



## **ASX / MEDIA RELEASE**

### **Compumedics Limited Business Update**

**Melbourne Australia, Monday, 23 June, 2008**

Leading Australia-based medical diagnostics devices company, Compumedics Limited (ASX: CMP), is pleased to provide the following business update from its Chairman.

Dear Shareholders

I would like to take this opportunity to provide you with a business update following the update provided on 10 April 2008 (attached for convenience). Compumedics is moving into an exciting period of development as the market for sleep products develops world-wide.

As you know, Compumedics is a top-tier company that manufactures in Australia and sells world-wide sleep-diagnostics devices with a superb reputation and branding position. It has done this successfully over more than 20 years. Almost 5,000 beds are equipped with Compumedics sleep-diagnostic systems globally, including the larger prestigious sleep laboratory centres of clinical and research excellence.

Developments are occurring in markets in which Compumedics' core sleep-diagnostics business operates and in the sleep-treatment market, which the Company announced in June 2007 that it was about to enter.

A key development has occurred in the USA where approval has been given for reimbursement for Home Sleep Testing studies. In March 2008, approval was given for reimbursement to commence for studies undertaken with devices in Classes III and IV. Compumedics sells sleep-diagnostics devices in these classes. The available market in the USA may be as much as US\$500 million per annum and Compumedics should gain a share of this new market in the new financial year.

Another key development is the impending release of Compumedics' NEUVO® long-term EEG (electroencephalograph) monitoring system. This product will enter an established neurology market that generates sales of about of US\$1 billion per annum.

Compumedics is moving forward with its entry to the sleep-treatment market and the imminent release of the first order of its new SomniLink® SPAP® device.

The current sleep-treatment market is dominated by a duopoly of big players, each with about US\$600 million in sales annually, which comprises about 80% of the market. Compumedics expects to win a large share of the US\$300 million sales of sleep-treatment devices that is generated from the 5,000 beds with Compumedics' diagnostics equipment. This will take Compumedics from its current approximately \$40 million diagnostics revenue-base, and its most recent six-month record profit of \$1.6 million and positive cash flow, to a much higher level of sales and profitability.

The Company is looking to realise its intrinsic value for its shareholders. As a first step, I will be helping to increase liquidity in the Company's shares by selling down a portion of my shareholding to extinguish personal debt. In addition, the Company is looking to raise capital and will consider merger and acquisition opportunities in order to exploit the current heightened interest in the sleep-treatment sector. The additional funding will primarily accelerate Compumedics' current growth trajectory, by expanding sales and distribution forces in key markets, particularly the USA. Accordingly, the Company will continue to meet with investment bankers, corporate advisers, and communications specialists generally to identify the appropriate strategy to maximise shareholder value.

We believe the current strong interest in the medical devices sector indicates that Compumedics is undervalued significantly compared to companies in its sector. Characteristically, high quality medical-device companies like Compumedics are valued at 30 to 40 times their earnings and recently companies in the sleep sub-sector have been valued at up to 50 times earnings. Evidence of the interest in the sector was the March 2008 purchase of Respironics, Inc, by Royal Philips Electronics for a price that was a multiple of approximately five times Respironics' 2007 sales.

The Company is committed to realise the intrinsic value of its current business as well as its significant intellectual property portfolio, brand name, and market presence for its shareholders.

I look forward to updating you on further developments in these initiatives as they progress.

David Burton  
Chairman

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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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