



**Having successfully restructured its operations, this global leader in diagnostics technologies is once again ready to exploit the considerable growth opportunities that are emerging**

**DIRECTORS**

David Burton, Chairman  
 Prof. Graham Mitchell, Non-Executive Director  
 Mr. Alan Anderson, Non-Executive Director

**SENIOR MANAGEMENT**

Melbourne Head Office  
 David Burton, Chief Executive Officer  
 David Lawson, CFO and Company Secretary  
 Warwick Freeman, Chief Technology Officer  
 Dr. Kerry Hubick, Chief Legal Officer  
 Andrew Kegele, Business-Director, Australia and New Zealand

**INTERNATIONAL OFFICES**

Claude Buckles, Vice President – Sales Americas  
 Christoph Witte, General Man./Director, DWL  
 Paul Spooner, Business-Director, Europe, Middle East and Africa  
 Dr. Curtis Ponton, Vice President, Chief Scientist, Neuroscan

**MARKET DATA**

ASX Code: CMP  
 Shares on Issue: 142.5 million  
 52 week Share Price Range: \$0.10 - \$0.20  
 Market Capitalisation: \$22.8 million

**CORPORATE DIRECTORY**

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**FINANCIAL SUMMARY**

\$million	2005-06	2006-07	6 months Dec 2007
Sales	37.7	36.7	20.0
EBIT	-1.3	2.0	2.0
Net Profit	-1.6	0.1	1.6
EPS	-1.1	0.1	1.1
DPS	0.0	0.0	0.0

**April 2008**

**Achievements to 31 December 2007**

- Record first half-year profit of \$1.6 million
- Record first financial half-year sales of \$20 million
- Results achieved following restructuring in 2005-2006 that removed \$5 million in annual cash costs
- Profitability continues to grow
- New global banking and financing relationship established with HSBC Australia
- Well positioned for new opportunities and accelerated growth in the immediate future and beyond.

**Key Points**

Compumedics is a global leader in developing, manufacturing and marketing medical diagnostics capital-equipment for applications in sleep, neurology and blood flow monitoring.

The company pioneered sleep-diagnostics equipment in 1987 and has since broadened its base to encompass associated specialised fields of neuro-diagnostics, brain research and Doppler ultrasonography.

Restructuring in 2005 and 2006 removed \$5 million in annual cash costs and better positioned the company for new opportunities and accelerated growth over the next few years.

Profitability was restored in 2006-7 and the company is on track to achieve record profitability in 2007-08.

Target R&D spending is about 12% of sales, currently around \$5 million per annum.

Major new product releases and upgrades will occur in 2008.

The launch of the SomniLink® SPAP® autotitration gas-delivery device is a major advance on existing treatments for sleep apnoea and heralds the company's move into much larger downstream markets.



## BACKGROUND

Compumedics is a global pioneer in the sleep devices industry supplying the equipment for Australia's first sleep clinic at Melbourne's Epworth Hospital in 1987. In 1995 Compumedics was selected to supply equipment to the US Sleep Heart Health Study, the world's largest sleep study of its kind, currently exceeding 14,000 studies with 20,000 patients scheduled by the end of 2008.

Compumedics supplies 80% of the Australian market for sleep diagnostic equipment, is one of the 3 top suppliers in the US, and has a significant sales presence in Europe and Asia. The company has corporate headquarters in Melbourne, Australia and offices in the United States, Asia and Europe.

In recent years the company made two acquisitions that have extended its operations into complementary areas. In 2002, Compumedics acquired US-based Neuroscan, the world's leading supplier of instruments for brain research and in 2004, it acquired German-based DWL Elektronische GmbH, enabling Compumedics to expand its product lines into the neurovascular and cardiovascular diagnostic ultrasonography fields.

Sleep-disordered breathing is more common in people with high blood pressure, heart disease, diabetes, and a number of other common medical conditions. It is thought that the lowering of blood oxygen during sleep and the frequent apnoeic episodes contribute to vascular, heart and brain dysfunction (such as stroke and memory impairment) for people with these medical conditions.

As the understanding of the links between sleep quality and normal function across the whole range of body systems increases, new and valuable insights into the mechanisms of many common diseases, and the potential role for improving breathing and sleep quality in the treatment of those conditions will be gained.

The company has in place the capability to diagnose and gain valuable insight into a range critical body functions that have linkages in a wide range of diseases and disorders.

Accordingly, the company's technology turns vast amounts of data into valuable information that leads to more accurate diagnosis, and consequently, more effective treatment and therapy.

During 2007, Compumedics announced a further strategic development in the evolution of the company. Compumedics joined with Medigas Italia SrL, an Italy-based member of the \$18 billion Praxair, Inc. group of companies to commercialise the SomniLink® SPAP® autotitration gas-delivery

device as a major advance on existing treatments for sleep apnoea.

In supplying market-leading diagnostic equipment to sleep centres, the company has in place a strategic advantage in building a significant position downstream in the much larger sleep-treatment market.

In 2006-07, profitability was restored after 18 months of restructuring. Through this period, and despite the significant appreciation of the Australian dollar relative to other currencies, sales levels were maintained. Through this period, there was significant operational restructuring, especially with regard to sales and marketing in the key US market. Annual cash costs have been cut by \$5 million and the company is well placed to achieve its growth objectives. Profitability in 2008 is expected to be at record levels.

Underpinning the company's growth has been its commitment to research and development. This commitment has ensured that the company's products remain at the forefront of sleep-diagnostics technology whilst ensuring an active program of new product development, such as with the SomniLink® SPAP® treatment device. The SomniLink® SPAP® is the culmination of 10 years of R&D, and is protected by intellectual property rights.

## ACHIEVEMENTS

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|--------------|---|
| • 1987       | Compumedics (CMP) established   |
| • 1988       | Epworth Hospital, Melbourne installs the first sleep disorder unit                        |
| • 1989       | S-series products released  |
| • 1991       | P-series products released  |
| • 1994       | NASA contracts for ISS and Space Shuttle preparation                                      |
| • 1995       | CMP chosen for the world's largest sleep study, Sleep Heart Health Study, 20,000 patients |
| • 2000       | CMP listed on the ASX   |
| • 2001       | Siesta approved in the US   |
| • 2002       | CMP acquires Neuroscan  |
| • 2002, 2003 | Somté approved in Europe and US   |
| • 2004       | CMP acquires DWL  |
| • 2006       | Distributor agreement with Medigas Italia for full CMP product line                       |
| • 2006       | Sleep products receive regulatory clearance in Taiwan                                     |
| • 2007       | CMP receives Frost & Sullivan Technology Leadership award                                 |

### ***Current Performance and Core Businesses***

The results for the six months ended 31 December 2007 confirm the strong performance of Compumedics' core sleep-diagnostics and neurology and blood-flow businesses. The result builds on the previous two six-month periods in which the company restored profitability. Compumedics is back on track as an industry technology and performance leader. Its cash and profit positive results were all-time records based on like-for-like historical financial information.

Compumedics is the world's largest independent sleep-diagnostic technology company with 4000 sleep systems installed globally.

Sound growth outlook and performance sustainability continue to consolidate with imminent launches of a new suite of products, including the Neuvo™, a long-term revolutionary monitoring clinical EEG-technology platform, and Xegis™, a new range of clinical evoked potential and EMG monitoring systems. The company recently acquired the latter through an OEM agreement. These are large markets and will assist the company's ongoing sales growth.

### ***Business Overview***

Compumedics manufactures and sells its products in four global markets, each market worth over \$1 billion in annual sales and each experiencing double digit annual sales growth.

The company has a unique position in three areas of new technology and product development: sleep diagnostics and treatment; neurology; and Doppler blood-flow ultrasonography. Its technological leadership in these areas is being proven as it strengthens its sales positioning in these areas to fuel its business growth into the future. A key component of the company's strategy is to underpin its sales leadership into the future with a broad patent portfolio covering its technologies to create formidable barriers for competitors to enter its markets. The company continues to develop its technology and patent portfolio by its commitment to investing in a world-class R&D programme.

Until recently, and through the company's rapid growth phase, R&D spending has been approximately 20% of sales. The strategy is now to hold the annual dollar spend relatively steady at around \$5 million and then at about 12% of sales in the medium- to long-term.

### ***USA Regulatory portable monitoring changes open USA market for Compumedics' key portable monitoring strengths.***

Compumedics has the most sophisticated and advanced range of portable sleep-monitoring

systems. It 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 coordinated by the US National Institutes of Health, will have completed in the order of 20000 sleep studies using Compumedics' portable monitoring equipment by the end of this year. This study now forms the basis of a standardised on-line research sleep-study reference database accessed by sleep researchers throughout the world.

### ***Broadening Compumedics Suite of Diagnostics Products***

Compumedics entered into an other equipment manufacturing (OEM) agreement to expand the company's product range into the greater than \$50 million global electromyography (EMG), nerve conduction studies (NCS), evoked potential (EP), and intra-operative monitoring (IOM) medical-device markets. The company will distribute the products under the Xegis® brand world-wide.

EMG instruments are purchased principally by specialist physicians (neurologists and neurophysiologists). They are also purchased by institutions for use in out-patient departments, pre-surgical screening and IOM. For IOM, there is a high degree of overlap between the new Xegis® product range and Compumedics' current product range, as these same departments who purchase EMG instrumentation also purchase EEG systems, epilepsy monitoring systems, and polysomnography systems. Increasingly, these departments require a single source solution to tie everything together and interface with their own institutional IT infrastructure – the same vision we had in the development of our NeXus™ product - a single common database for all of our systems with seamless integration into institutional IT systems.

### ***Strategic Business Trajectory into Sleep-Treatment Market***

The company's debut into the sleep-treatment business commenced with the \$2 million and cash advance deal with Medigas Italia SrL, an Italy-based member of the \$18 billion Praxair, Inc. group of companies. The transaction is focussed on the commercialisation of Compumedics' SomniLink® SPAP® autotitration gas-delivery device. The SomniLink® SPAP® is an integrated positive airway-pressure system for the treatment of sleep apnoea. The system is a major advance over the traditional CPAP (Continuous Positive Airway Pressure) systems by providing automatically variable air pressure to a patient through a nose mask. The system is unique as it responds to both very subtle changes in the upper airway resistance, and also very subtle changes in delivered airway pressure. The response varies according to the detected change in the airway pressure. Accordingly, the systems can be

customised for individual treatment, taking into account online feedback of sleep parameters to minimise arousals during sleep treatment. Arousals can make the difference between effective sleep and disturbed sleep and its consequences.

The company is clearly focused on the global sleep-treatment market with discussions in progress with large organisations wanting to accelerate their access and position in the lucrative and rapidly growing USD3 billion per annum sleep-treatment device market.

The sleep-treatment market can be a much bigger opportunity than originally envisaged and the company is in the process of appointing corporate advisers to consult on various options to enable maximum exploitation of the opportunity at hand.

## **DIRECTORS**

### **Mr David Burton, Executive Chairman and CEO**

David founded Compumedics Sleep Pty Ltd in 1987, and under his leadership, the company has established a significant global presence and was listed on the ASX in 2000 as Compumedics Limited. Mr. Burton has an Associate Diploma in Electronics from the RMIT University, and is currently completing a PhD (Eng. Sc.) in the area of medical technology innovation at Monash University.

David has received many awards recognising his achievements, including: the Clunies Ross National Science and Technology Award in 2002 for his development of innovative sleep monitoring technology; the 2003 Centenary Medal for outstanding contribution to science and technology; the Ernst & Young Victorian Entrepreneur of the Year award in 2003 for technology, communications, E-commerce and life sciences; and in 2007, he was inducted into the Victorian Manufacturing Hall of Fame Honour Roll for pursuit of excellence in manufacturing.

### **Professor Graham Mitchell AO, Non-Executive Director**

Professor Mitchell, 66, is recognised as one of Australia's leading biological scientists. His expertise extends over a wide range of science and technology fields. He has a detailed knowledge of the academia and industry interface, has authored more than 350 publications, and received numerous awards for scientific achievement.

Professor Mitchell is a principal of Foursight Associates Pty Ltd., and Non-Executive Director of Antisense Therapeutics Limited, the Geoffrey Gardner Dairy Foundation and AVS Pty Ltd. He acts as a principal adviser to the Victorian Government through the Council for Knowledge, Innovation, Science and Engineering.

### **Mr Alan Anderson, Non-Executive Director**

Alan is a Minneapolis-based partner of Fulbright & Jaworski LLP, an international law firm. Alan is a leading American attorney in the areas of commercial litigation, intellectual property and computer law. He has represented Compumedics for many legal matters in the USA since late 1998.

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