

## Compumedics Returns to Profit in First Half

Medical diagnostics company, Compumedics Ltd (ASX: CMP) reported record revenue for the six months to December 31, 2002. Earnings also improved significantly over the period with a small profit posted after restructuring costs were expensed

Earnings before interest, tax, depreciation and amortization (EBITDA) were \$1.4m compared to the previous corresponding period of \$1.5m. The results were after absorbing one-off costs (\$0.45m) associated with the relocation of both the Australia and USA businesses to significantly larger premises which should provide ample space and infrastructure for their future growth and a number of structural changes made in July 2002.

Net profit after tax (NPAT) for the period was \$24,000, which compares with \$310,000 for the same period last year and a \$1.9 million loss for the full year.

Total operating revenues of \$16.5m for the six months to December 31, 2002 were 82% above the same period last year. The acquisition of the Neuroscan neurological instrument business contributed \$6.2 million in revenue for the period, while the core diagnostics business increased 13% over the same period last year to \$10.3m.

Compumedics has now successfully established its direct USA sales channels throughout the USA hospital market (largest medical device market in the world) together with the home and alternative care diagnostic markets. As a result the USA business rebounded strongly to record revenue growth of 80% over the same period last year to \$5.9m, due to the benefits of the new model of direct sales.

## Flinders University and Compumedics equipment for ground breaking epilepsy research

Earlier this year, Flinders University Department of Medicine (Neurology), became the first research institution in Australia to install our Neuroscan 128 Channel ESI (Electric Source Imaging) system to support the research efforts of Professor John Willoughby. The ESI system is a high-resolution EEG/EP (Evoked Potential) system equipped with Scan, Source and Curry software and will be used by Prof. Willoughby and his team to record and analyse the full range of EEG frequencies in patients with neurological and neuropsychiatric disorders.

The researchers will examine the increased amplitude (vertical spread from peak to trough) of high frequency rhythms in generalised epilepsies. ('Generalised' refers to the locations and spread of the abnormal neuronal activity).

If their initial hypotheses are proven, this work may lead to a more reliable diagnostic test for epilepsy by identifying inherited or constitutional disturbances. Further, in studying the brain activity of patients with epilepsy, the research will provide valuable, accurate information for the design of therapeutics to treat the illness.

The Flinders University research team comprises Dr Kenneth Pope (engineer), Assoc Prof Richard Clark (neuropsychologist), Mr Sean Fitzgibbon (research associate), Dr Joe Frasca (neurologist) and Dr Emma Whitham (neurologist). Mr Stephen Loveless recently joined Ms Carmel Mitchell as EEG recordists on the project.

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# CEO's message



Dear Investor

I am pleased to report record revenues for the Company for the six months to December 31, 2002. Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$1.4m and net profit after tax for the period was \$24,000 — a significant improvement compared with the \$2.2 million loss for the last six months of the previous financial year. It is pleasing to see that the planning and hard work by the Compumedics team to improve our business has produced a positive uplift to our performance.

These results incorporated the \$0.45m restructure and relocation costs of the USA and Australian businesses. Management and staff have been committed to putting the structures in place to support the level of growth we see for Compumedics. The fact that we have seen such a rapid turnaround reflects the prompt actions of our team and underlines the inherent strength of our business.

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We have a great opportunity in front of us to quickly expand our market share in the USA sleep diagnostic market with the infrastructure that we already have in place. Combined with the growth of the Neuroscan business and the development of the separate Compumedics Neuroscience division, our US business is poised to become a major business and contributor to earnings.

The sleep disorders market continues to grow at over 15% per annum and our diagnostic technology is acknowledged as world class. Europe and Asia continue to provide major opportunities for growth in the near term. Our established relationships with industry leaders such as Teijin Limited in Japan and Drager in Europe, provides a great opportunity to fully exploit these markets.

Two clear highlights for the first half-year were the substantial improvement in our United States sleep business and the FDA approval of Somte for sale in the US.

We were honoured to have the Australian Trade Minister, Mark Vaile, open our new Melbourne site in December. The larger facility has enabled us to bring Neuroscan manufacturing and development under the same roof as our sleep diagnostics, allowing us to exploit both the operational and technological synergies between the two arms of our business.

We trust that we have demonstrated that we are back on track and that you share our view that Compumedics has a very bright future.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Burton', written in a cursive style.

**David Burton**  
Executive Chairman and CEO



## Compumedics' New Corporate Headquarters and Manufacturing Facility

**In December last year the Federal Trade Minister, Mark Vaile, opened our new headquarters on the banks of the Yarra River in Abbotsford, Melbourne. The 6000 m<sup>2</sup> architect designed building is 5 kilometres from Melbourne CBD and brings all of our operations under one roof – Australian distribution, manufacturing, R&D teams, management and admin.**

One of the catalysts for our move was to fully exploit the technological and operational synergies between the sleep and Neuroscan businesses. We have now closed down the Neuroscan manufacturing facility in El Paso Texas and brought the manufacturing and R&D here to Abbotsford.

Underpinning the move is the confidence we have in the future. Since 1997 the business has grown 500%: with

this move to Abbotsford, we have consolidated all our operations and have room to house the continued growth of Compumedics.

Our new address is 30-40 Flockhart St, Abbotsford and we encourage you to visit us at the new site.



## Quoted Federal Trade Minister, Mark Vaile

**“Entrepreneurial vision, expertise and hard work have resulted in technology that is internationally recognised and a company that is leading in a rapidly growing field of medicine,”** Minister Vaile said during the opening of the Compumedics new Abbotsford headquarters and manufacturing facility.

Mark Vaile is the Deputy Leader of the National Party Federal Minister for Trade and holds the Federal seat of Lyne located on the Mid North Coast of New South Wales.



# Somté Exposé

Research has found that around 50% of people suffering from Congestive Heart Failure also suffer from some form of sleep-disordered breathing. It is due to the increasing awareness of this prevalence that our flagship product, Somté, was developed.

Somté is the first 'holter-style' (worn on the upper torso) device designed to study the nature, severity and interrelationship between sleep disordered breathing and cardiac dysfunction. This is assisted with the use of advanced ECG analysis software with HRV and PTT measurements.

Its petite size and weight (234gm) allows the unit to be worn easily as an ambulatory device, as well as being stored away neatly.

Somté can be configured to run purely as a Sleep Screening unit providing a quick and affordable test for patients to determine if their condition warrants the need for a full sleep test.

This allows the unit to be configured to specific needs, as well as specific budgets.

The benefit of Somté is that it can be worn to sleep by patients in their own homes, thereby freeing up urgently needed beds in hospitals and clinics and speeding up the waiting period for sleep tests around the country. Conventional sleep tests normally take place in a sleep laboratory, where waiting periods can be up to one and a half years in certain parts of Australia. With the use of Somté, this pressure on sleep labs is significantly alleviated.

With 13 channels collecting different data, the Somté offers more information than existing small limited-channel recorders. This is enhanced by its low operational costs (it runs on 2 x AA batteries that provide up to 30 hours of recording) and high storage capacity (512MB Compact Flash Card will last for multiple days).

## Clearance to market Somté in the US

In January we announced the much-anticipated clearance for the sale of Somté in America by the US Food and Drug Administration (FDA). Somté can now be sold to over 2400 specialty sleep centers in addition to private physicians and clinics. It is estimated that as many as 40% of the 58 million Americans suffering some form of cardiovascular disease also have a sleep disorder. This means that the potential market for Somté in the US is of the order of US\$130 million per annum.

This announcement followed the approval to market Somté in Canada and last year's European Union, Australian and Japanese regulatory approvals. The media responded positively to the announcement and we also saw a substantial rebounding of the shareprice.

**'FDA 'yes' lifts  
Compumedics 18pc'**

*– Sydney Morning Herald*

**'Time for good  
night's sleep'**

*– Herald Sun*

**'Compumedics  
a sleeping giant'**

*– The Australian*

Compumedics updates via email:

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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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