

Investor News

Compumedics
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Neuroscan

Solid Revenues and Accelerated Neuroscience Growth Platforms

In April 2002, Compumedics announced its first acquisition - US neurological instrument business, Neuroscan.

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- Neuroscan commands over 90% of the US market for research EEG
- We have combined two leading technology companies to leverage off the synergies between sleep and EEG diagnostics

Dräger Medical Contract Sets New Europe Direction

In mid July we signed a letter of intent for the supply and development of sleep diagnostic technology with the German based multinational, Dräger Medical AG & Co. KgaA.

Dräger Medical is one of the world's leading manufacturers of medical equipment, with sales of around 800 million Euro (AUD1.5 billion). The arrangement with Dräger Medical is an important link in Compumedics' revamped international distribution strategy.

Dräger Medical will have exclusive marketing rights in Germany for Somté cardio-respiratory monitoring units and non-exclusive rights in France and Benelux. We will also cooperate on a broader technological and strategic basis.

At the time of the announcement, Dräger Medical General Manager, Dr. M. Thijs A. Teeling said, "The portable Somté diagnostic system is ideally suited for the home healthcare sector, which is a major area of focus for our business. We are a leader in state-of-the-art medical technologies, so adding sleep diagnostic technology to our portfolio was a natural fit."

Teijin - Record Japanese Business

Long Standing Affiliation Growing From Strength To Strength

Teijin Limited's origins date back to 1918, initially as a natural fibre supplier. It is now an AUD14 billion conglomerate employing over 22,000 people in diverse fields including Films and Plastics, Pharmaceuticals and Home Health Care, Machinery and Engineering and other new businesses.

Teijin is committed to sleep medicine and is Japan's major player in a market which has doubled over the last two years.

Teijin has a long history in the sleep disorder market and has distributed Compumedics' equipment since 1995. This relationship was further strengthened when Teijin invested in Compumedics in late 1999. The two companies then established a research collaborative

program for the new cardio-respiratory device (marketed as Somté in Australia): Teijin provided the capital and Compumedics the innovation and R&D expertise. Teijin has exclusive rights for the cardio-respiratory device in the Japanese markets.

Teijin also funded the development of P-Series products (used by NASA and the US National Institute of Health for the Sleep Heart Health Study) and subsequently was appointed as Compumedics' exclusive distributor in Japan. The relationship with Teijin continues to grow with the most recent example being the release of the Japanese language version of Compumedics' ProFusion PSG software into the market through Teijin.

Teijin is one of Compumedics' major shareholders.

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CEO's message



The past year has been one of major events and challenges for Compumedics. We have experienced a number of strong and positive developments, including the strengthening of our core sleep technology business, the Neuroscan acquisition, the development of key growth platform technologies and the release of a number of significant new products.

The strength of our technological edge continues to be demonstrated by the enthusiastic acceptance of our new Somté sleep technology. Initially, Somté was adopted by Japan's leading sleep company Teijin Limited (an AUD14 billion conglomerate) and recently by Europe's leading medical company, Dräger Medical AG & Co. KgaA (an AUD1.5 billion conglomerate).

The Neuroscan acquisition has particular significance for Compumedics. Apart from the fact that Neuroscan is a profitable business in its own right, the most exciting aspect of this addition is the synergies between the two businesses. Combining Neuroscan's strengths in neurophysiology with our expertise in sleep diagnostics gives Compumedics a strong competitive advantage in the burgeoning field of diagnosing and treating sleep related disorders. For example, the understanding of the links between sleep disorders and stroke continue to fuel demand for Compumedics' new diagnostic products and technologies. Furthermore, with the addition of the Neuroscan people and technology, the prospects for our other technology growth platform developments - including driver drowsiness and fatigue detection, and advanced depth of anaesthesia monitoring - have now been accelerated.

We were pleased to exceed the first year financial forecasts detailed in the IPO prospectus, but are disappointed that we did not meet the second year forecasts. This was predominantly the result of lower than expected sales from our main United States and European distributor.

The USA and Europe represent 80% of the world market for medical devices. Unfortunately we were unable to switch from distributor dependence to our direct Compumedics USA sales team in the time required to make up our revenue short fall. However, we now have an expanded direct sales team in place in the USA and although this investment has further impacted

2002 FYE profits, we are in a strong recovery position for 2003 FYE and beyond. Similarly, the recent announcement of our new Dräger Medical relationship sets a revived path for our European business.

Asia, which is one of the most exciting regions for future growth in medical devices, continues to be a resounding success for Compumedics. Our Asian sleep diagnostic business grew by 53% over last year's revenue and we have seen 385% growth in our business in China. Our long-standing relationship with Teijin in Japan is flourishing in both product sales and strategic cooperation.

Our strategy remains absolutely clear. We will continue to build our core sleep diagnostic business and leverage that expertise to expand into new growth areas including neurology and cardiology monitoring, fatigue monitors for automobiles, in-depth anaesthesia and sleep treatment. We have established outstanding relationships with industry leaders Teijin and Dräger and will continue to identify strategic partners who can assist us to develop and commercialise our new technologies.

We are clearly focused on our leading position in sleep monitoring and diagnostic technology - a market sector experiencing double-digit growth virtually all over the world. The sleep device market is still in its infancy but the US market alone is estimated at over USD400 million per annum with 2400 specialty sleep treatment centres treating many of the 84 classified sleep disorders.

The productivity of all company operations is also a key area of attention for the Compumedics' management team. We have been through a phase of substantial growth in infrastructure but we are committed to continuously improving the efficiency with which we conduct all our activities. We have recently been able to make substantial reductions to our cost base without impacting the quality of our product development or service to our customers.

International share markets are clearly unsettled at present but I'm confident that good quality companies with the right fundamentals and sound strategies will emerge from the pack to deliver value to shareholders. I firmly believe that our company is on the right track with a clear vision, leading edge technology, excellent partners and great people working for us.

I look forward to sharing a successful 2002/2003 with all of our stakeholders.

**David Burton,
Chairman and CEO**

Neuroscan - Solid Revenues and Accelerated Neuroscience Growth Platforms

In April 2002, Compumedics announced its first acquisition - US neurological instrument business, Neuroscan.

Based in Texas, Neuroscan is the leading manufacturer and distributor of software and equipment to the neurophysiological research and clinical markets. More than 1500 universities, hospitals, corporate and national research institutes in 50 countries (see break out box Major Neuroscan Customers) use Neuroscan's products to measure electrical signals generated by the brain and nervous system.

In clinical EEG (the measurement of brain activity) Neuroscan has specific advantages over the dominant players in the market, a fine reputation in product research and a strong product development pipeline. This combined with Compumedics' existing sleep disorder technologies and expertise provides an excellent opportunity for penetrating the EEG market.

The Neuroscan brand currently commands over 90% of the US market for research EEG applications and a significant market share in the rest of world. Furthermore, with Compumedics recently announced links with German based multinational healthcare equipment supplier, Dräger Medical opens up the important German market for the combined entities.

Worldwide, the market for our combined clinical and research capabilities is estimated to be up to USD190 million.

The Neuroscan business has performed to expectations since the acquisition and is likely to contribute a small profit to the Compumedics 2002/2003 results. The full integration of Neuroscan into the rest of the Compumedics business is expected to deliver both technological and operational (manufacturing and distribution) synergies to the company.

Why did Compumedics acquire Neuroscan?

Sleep studies require the use of EEG to determine stage of sleep. The acquisition of Neuroscan gives Compumedics a strong competitive advantage by offering a combination of technologies to study, predict and monitor illnesses including stroke, clinical depression and Alzheimer's disease.

Fundamentally, we have combined two leading technology companies to leverage off the clear synergies between sleep diagnostics and EEG diagnostics.

Major Neuroscan Customers

North America

The Mayo Clinic, Albert Einstein College of Medicine, Harvard University School of Medicine, National Institutes of Health, The Toronto Hospital

Europe

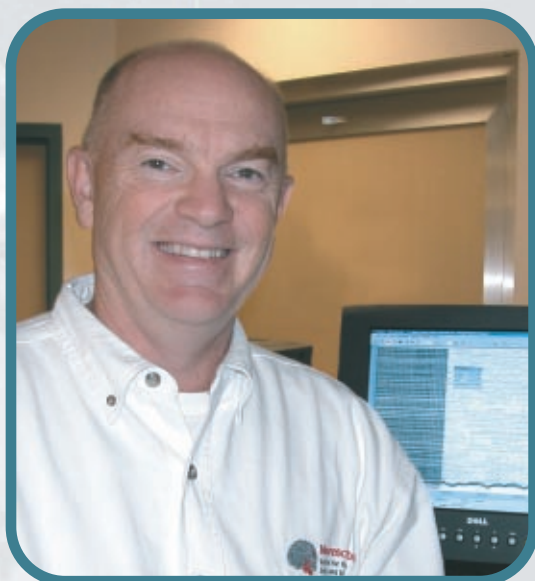
Max Planck Institut (Germany), Humboldt Universitat (Germany), Universite de Rennes (France), Hospital San Raffaele (Italy), Queen's Medical Center and University (UK)

Asia Pacific

University of Melbourne (Australia), Kalawati Saran Hospital (India), Kuwait University (Kuwait), China Academy of Science (China), Tokyo University (Japan)

Emerging markets

Al-Azhar University (Egypt), Chinese University (Hong Kong), Hungarian Acad. of Sciences (Hungary), Samsung Medical Center (Korea), Ankara Universitesi (Turkey)



Quoted Dr. Steven F. Sands

"Many abnormalities observed in the waking brain are enhanced and become more apparent in sleep. This is particularly true in the case of Epilepsy. Localizing these events in the brain is a critical component to treating and curing this disorder. The combination of Sleep and Imaging technologies will eventually become a standard of care in medicine." Dr. Steven Sands, Founder and President of Neuroscan. With the Compumedics acquisition Dr. Sands will remain as President of Neuroscan and retain overall management of Neuroscan.



The Sleeping Giant - Our Market

A sleep disorder is a medical condition that affects a person's ability to have a 'normal' night's sleep. There are 84 classified sleep disorders ranging from snoring, sleep apnoea and insomnia to narcolepsy.

It is estimated that some 40 million Americans suffer from chronic, long-term sleep disorders. Another 20 to 30 million Americans suffer from some kind of sleep disorder on an irregular basis. The annual costs in productivity, health care, and safety have been estimated in the billions of dollars.

Untreated sleep disorders may lead to long-term health issues, including cardiology and neurology complaints. The enormous impact of diminished sleep quality on psychological function, mood, memory and general cognitive performance has led to an increasing awareness of sleep disorders.

As the understanding of the links between sleep quality and normal body system function increases we are gaining insight into the cause of many common diseases including stroke, Alzheimer's disease and clinical depression.

Compumedics is one of the few medical instruments companies dedicated to Sleep Diagnostics. As a result, Compumedics has a reputation for its pioneering role in developing Sleep Diagnostics Technology and has grown rapidly from a 4-man organisation to a multinational ASX-listed public company with technology diversifying into related diagnostic fields of Neurology and Cardiology.

Compumedics patented intellectual property has allowed it to protect its world-leading pioneering technology from its closest competitors and maintains a 70% share of the Australian Sleep Diagnostic market.

“Three key factors will drive the future growth of Compumedics: our unique technology, our international penetration and leverage into new markets for medical devices.”

Mr David Burton, CEO Compumedics Limited

Compumedics Facts

- Has world leading sleep technology including the unique wireless monitor, Siesta, and world class sleep staging technology
- Australian Sleep Diagnostic Market - approximately 70% share
- Australian Clinical EEG Diagnostic Market - approximately 40% share
- US Sleep Diagnostic Market - approximately 8-12% share
- International distribution to over 50 countries

Sleep Disorders Statistics

- 84 classified sleep disorders
- Affect 10% of the world population
- Affect 40 Million Americans
- 2,400 sleep centres in the USA (60 a decade ago)

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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