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Medical Diagnostic Systems

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Dear Shareholder

Re: Compumedics maiden dividend of 0.5c fully franked to be paid on December 20, 2004 for shareholders registered on November 29, 2004.

It is with pleasure that I announced at last weeks Annual General Meeting that a maiden dividend will be paid to shareholders of the company. The dividend of 0.5 cents per share will be paid to shareholders on 20th December 2004. The dividend will be fully franked. The record date for the dividend will be November 29, 2004.

In announcing this dividend which totals \$700k I see this as both a reward to you our patient investors as well as an expression of Board's confidence in the company's future.

In 2003/04, the company's operating profit rose by 55% and cash holdings rose by nearly \$1 million. In that year, sales in the United States grew by 35% with growth of over 20% in Europe, in local currency terms.

Comparable growth is expected in the current year, in local currency terms, which will flow through into comparable Australian dollar growth rates with the benefit of relatively stable exchange rates.

The company's growth prospects are underpinned by high rates of growth in our core markets, a steady stream of new, advanced product releases, and continuing integration of recent acquisitions.

We have previously advised that revenues in 2004-05 are expected to be between \$42 million and \$48 million and after tax profit is expected to be between \$3 million and \$4 million. As at 30 June 2004, the company had cash balances of \$6.35 million compared with \$5.37 million a year earlier. The dividend will be paid from these reserves.

We recognise that sustained high rates of growth require increased levels of funding. As a consequence, we are looking at a variety of innovative strategies to unlock shareholder value embedded in our intellectual property.

In declaring the dividend, the Board has agreed that the Company's dividend policy will be amended to pay a dividend from time to time as the company can afford to do so and it is deemed appropriate to do so.

Attached to this letter you will find documentation for completion so as to enable your dividend to be paid. If you have any further questions on the dividend please contact our share registry providers, ASX Perpetual, whose details are also attached.

Once again I thank you for your continued support.

Yours sincerely

David Burton
Executive Chairman