

Investor News

Compumedics
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December's Strong Revenue Growth sets the Platform for 2002

The interim result to December 31 2001 was highlighted by record first half operating revenues of \$9.1 million, representing a 32% increase over the previous corresponding period.

Compumedics increased revenues in the important USA market by 139% to \$4.6 million over the previous corresponding period despite the country's well-documented difficulties. This growth reflects the continuing success of the establishment of Compumedics' direct USA office. Asia Pacific also saw strong sales growth of 60% over the previous corresponding period resulting from growth in the Japanese market and the creation of new distributors in other parts of Asia Pacific. Europe's sales fell due to a change to our resources in the territory, while Australian sales were marginally down reflecting the company's high market penetration.

The company expects continued strong sales growth as it builds its own direct sales force in key markets. Although sales did not fully meet targets in the December half, it expects the traditional skewing and high sales for the June half to continue.

EBITDA was up 22.4% to \$1.4 million over the previous corresponding period, assisted by an increase in gross margins from 62% to 69%. Overall profits were \$0.3 million

due to slower than expected revenue growth for this period. Earnings per share for the period was 0.47 cents after adjusting for amortisation of intellectual property acquired.

Compumedics commitment to the development of its product range and growth platforms was highlighted by research and development expenditure capitalised at \$1.3 million before R&D grant monies receivable. This represents 14.3% of operating revenues. Amortisation charge for intellectual property relating to the period was \$0.7 million.

Inventories at \$5.9 million were \$0.9 million higher than in June reflecting strong production output in preparation for growing sales demand in the second half. Debtor days at December end were 190, comparable to June 2001, due to the high proportion of sales late in the half-year. Average debtor days over the period demonstrate an improvement.

David Burton Chairman and CEO, expressed his satisfaction with the numbers given the difficult circumstances the company encountered in its key USA market in the first half.

"The Company has delivered a first half consistent with its historical first half performance. Management is positioned to achieve the forecast numbers and is tracking performance closely," stated Mr Burton.

USA Office Powers On

The Compumedics US office has made great strides in the past six months streamlining internal processes, expanding direct sales territories and setting systems for improved customer management.

In October 2001, the US office implemented the comprehensive management reporting system (MFG/Pro) utilized in Australia. This system enables the office to maintain its own inventory and manage internal stock transfers, input sales order entries and work orders, track service stock and invoice customers.

Improved inventory management systems have allowed the US Operation to adequately stock product, facilitating immediate response to customer requests.

With continued improved market position, Compumedics USA expects to achieve forecast revenue growth from current product lines.

Importantly, our presence in the US also provides a direct pipeline into additional, profitable markets as new products are introduced in response to customer demands.

The USA business now has a staff number of 15 with 9 related directly to sales and a further 4 to customer service and support. We now have sales coverage in 8 territories with further expansion planned.

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MD CM, FRCPC
Sleep Pioneer

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CEO's message



We are pleased to announce record first half operating revenue growth and a continued track record of profitability.

Notwithstanding the impact of the events in the US on September 11, 2001, we have delivered record first half operating revenues of \$9.1 million. This growth shows an increase of 32% in the corresponding period last financial year.

We have positioned Compumedics for continued growth through a larger sales team resulting in reduced profitability NPAT of \$0.3 million, but a strengthened sales outlook.

Our ongoing success is attributed to accessing and developing key sleep markets internationally. This market development is facilitated by Compumedics' global recognition as a provider of leading edge diagnostic technologies in prominent institutions, while at the same time penetrating the lucrative and rapidly expanding clinical sleep laboratory and services market.

The strategic decision to establish a significant US office in the world's largest device market also continues to deliver results. We have a solid foothold with 8% of the US market and revenue growth of 139% over the previous corresponding financial period. Our US market share has doubled over the last two years. We still only have a small share of a large market, providing sustainable growth for many years ahead.

Driving this important market is fundamental to our business strategy. We have accelerated our direct sales, recruited the right team and increased our market presence. Compumedics remains positive on the US market and believes growth targets are achievable despite recent events.

Locally, we have captured an outstanding 40% of the Australian EEG Monitoring market underpinned by

linkages to fields such as Sleep and Stroke.

An important milestone for Compumedics in 2001 was the recognition of our export efforts by both the Governor of Victoria and Austrade.

Compumedics won the Governor of Victoria Export Award and an Austrade Australian Export Awards in the small-medium manufacturer category for 2001. These awards mark our philosophy and on-going commitment to delivering world class Australian technology to overseas markets, demonstrated by continued high growth and 80% of our business being export.

The prospects for the coming six months are exciting with the delivery of new high quality products.

The neurology market is expected to receive the latest Compumedics Siesta Ambulatory system for full-EEG applications. ProFusion, the software that powers our cutting-edge diagnostic technologies, will undergo a major revision, improving its operation and adding new functionality.

We have also developed a full suite of CHF (congestive heart failure) software and hardware technology, Somté, for diagnosing CHF patients with Sleep Disorders. Substantial orders of Somté were delivered to Asian countries in the December end period, reinforcing a strong growth outlook for Compumedics.

Indications for the second half of the financial year point to a continued sustained growth in all our markets: Australia, USA, Asia and Europe.

The progress we have made could not have been achieved without the assistance of our dedicated staff, the support of our customers, partners and investors. I would like to thank you all on behalf of the Compumedics Board.

David Burton
Chairman, CEO

Profile:

Dr. Meir Kryger MD CM, FRCPC Sleep pioneer counting the cost of sleepless nights



Dr Meir Kryger and his Canadian research team are discovering the real costs of sleep disorders such as sleep apnea - both to the individual and to the health system.

Dr Kryger, a professor of medicine at the University of Manitoba, is Director of the Sleep Disorders Centre of the St. Boniface Hospital Research Centre in Winnipeg, Canada. He says that, "When policy makers don't know how much not dealing with a

problem costs, they tend to ignore it". Dr Kryger's results are providing essential information on which to base future funding priorities.

Dr Kryger and his team have demonstrated that, compared to the general population, sleep apnea patients suffer a significantly higher rate of heart failure, heart disease, hypertension and depression. His laboratory was one of the first to show many years ago that the excessive daytime sleepiness of sleep apnea patients leads to increased risks of road accidents.

Their studies of patients both before and after treatment are also showing that apnea patients use almost double the health care resources in the ten years prior to their diagnosis. Educating physicians about the detection and treatment of sleep apnea and other sleep disorders will relieve suffering and have a positive impact on the health care system.

Dr Kryger brings years of experience to his role. He published one of the first descriptions of sleep apnea in North America in 1974, established the first laboratory in North America studying sleep disordered breathing in 1977, and is the Chief Editor of the premier textbook in sleep research, "Principals and Practice of Sleep Medicine".

The Sleep Disorders Centre acquired their first fully digital sleep recording system from Compumedics in 1997. The Centre has also acquired the latest Compumedics Siesta Recording System in 2002.

US and Canadian customers put Siesta to the test

From sleep management in the military to sleep testing for isolated communities, the international adoption of the Siesta System has gone from strength to strength in less than a year.

Leading American and Canadian researchers and clinicians are re-equipping their sleep laboratories with Siesta and finding that the unique capabilities and flexibility of the system allow new approaches to research and clinical care.

Compumedics is especially excited by the early adoption of Siesta by:

- **Walter Reed Army Institute of Research in Maryland USA**
- **St. Boniface General Hospital Research Center in Winnipeg Canada**
- **Minnesota Regional Sleep Disorders Center USA**

Read on for more information about their use of Compumedics technology.

Towards a military sleep management system

The Walter Reed Army Institute of Research (WRAIR) recently acquired 12 Compumedics Siesta systems for their sleep research team.

Sleep sustains battlefield awareness - *the sum of mental abilities necessary for effective combat performance* - the Institute's Department of Behavioral Biology is one of the premier centres for research on sleep deprivation and human function. The research team investigate stress and sleep deprivation to understand and prevent combat psychiatric injuries as well as enhance combat performance.

The Siesta units can record and store high-quality signals to monitor sleep/wake information in a lightweight, battery-powered package. The units meet the particular requirements for this specialised research.

Founded in 1893 and based at Silver Springs, Maryland, the Walter Reed Army Institute of Research is the oldest and largest of the laboratories in the U.S. Army Medical Research and Materiel Command.

Remote communities gain access to sleep testing

Canada's leading sleep disorder clinicians are using the Siesta system to bring sleep testing to remote hospitals and homes across the Province of Manitoba.

"Patients with sleep disorders will be able to access state-of-the-art sleep testing in their local hospitals or even their own homes, and will therefore be started on treatment more quickly," says Dr. Kryger, Director of the Sleep Disorder Centre at St Boniface Hospital, Winnipeg.

"Currently patients who require complex monitoring must come to Winnipeg to be diagnosed. This often means a wait of between one and three years. Patients are also frequently referred to other provinces for diagnostic evaluations."

Using Compumedics Siesta systems installed at remote provincial sites, the personnel at the Center will be able to monitor sleep studies and analyse the results a short time after the studies are completed.

Compumedics has also supplied an integrated teleconferencing system. Patients and staff at the remote clinics will be able to communicate directly with Dr. Kryger and his staff over a high-speed, wide-area-network (WAN) set up by Manitoba Telecom. Compumedics aims for the project to serve as a model for expanded sleep testing services throughout Canada.

The project is supported by a Canada Health grant.



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Minnesota upgrades with Siesta

Dr. Mark Mahowald and his team at the Minnesota

Regional Sleep Disorders Center (MRSDC) in the US have chosen Compumedics for their sleep laboratory upgrade.

The Minnesota team are known throughout the sleep medicine world for their investigations into the strange world of sleep parasomnias.

Sleep parasomnias include disorders such as sleep walking, sleep terrors and REM behaviour disorder (RBD). RBD was first discovered by researchers at the Center and has been identified as a condition in which the normal muscle paralysis associated with REM sleep is absent and the sleeper physically acts out dreams and nightmares.

The Center currently has a six-bed sleep laboratory for overnight studies with a staff of 35. To date some 265 fellows, residents and medical students have trained there, highlighting the Center's ongoing commitment to training sleep professionals.

The Center has been in operation since the late 1970s using, multi-channel paper-based recorders until 1997. After a long evaluation process, the Center selected the Compumedics S-Series digital sleep system for the lab.

Now in 2002, the MRSDC is expanding, redesigning the laboratory and equipping it with a mix of Compumedics E-Series and Siesta systems. The portable Siesta unit will be of particular use for sleep studies that are performed outside the laboratory, in areas such as intensive care units.



Fact Box – The Siesta

- World's first truly portable multi-purpose patient monitor
- Wireless data transmission
- Weighs only 300 grams
- Supports 24 hour recording outside the lab – the patient can take it home
- Opens a new host of uses for clinicians and researchers

Major Australian Tenders awarded to Compumedics

The Queensland Government through Queensland Health offered two major tenders late in 2001, one for sleep monitoring equipment and the other for Electro Encephalography (EEG) equipment.

Compumedics was awarded both tenders.

The tender for sleep monitoring equipment has allowed the Royal Brisbane Hospital and the Cairns Hospital to upgrade

facilities. The hospitals have installed sleep recording and analysis equipment encompassing the E-Series laboratory system, and the Siesta, the wireless ambulatory system.

EEG equipment supplies four different neurology sites in Queensland: Mackay Base Hospital, Princess Alexandra Hospital, The Prince Charles Hospital and Royal Brisbane Hospital.

These four sites are now equipped with Compumedics E-series systems, which provided best value for money for their specified requirements.

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

Compumedics Limited, Australia: 1 Marine Pde, Abbotsford, VIC, 3067, Australia
Phone: +61 3 8413 7300 Fax: +61 3 8413 7399 FreeCall: 1800 651 751

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