Investor News

Compumedics
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INSIDE

Record First Half Revenues and Profits

Compumedics recently reported record financial results for the 6 months ended 31 December 2003. During this period, the company generated revenues of $17.3m and profits after tax of $1.1m. This compares to $16.5m revenues and $0.0m profits after tax for the six months ended 31 December 2002.

Revenue at $17.3m for the six months ended 31 December 2003 represents a 5% increase over the same period last year and reflects strong growth in the USA Neuroscan and Neuroscience businesses as well as the Sleep business in the Rest of World (ROW) division.

Profits after tax were restored to $1.1m from last year's breakeven result. This improvement in earnings has been brought about by the continuing growth in the business and the benefits of restructuring over the prior eighteen month period.

Operating cash also improved significantly over the period to a positive $1.7m compared to a negative $(0.9)m for the previous corresponding period. This has resulted from an overall improvement in the profitability of the business as well as continuing improvement in debtor days to 86 days at 31 December 2003, compared to 96 days at 30 June 2003 and 121 days at 31 December 2002.

The improvement in the underlying performance of the business has resulted from widened margins through the introduction of new premium valued products, such as SynAmps2 (which generated $2.5m in new sales for the six month period) and a greater focus on operational efficiency and leaner production.

Compumedics also re-financed the remaining Neuroscan acquisition costs during the period with the ANZ Bank.

The above results were delivered despite the strong appreciation of the Australian dollar during the period which cost the business $3m on revenues and $1.1m in net profits.

The business remains focused, despite these external factors, on continuing to grow the business profitably into the future.

Compumedics Chosen for Mannheim – Europe's Second Largest Sleep Centre

Compumedics has completed its largest installation of Sleep Diagnostic systems in Germany to date. The installation, which took place over December and January 2003/2004, saw 22 units of Compumedics' E-Series Sleep Systems installed at the University Hospital Mannheim – making it the second largest Sleep Lab in Europe.

With 100 beds available in its Ear Nose & Throat (ENT) Department, the University Hospital Mannheim is one of the largest leading hospitals in Germany. Head of the Hospital is Prof. K. Hörmann and Head of the Sleep Lab is Dr. J. T. Maurer.

The University Hospital Mannheim's Sleep Lab treats up to 6000 patients per year. The Sleep Lab offers a wide range of treatments, including the provision of ventilation therapy (CPAP, BiPAP, BIPAP-ST), oral devices as well as surgery (pharyngeal, nasal, head and neck).

The ENT Department performs 2000 operations per year on their own patients as well as patients referred to them by other Sleep Labs. Educational courses being run the University Hospital include:

- Diagnosis and Treatment of Sleep Disordered Breathing (SDB)
- Radiofrequency Treatment
- and Surgery for SDB

The Hospital opened its Sleep Lab 10 years ago with 1 bed and within 6 years had expanded to 16 beds. With the Compumedics installation just completed, the center now consists of 18 fixed sleep beds and 4 mobile monitoring systems to enable patient monitoring in wards and other hospital departments.

The uniquely configured University Hospital Mannheim Sleep Lab – where all sleep workstations/servers are located in a dedicated server room, away from the monitoring room (above), which is fitted with eighteen monitors, one for each fixed sleep bed.

COMPUMEDICS LIMITED

CEO's message

The positive interim results are a pleasing outcome for the hard actions taken over the last eighteen months and reflect the hard work of many within Compumedics. To restore profitability and cash generation takes discipline and focus, however these results are just a step along the path to the financial performance that is required of a company such as Compumedics. As we move forward, we will continue to intensify our focus on profitability, while recognising the need to sustain strong growth by way of accelerated global market penetration.

What is your assessment of the business for the period?

The business has performed well in the period despite the movement in the Australian dollar against the US dollar. The tighter focus on operational efficiency and the introduction of higher margin products such as the SynAmps2 reflects the focus on profits and cash. It is important to note however that this result is a step towards the financial performance required of a company like Compumedics.

What was the impact of the movement in the US$:AU$ exchange rate?

Had the exchange rate remained at levels similar to the six months to December 2002 the revenue number reported would have been $3m higher and profits after tax $1.2m higher than those actually reported for the six months to December 2003.

Revenue growth despite the exchange rate is still soft compared to what Compumedics historically has achieved. Is this a concern to the business?

It is only a concern from the point of view that Compumedics has three financial requirements, to grow the business, to generate profits and to generate cash. Of the three requirements, growth was lower than that historically achieved, whilst the other two requirements have both shown considerable improvement in the period.

Compumedics must consistently achieve market levels of performance in all three measures and this is what the business is focused on.

What are the major achievements for the six month period?

Returning to profits and generating cash is clearly a major achievement for the period. The very real success of SynAmps2 in the market place particularly in the USA market is also another clear success of the period.

In addition, the focus on margins and the re-financing of the debt related to the Neuroscan acquisition are other notable achievements for the period.

What is the outlook for the business?

The outlook is to continue to profitably grow the business. We must focus on achieving our historical rates of revenue growth of 30% p.a. and at the same time achieve profitability levels acceptable to the market and shareholders in the business as well as generating cash to fund the growth of the business.

Compumedics Banks a Change

During the first half of the 2003/2004 financial year, Compumedics reviewed the provision of its banking services and as a result of a detailed tender process, made the decision to change its banker. We are pleased to announce that ANZ was the successful candidate. As part of the change in banking relationships, the remaining liabilities associated with the acquisition of the Neuroscan business were refinanced over a three year period.

The change in bankers reflects Compumedics' continuous review of all its major service providers to ensure the business always has access to the best and most cost efficient services.

We look forward to working with the ANZ Bank over the coming years as we continue to grow the Compumedics business around the world.

Profile – Andrew Smith, COO

Andrew Smith was recently appointed to the role of Compumedics' Chief Operating Officer (COO) in July 2003. His role as COO sees him responsible for the management of the global business, which includes sales, product development and manufacturing.

Andrew first came to Compumedics two and a half years ago as General Manager of Manufacturing. His objective was to progress Compumedics' Manufacturing function towards World's Best Practice. The key to a successful business, Andrew believes, is its people. With effective leadership, direction and drive, the company is set to continue achieving its growth and profitability goals and maintain its mark as an Australian success story.

Prior to Compumedics, Andrew worked in numerous operational roles ranging from Production Management through to General Management in Australian owned technology companies similar to Compumedics. Much of his experience has been drawn from the management of operational and logistic activities involved in the delivery of products to the global market.

Andrew says that, "The thrill of working for a successful Australian company like Compumedics confirms to me that Australians are well-equipped to compete and thrive on the world stage".

Andrew has a Bachelor of Mechanical Engineering (Honours) from the University of New South Wales.

ComperioDQ

The new Compumedics Comperio EMG/Neurophysiology system has been redesigned to make recording data even easier. This system is called the ComperioDQ – highlighting its unique Decomposition EMG feature.

The ComperioDQ hardware not only looks better, it has been updated to provide better practicality, ergonomics and durability. These changes have come in the form of:

- **Cables** – The number of cables from the Control Module has been reduced to two.
- **Handheld Electrical Stimulator**:
  - This can be connected to the back of the Control Module or conveniently connected to the amplifier for close proximity to the patient.
  - This has a more ergonomic design for a better feel.
- **Amplifier Cable** – This has a locking connector for greater durability.

Many software enhancements make the ComperioDQ easier to use and add important functionality. Features like:

- **Unlimited Traces** – Takes away unnecessary limits and allows better flow when recording neurophysiologic data.
- **Set-Ups** – Any set-up can be saved for future use including needle EMG protocols.
- **Split Mode** – Popular in F-wave recordings, split mode can be activated in Motor Nerve Conduction Studies for easy acquisition of F-wave data without changing screens.
- **Window Layout** – All windows can be docked, hidden or used as a floating window.
- **Free Run Screen** – This is available in all tests for easy identification of artifact or as an oscilloscope view.
- **User Configurability** – All choices are up to the user – from the screen colours to the footswitch functionality.

Finally, the enhanced Decomposition EMG makes recording and displaying all valuable EMG data easy. Using these sophisticated algorithms, users can record Motor Unit Potential information like duration, phases, firing rates and amplitude using the unique combination of Needle and Surface EMG. Add to these parameters, Motor Unit Number Estimates and Firing Patterns between trains, not to mention the graphic displays – and you have the fastest, most accurate way to expand your Needle Examinations.

Further information on ComperioDQ can be found on Compumedics' website at: **www.compumedics.com**.

NB: Please contact Compumedics for the latest updates on this product.

Compumedics Enters Research Alliance – **SMA Clinical Trials**

Compumedics' EMG System, the Comperio, has been selected for use in upcoming clinical trials focused on pediatric spinal muscular atrophy by two US-based groups: AmSMART and Project Cure SMA.

Spinal muscular atrophy (SMA) is a genetic disease of the anterior horn cell with a frequency of 8 per 100,000 live births with a high mortality during infancy. There is no known treatment for SMA. As SMA is a muscle denervating disorder, users in these studies will record Motor Unit Number Estimates (MUNE) using specially designed software to facilitate application of the Multipoint Stimulation (MPS) technique. The clinical trial goals of the AmSMART group are to perform short term, open label pilot trials of riluzole (Rilutek™) in infants with SMA and to correlate biological markers (MUNE and other genetic tests) with clinical phenotype and response to therapy.

The Comperio system was selected for this study primarily because of the unique analysis software available on the product. Compumedics is also the only company to offer the software application: Enhanced Decomposition Based Quantitative EMG. This software technique is designed to obtain clinically applicable information to aid in the diagnosis of diseases affecting the motor system and in particular the motor unit potential (MUP). DQEMG simultaneously measures multiple MUP's and MUP Trains which achieves significant time savings over any other known method. All measurements are immediately available for review with this powerful processing tool.

To find out more on clinical trials currently in progress, please see their respective websites.

AmSMART: http://acsresearch.swmed.edu/amsmart/

Project Cure SMA: http://www.fsma.org/curesma.shtml/

AmSMART is currently recruiting patients for NIH funded clinical trials to be performed at more than a dozen pediatric medical centres in the U.S. and Canada.

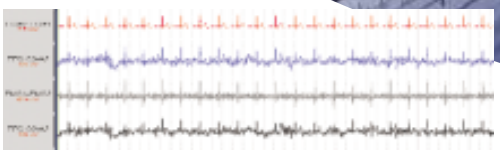
Just released

ECGfree™

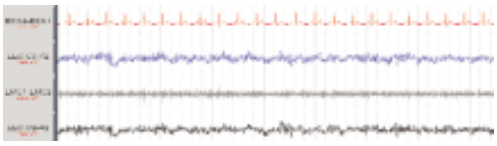
Compumedics has just released ECGFree – a patented signal extraction technology that quickly and easily removes ECG artifact. This technology identifies the ECG waveform component in each affected trace and removes this component without disturbing the underlying signal of interest. With ECGFree, all important frequency information in each channel is retained.

ECGFree is a software plug-in option that is available on all Compumedics Sleep systems using ProFusion PSG2. Now, ECG artifact can be removed from all your sleep recordings using ECGFree!

ECGFree is available for sale worldwide.



Now you see it…



Now you don't.

Compumedics ProFusion PSG2™ – NOW SOMTÉ FRIENDLY

ProFusion PSG2 – Compumedics' premier reviewing, scoring, analysis and reporting software – is now available for use with the Compumedics Somté System. This functionality enables sleep labs already using Compumedics' E-Series or Siesta systems, to simply use the same software to score and report data from the Somté system. By doing so, it provides sleep labs with the flexibility to use the ProFusion PSG2 software in addition to or instead of using Somté's proprietary software. It also means that sleep specialists no longer need to be trained on two separate sets of software if they so choose to.

The ProFusion PSG2 is also enhanced by its integration with Compumedics ProFusion neXus Laboratory Management System (also referred to as neXus). As sleep studies are automatically stored, accessed and reported through neXus, its patient-centric environment serves to improve workflow and eliminate a lot of the mundane operations in the sleep lab. Furthermore, neXus has been foreseen to reduce costs, especially in larger labs, and is designed to provide sophisticated data management capabilities – a most useful research feature.

The latest ProFusion PSG2 software also caters to the German market by providing support for German language operations.

The latest release of ProFusion PSG2 is available for sale worldwide.

Summit IP™

The sleep profession has recognised in recent years that the quality and usefulness of physiologic signals in PSG studies are dramatically affected by the abilities of the sensor technology used to monitor respiratory effort.

According to the Report of an American Academy of Sleep Medicine Task Force, there is strong consensus supporting the use of Inductive Plethysmography (IP) as the preferred technology for the tracking of respiratory effort. The respiratory IP sensor provides a linear response to changes in breathing volume as well as providing an excellent indication of respiratory paradox, while consistently maintaining signal polarity.

Previously, selecting sensor technology was a compromise between signal quality, complexity, ease of use and cost – often resulting in the use of piezo-based sensors that could not provide a true physiologic response.

Now, the superior technology of Inductive Plethysmography is accessible to any sleep lab, with the use of Compumedics' Summit IP respiratory effort sensor system.

The Summit IP is small, battery-powered and easily connects to your sleep amplifier system with industry standard touch-proof connectors. More importantly, the Summit IP's built-in microprocessor automatically and continuously tracks the signals from the chest and abdominal sensor bands and produces a balanced SUM channel output, ideal for detecting hypopneas.

For other regions, please contact Compumedics for the latest updates on this product.

Contact

Compumedics updates via email:

investor@compumedics.com.au

To register, send an email to investor@compumedics.com.au. In the subject box, please type: Investor update registry, your name and your shareholder number.

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Compumedics Limited 30–40 Flockhart Street, Abbotsford, Victoria, 3067 Australia
Phone: +61 3 8420 7300 Fax: +61 3 8420 7399 FreeCall: 1800 651 751

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www.compumedics.com