

'Defining *life's* signals'



> SLEEP DIAGNOSTICS

> NEURO DIAGNOSTICS

> BRAIN RESEARCH

Annual General Meeting
October 2003

Agenda

- Meeting opens
- Chairman's address
- Ordinary business
- Meeting closes



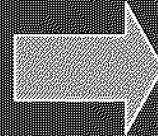
Chairman's Address

Outline

1. Overview of the past year.
2. Highlights of the past year.
3. Key strategies for the current year.
4. Key milestones for the current year.

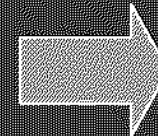
Full year results - Key points

Revenue growth
62% year on year



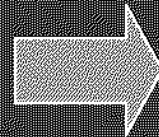
Sleep USA grows 50% year on year.
Sleep Europe grows 45% year on year.
Excluding Neuroscan acquisition
revenue growth 30%.

\$3.0m turnaround
at the EBITDA line
to \$2.1m profit



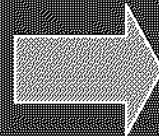
Growth of business leads to strong
earnings turnaround at the EBITDA line.

Adjustments for
certain assets
taken now



Revenue recognition in line with
international standards \$0.9m revenue
impact and \$0.9m PAT impact.
Charges for intellectual property of PAT
\$17.8m booked in the current period.

Operating cash
positive H2



Operating cash for H2 was \$3.8m positive
compared to \$(0.9)m negative in H1.
Debtors days reduced from 212 days 30
June 2001 to 96 days 30 June 2003.

Performance relative to PCP

\$Am	12 mths to June 30 2002	12 mths to June 30 2003	Accounting adjustments	12 mths to June 30 2003 pre-accounting adjustments
Operating Revenue	19.8	32.1	0.9	33.0
EBITDA	(0.9)	2.1	0.9	3.0
EBIT	(2.4)	(18.8)	18.8	0.0
Profit after Tax	(1.9)	(18.6)	18.7	0.1
Gross Margin	64%	57%		59%
EBITDA/Op. Revenue	(5)%	6%		9%

Balance Sheet relative to PCP

	June 2003 A\$'000	June 2002 A\$'000
Current Assets		
Cash	5,366	8,533
Receivables	8,624	7,834
Inventory	8,416	8,520
Other	<u>180</u>	<u>336</u>
Total	22,586	25,223
Non current assets		
Receivables	-	106
Property, Plant and Equipment	1,176	958
Intangibles	-	17,337
Other	-	670
Total assets	<u>23,762</u>	<u>44,294</u>
Current liabilities		
Accounts payable	4,578	3,648
Borrowings	4,729	5,198
Provisions	845	577
Other	<u>1,270</u>	<u>380</u>
Total current liabilities	11,422	9,803
Non current liabilities	665	4,265
Total liabilities	<u>12,087</u>	<u>14,068</u>
Net assets	11,675	30,226

Financial Performance

● Underlying operating earnings

- Growth and efficiencies have significantly contributed to earnings. This has resulted in a positive shift in EBITDA to \$2.1m

● Costs under focus

- Critical mass in place, earnings continue to grow
- Efficiencies in all parts of the business to be maximised

● Margins

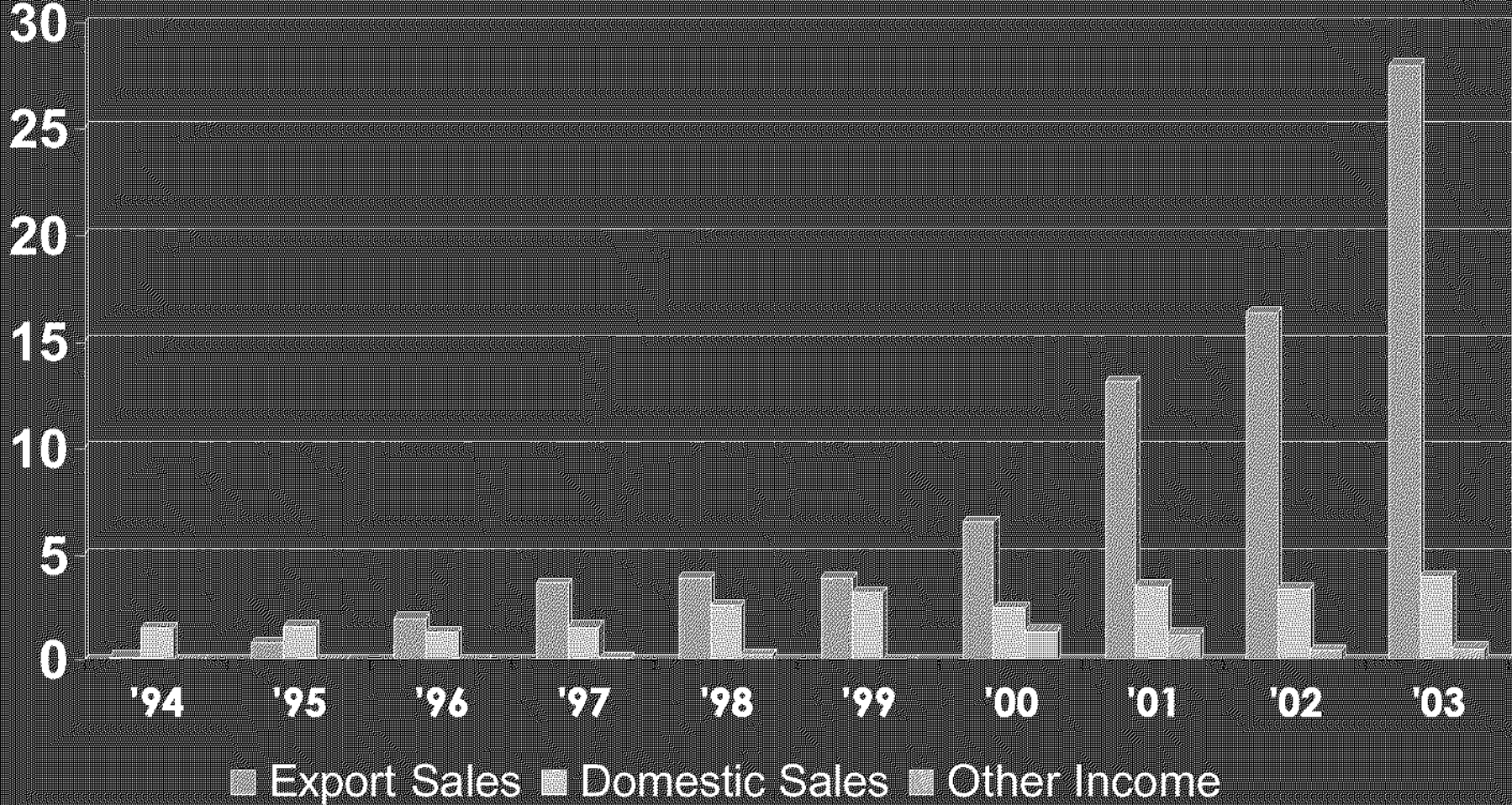
- June 02 – 63%, June 03 – 56%
- Margins impacted by change in
 - revenue recognition, policy (2%),
 - foreign exchange (2%)
 - once off factory relocation costs in Melbourne and El Paso due to consolidation (2%)

● Working capital improving

- Debtors days reduced from 131 to 96 days
- Inventory still needs work but improving

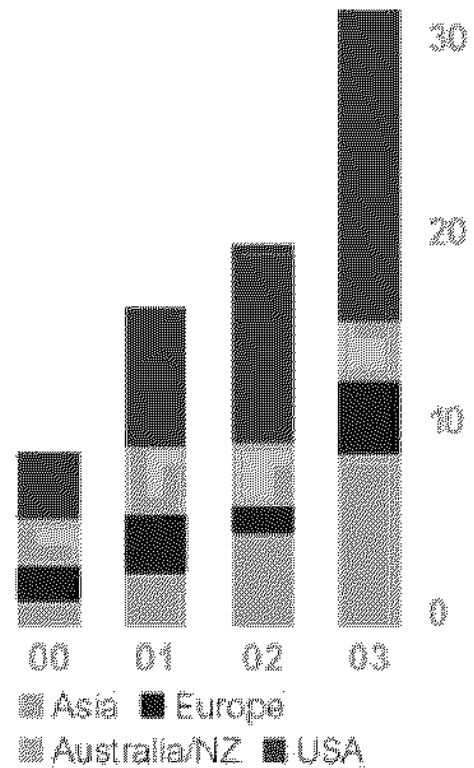
A long history of growth

A\$m



International expansion gains momentum

Revenue by region \$m



A Big Market to Grow In

Clinical Sleep
Diagnostics
AUD \$250m

Brain
Research
AUD \$70m

Clinical Neuro
Diagnostics
AUD \$890m

Estimated global market value = AUD\$1.21 billion

Compumedics' core sleep diagnostic technology is now being leveraged into the associated fields of neuro diagnostics and brain research. Combined, these markets are more than \$1.2b globally.

Compumedics' current market share = 3% globally

Compumedics holds strong domestic market shares in sleep diagnostics and neuro diagnostics at more than 40% and 50% respectively. Globally, our market shares are expanding rapidly but are still relatively small.



Performance Highlights for 2002/2003

- Sales in the 12 months to June 30, 2003 were up 62% from previous year to a record \$32 million.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) lifted to \$2.1 million, a \$3 million improvement when compared year-on-year.
- Operating cash and debtors are positive and under control.
- From 1st July 2003 R&D is now expensed and not amortised, presenting a stronger operational focus and transparency to all shareholders and meeting international stock market expectations.

Organisational Highlights for 2002/2003

- USA direct sales grow by 56% year on year. The third successive year of revenue growth in USA exceeding 54% on the previous year.
- The signing of a three year European distribution agreement with one of the world's leading medical instrument companies, Dräger Medical.
- 100% growth in the Japanese market year-on-year after 10 years investing in building a strong relationship with Teijin (the leading Japanese supplier of sleep equipment).
- FDA clearance to sell Somté in the lucrative USA market. Somté is a world first sleep disordered breathing (SDB)/cardiac recording device (5 million sufferers in USA alone).
- Establishment and opening of world-class manufacturing facilities capable of exceeding \$100 million dollars of sales throughput per year.
- Bedding down of Neuroscan acquisition with a) FDA clearance to sell Synamp2 in the USA market – halving costs of goods and lifting profitability of Neuroscan business; b) expansion of Compumedics diagnostic equipment sales with the addition of EMG & EP (neurology diagnostics). Our core focus on sleep has been strengthened with the acquisition of Neuroscan's technology.

Moving Forward - Strategy

Grow the business profitably by:

- Growing our global sleep diagnostic business to a leading market share in each of our markets.
- Expanding our Neurological diagnostic business in the USA following the successful development of the business in Australia.
- Releasing innovative products to capitalise on market opportunities and maintain product leadership in those markets.
- Establish new operational structure to separate Medical Innovation from the core business and enable both opportunities to be fully exploited.

Moving Forward – Commercial Goals

- USA sleep market share greater than 15% by June 2004.
- Key sleep sites in Europe won and installed.
- Doubling of our Japanese first half business by December 2003.
- 100th Synamp2 sold by February 2004.
- Refinancing of the Neuroscan acquisition complete by end of December, 2003

Moving Forward - Technology

- Revised Comperio EMG product to market by December 2003.
- Summit IP released by April 2004.
- ECG Free released by November 2003.
- 128 channel EEG product released by April 2004
- E-Series next generation product development commenced by April 2004, for release at the American Sleep Association meet in June 2005.

Q1 Revenue and 2004 Outlook

- Record Q1 orders taken, shipped and invoiced sales and earnings on a like for like basis with Q1 last year.
- Revenue growth and earnings continue.

Conclusions

1. Strong revenue growth up 62% year on year.
2. Profits restored at the EBITDA line.
3. Intangible asset reviews are behind us.
4. Expanding product offering in growing markets will fuel growth.
5. Profitable growth is the focus.

Ordinary business

- Election of Director
- Mr. Alan Anderson who retires by rotation offers himself for re-election to the position of Non-Executive Director.
- Prof. Graham Mitchell who retires by rotation offers himself for re-election to the position of Non-Executive Director.
- Increase the limit from which non executive directors fees can be paid. The limit is to increase from \$90,000 to \$250,000.

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End of Business

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