



**Boardroom Radio Roundtable Discussion
with David Burton, CEO of Compumedics Ltd**

29 June 2007 – Edited Transcript

Melbourne Australia, Wednesday, July 18, 2007

Leading Australia-based medical diagnostics devices company, Compumedics Limited (ASX: CMP), is pleased to provide the following edited extract of the transcript of the responses to questions given by David Burton, Compumedics' CEO, to Boardroom Radio roundtable discussion questions from David Blake, in the discussion entitled, "Product to Market in the Medical Services Industry" on 29 June 2007. This discussion follows Compumedics' release to the market on 28 June 2007 of its business update.

David Blake Question: Describe your company's principal product and the health care markets they relate to.

David Burton Answer:

CMP has grown to become a global medical diagnostics company with world leadership in three sectors. That incorporates 1200 installed systems across many of the hospitals and universities across Australia in the areas of sleep diagnostics (sleep division), neuro-diagnostics and non-invasive blood flow diagnostics, our DWL division.

All of these fields were pioneered or discovered in the 1980s, validated in the 1990s and are only now undergoing a rapid commercialisation into the fast expanding 1 billion dollar plus global market.

The company has increased sales more than 4-fold from \$9 million (in 1999) to the region today of \$40 million. That reflects our continued commitment to R&D as well as sales and marketing. On those numbers, you can see we are a relatively early "play" but our outlook in those unique fields is high growth. You will see today and next week an announcement of our move into the adjoining field of treatment in sleep with a new patented breakthrough that switches us from a core global diagnostics sleep market, which is estimated in the region of \$250 million, to the \$2 billion treatment market. We now have a new "intelligent" CPAP treatment called "SPAP", which is an innovation the Company has developed and which is a natural step-out for the Company. So our focus has been primarily in high growth, early phase, good outlook markets, in relatively new areas and we are now switching into the treatment sector, which is adjoining but much larger. And that is Compumedics.

David Blake Question: Can you describe your number one marketing challenge?

David Burton Answer:

Awareness is a common first hurdle for introducing new technologies which we (in health care) all share some common base. That is naturally one which is costly. A second is the fundamental need to sell enough, quick enough, to bring the profits above the costs to make a little thing called profitable quarters, preferably and definitely annually. For the second one, we have gone back to the basics and you will probably see in the last six months, we have sealed 10 million dollars of incremental contracts for our core diagnostics products in the European and Asian regions. It is a fairly basic need to expand vertically on our existing product lines, which is a hard business, but is, at the end of the day, what counts. The final one is accessing cash from the appropriate sources to achieve such growth. For us, for example our stock of similar companies in our US counter parts would be valued three times or more than we are in Australia. So we need to be cognisant of the global stock-market values and the differences in those values, and we are assessing those things at the moment in terms of multiple or other listings to access to cash to compete with the global companies. Those are our primary focuses.

David Blake Question: Is your announcement on June 28, regarding a new sleep treatment, going to make a difference to where Compumedics is positioned in 5 years time?

David Burton Answer:

Absolutely, in fact the broader base of the question is that CMP in five years will be striving to achieve market share and penetration akin to its technology leadership. And if you take into account sleep treatment, which is in today's announcement, you will see it takes us to a step-out from a couple of hundred million dollars per annum sales potential to multi billion potential and that is in the treatment. Now, the litmus test for this was "putting money where one's mouth is" and, I think, the deal with the Medigas company, who are a member of the Praxair group, is our first test on that. They put forward for a 2% market share, a 1 to 2% world treatment market about a 2 million dollar deal. So, subsequently, we need to scale that up to the broader deals now.

The other part is alliances and strategies to get there. For us, as of yesterday, we now have two key alliances. One is Teijin, and most people may be aware Teijin is the number one Japanese sleep company. They are also a major shareholder and that is a very important partnership. They sell 9 billion dollars per year. As of yesterday, with the announcement this week, we have Praxair as a partner via Medigas. Praxair also has 9 billion dollar sales per annum. So, collectively, those two companies give us an alliance partnership and the OEM links that we need to take us to that next level in five years which is Compumedics as a multibillion company, where its market share is akin to its technologies of today and is also in the important annuity-stream market of therapeutic sleep which is a multi billion dollar market. So, that is the picture for us and, naturally, we have a lot of work to do and we have got to get those litmus tests going.

David Blake Question:

David, Compumedics paid dividends in the past. Are you looking to see dividends come out of the profits from Compumedics once again?

David Burton Answer:

Thank you for posing the fundamental question about profit – the first mark for dividends. In the past two six-month periods we have made profits and we also reduced the cost base by 5 million dollars. To answer specifically your first question to the previous guests, will you make profit in

the next financial year, do we expect to, yes we do expect to make profit in the next financial year and the basis of that is the fundamentals I gave you.

Our average growth as a company has been 30% over more than 5 years and that was without the benefit of the recent announcement of the treatment device. To put it into perspective, we have 4000 installed sleep-beds around the world which currently mean that CPAPs are being prescribed (for sales gone) to other companies who haven't all been friendly to us valued at three to four hundred million dollars per year. We expect, with our partners and alliances, in which two are aligned, to enjoy part of that revenue for obvious reasons.

One of the key reasons is we have technologically integrated to those sleep labs like no other company. So, yes, I do expect continued growth and the facts tell everyone that it has 30% for the last 5 years and secondly, yes, we do expect profits because the numbers show two six-month profit periods and a reduction of a 5 million dollar cost base. And, most importantly, we spend 20% on R&D, so we have got a little bit of give there that many companies may not have. If we were really worried about equations, we could certainly nudge down that R&D but we expect the sales to come up with that margin.

David Blake Question: What's the next 12 months hold for investors?

David Burton Answer:

The core business focus will be continued on our 3 diagnostics areas – sleep, neurology, and Doppler blood flow technology, of which we have the best in the world. We now need to achieve the market leadership that will take us up to a multi-billion-dollar market position. In terms of the treatment side of our business which we demonstrated this week, we hope that the 1-2% market share which we achieved as the first test, signing with Italy, and we convert that into a global contract with a likely OEM-type partners.

We keep the cost focus going and we will keep the profits on the horizon and as you well pointed out, that then converts to dividends for our shareholders and, of course, our traditional yield growth and sales growth for 5 years of 30%. We need to get that back on track as well.

For Further information:

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About Compumedics

Compumedics Limited, founded in 1987, is a global leader in the design and manufacture of diagnostic technologies for sleep disorders, neurophysiology and cardiology. In 1987 Compumedics established Asia Pacific's first fully computerised sleep laboratory. Compumedics holds 80% share of the Australian sleep-diagnostic market, and has a major and rapidly growing presence in the US, European and Asian marketplaces for its sleep, neurological, and Doppler blood-flow diagnostic monitoring devices.

In 1995 the company was selected to supply equipment to the US Sleep Heart Health Study, the world's largest sleep study of its kind, currently exceeding 14,000 studies with 20,000 patients scheduled by 2008. The company has corporate headquarters in Melbourne, Australia and offices in the United States, Asia and Europe.

In 1998 Compumedics was awarded the overall Australian Exporter of the Year.
In 2000 Compumedics was listed on the Australian Stock Exchange.

In 2002, Compumedics acquired US-based Neuroscan - the world's leading supplier of instruments for brain-research. In the US - the world's largest medical device market - Neuroscan hold around 90% of the market for brain-research products. This acquisition has enabled Compumedics to take advantage of the synergies between research and clinical-based Neuro Diagnostic technologies, re-affirming our commitment as a world-class developer of both sleep and neuro-diagnostic systems.

In 2003 Compumedics was awarded the Frost & Sullivan Award for Market Expansion Strategy.

In 2004, Compumedics acquired German-based DWL Elektronische GmbH, enabling Compumedics to expand its global operations into the neurovascular and cardio-vascular diagnostic fields.

In 2006, Compumedics was awarded the Frost and Sullivan Technology Leadership award for the innovative Somté recorder product.

In 2007, Compumedics and its Chairman were inducted into the Victorian Manufacturing Hall of Fame for their pursuit of excellence in manufacturing.

Compumedics has grown to become a global diagnostic medical device company with world leadership in three of the most exciting high-growth sectors and some 12,000 systems installed. Compumedics businesses now include their core and pioneering sleep-diagnostics (Sleep Division), Neuro-diagnostics (Neuroscan and Neuroscience Divisions), and non-invasive blood-flow diagnostics (DWL Division). All of these fields were pioneered or discovered in the 1980s, validated in the 1990s and are only now undergoing rapid commercialisation into the rapidly expanding \$1 billion plus global market.

The company has increased its sales more than 4 fold from \$9 million (1999) to \$38 million (2006), reflecting its continued commitment to an effective sales and R&D organisation.

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