globally

Compumedics holds strong domestic market shares in sleep diagnostics and neuro diagnostics at more than 70% and 50% respectively. Globally, our market shares are expanding rapidly but are still relatively small.



* All market information throughout this report is based on Frost and Sullivan (2001) US Sleep Apnea Diagnostic and Therapeutic Market. Innomed International (1996) EEG/EMG/ Brain Function Markets – A Global Business Report.

Performance relative to PCP

\$Am	6 mths to Dec 31 2003	6 mths to Dec 31 2002	Variance	6 mths to June 30, 2003
Operating Revenue	17.3	16.5	5%	15.6
EBIT	1.0	0.2	400%	(0.2)
Profit after Tax	1.1	0.0	n/a	0.1
Gross Margin	59%	50%	9%	53%
PAT/Op. Revenue	6.4%	0%	n/a	0%

Balance Sheet relative to PCP

	Dec 2003 A\$'000	June 2003 A\$'000	Dec 2002 A\$'000
Current Assets			
Cash	6,396	5,366	5,635
Receivables	7,682	8,624	10,896
Inventory	7,523	8,416	8,436
Other	76	180	99
Total	<u>21,677</u>	<u>22,586</u>	<u>25,066</u>
Non current assets			
Property, Plant and Equipment	954	1,176	1,257
Intangibles	-	-	16,842
Total assets	<u>22,631</u>	<u>23,762</u>	<u>43,165</u>
Current liabilities			
Payables	3,242	4,578	3,668
Borrowings	2,753	4,729	5,293
Provisions	742	845	816
Other	<u>1,396</u>	<u>1,270</u>	<u>290</u>
Total current liabilities	<u>8,133</u>	<u>11,422</u>	<u>10,067</u>
Non current liabilities	1,764	665	2,843
Total liabilities	<u>9,897</u>	<u>12,087</u>	<u>12,910</u>
Net assets	12,734	11,675	30,255

Financial Performance

- **Underlying operating earnings**
 - Actual earnings improve due to continued growth in the business and benefits of the restructuring.
- **Costs under focus**
 - Actual cash expenses at \$8.4m are \$1.2m lower than the same time last year on a like for like basis.
 - R&D costs are 19% of revenue for the first half compared to 20% at 30 June 2003 will decline in 2H.
- **Margins**
 - Margins improve to 59% for the six months to December 2003 from 53% for the 6 months to 30 June 2003 despite continuing negative movement in the AUD/USD exchange rate.
- **Working capital improving**
 - Debtor days continue to improve: to 86 days at 31 December 2003 compared to 96 at 30 June 2003 and 121 at 31 December 2002.
 - Inventory also improves but more focus needed.

Moving Forward - Strategy

Grow the business profitably by:

- Growing our global sleep diagnostic business to a leading market share in each of our markets.
- Expanding our Neurological diagnostic business in the USA following the successful development of the business in Australia.
- Releasing innovative products to capitalise on market opportunities and maintain product leadership in those markets.

- To grow the business profitably and to continue to generate cash through improvements in debtor management and inventory turns.
- Continue to grow the European business by working with Draeger to capture more key sites there.
- Continuing to grow the sleep business so that it maintains or achieves the dominant market share in each of the key markets around the world being USA, Germany and Japan.
- Continuing focus on world class manufacture with, upgrade to surface mount technology.

Moving Forward - Technology

- Revised Comperio EMG product to market financial Q4.
- Summit IP released by April 2004.
- Curry software upgrade released financial Q4.
- 128 channel EEG product released by December 2004.
- Second generation Siesta released financial Q4.
- E-Series next generation product development commenced by April 2004, for release at the American Sleep Association meet in June 2005.

Conclusions

1. Record revenues and profits after tax for six months at \$17.3m and \$1.1m respectively.
2. Positive operating and net cash for the period.
3. Expanding product offering in growing markets will fuel growth.
4. Profitable growth is the focus.