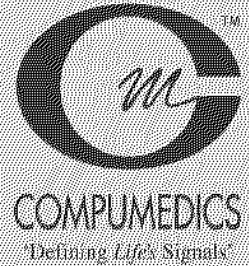


# 'Defining *Life's* Signals'



> Sleep Diagnostics > Brain Research > Neurodiagnostics > Doppler Sonography > Neuromedical Supplies

## Annual General Meeting • October 2005

# Agenda

- Meeting opens
- Chairman's address
- Ordinary business and acceptance of Remuneration Report
- Commendation to Ko Koike for his dedication to the Board and his valuable years of service. Special thank you from the Chairman, Board and staff
- Meeting closes

# Chairman's Address



# Outline

1. Financial review – June 30, 2005.
2. Review of the past year.
3. Key strategies.
4. Key milestones.
5. The road forward.



# Financial Review - June 30, 2005

- Record revenues of \$38m compared to last year's \$34m.
- DWL acquired and included in results for 10 months.
- Underlying sleep, EEG and Neuroscan businesses performed below expectations.
- Changes have occurred and are showing early signs of working, being the employment of:
  - i. VP Sales, America's
  - ii. VP Marketing, America's
  - iii. Business Director, Asia
  - iv. Business Manager, Asia
  - v. Business Director, Europe and Middle East

# Corporate Profile

- Over 1,400 beds of sleep diagnostics installed in the USA.
- No. 1 market leader in Brain research in the USA.
- No. 1 market leader in sleep diagnostics in Japan.
- No. 1 market leader position in sleep diagnostics (70% share) in Australia.
- No. 1 market leader position in clinical EEG (40% share) in Australia.
- No. 1 market leader position in sleep diagnostics in China.
- Emerging market presence in Europe.
- No. 3 market position in USA (largest world's medical device market) but highest growth outlook.

# Corporate Profile

- Proprietary technology in three high growth emerging markets.
- Existing business, with proven technologies and products.
- Existing business with significant proven organic growth
- Significant expansion opportunities into:
  - USA
  - Europe
  - Asia
- The Company has increased its sales more than 4-fold from \$9 million to \$38 million, reflecting its continued commitment to an effective sales and R&D organisation.
- Compumedics' equipment is distributed in 60 countries globally. Headquarters are in Melbourne, Australia with offices in Germany, Singapore, Japan and the USA.

# Corporate Profile– the markets

- Compumedics operates in the following emerging high growth markets:
  - Sleep disorders
    - 80% sleep diagnostic market share in Australia
    - 12% sleep diagnostic market share in the USA and growing
    - Major market share in Japan
    - Emerging market share in Europe
  - Neurophysiology
    - 70% brain research market share in USA
    - 60% market share in clinical EEG in Australia
    - Growing research market share in Asia, particularly China
    - Dominant research market in the UK, emerging in Germany
    - Opportunities in EMG
  - Blood flow through the brain
    - Proprietary technology invented by Rune Aslid and DWL
    - Market leader in Germany
    - Emerging positions in USA and Asia



# Corporate Profile – existing business

- Compumedics has been trading since 1987.
- Compumedics has sold direct in the USA since 2002, with significant opportunity for future growth still to be realised.
- USA growth complimented by Asian and European opportunities, particularly China, Germany and France.
- Strong revenue growth already achieved 33% compound over the last 5 years.
- Strong R&D focus with significant investment over the last two years at close to 20% of revenues.
- Future focus on earnings consistency and earnings growth.



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# Overview – Key Milestones

**Compumedics has an impressive track record of achievement :**

- 1995 NASA contracts won
- 1995 Sleep Heart Health Study awarded
- 1997 FDA approval for the P-Series
- 1999 2000 FDA approval for EEG device
- 2000 ASX listing
- 2002 USA business moves to solely direct sell to end customers
- 2002 Neuroscan acquisition, \$8m revenue achieved in 2004 from SynAmps2
- 2002 New factory opened
- 2003 FDA approval for Somte Sleep/CHF device
- 2005 The pre-eminent American Academy of Sleep is reviewing a possible change in the sleep scoring protocol. The majority of the committee members use Compumedics equipment
- 2005 Over 1,500 universities, corporate laboratories and national research centres use Neuroscan, 2,000 CMP sleep systems, 6,000 DWL systems, 12,000 systems worldwide
- 2005 Over 50 countries worldwide have access to Compumedics technology
- 2005 Sleep Heart Health Study – CMP equipment is being used in 14-year study – 20,000 patients to 2008

## AWARDS

- 2004 Deloitte Technology Fast 50
- 2003 Frost & Sullivan Award for Market Expansion
- 2003 David Burton-Centenary Medal
- 2002 David Burton-Clunies Ross National Science and Technology Award
- 2001 Governor of Victoria Export Award for Small to Medium Manufacturer
- 1999 Small Business of the Year at the Telstra and Victorian Govt. Small Business Awards



# DWL Acquisition – an update

- DWL business is up and running.
- Complementary brain function technology based on Doppler Sonography.
- Building our base in Europe.
- 60% market share in Germany.
- Good opportunity to globalise technology.
- Sales to be approximately \$6m in 2006.

# Performance relative to previous period

\$Am	12 mths to June 30 2003	12 mths to June 30 2004	12 mths to June 30 2005
Operating Revenue	32.1	34.0	38.2
EBITDA	1.9	2.9	(2.6)
EBIT	(18.8)	2.4	(3.9)
Profit after Tax	(18.6)	2.4	(3.9)
Gross Margin	57%	59%	53%
EBITDA/Op. Revenue	6%	9%	(7%)
Profit after tax/Op. Revenue	n/a	7%	(10.2)



# Balance Sheet relative to PCP

	June 2005 A\$'000	June 2004 A\$'000
<b>CURRENT ASSETS</b>		
Cash assets	3,922	6,352
Receivables	11,239	10,239
Inventories	5,963	6,481
Other	426	69
<b>Total current assets</b>	<b>21,549</b>	<b>23,141</b>
<b>NON CURRENT ASSETS</b>		
Other	119	-
Property, plant and equipment	1,521	1,368
Intangible assets	1,361	-
<b>TOTAL ASSETS</b>	<b>24,549</b>	<b>24,509</b>
<b>CURRENT LIABILITIES</b>		
Payables	7,456	4,123
Interest bearing liabilities	1,391	1,884
Provisions	535	892
Other	1,150	1,330
<b>Total current liabilities</b>	<b>10,531</b>	<b>8,229</b>
<b>NON CURRENT LIABILITIES</b>	<b>4,671</b>	<b>2,335</b>
<b>TOTAL LIABILITIES</b>	<b>15,202</b>	<b>10,564</b>
<b>NET ASSETS</b>	<b>9,347</b>	<b>13,945</b>

# Financial Performance

## ■ Costs under focus

- Investments in new sales and marketing resources have been made so the company will continue to be vigilant with monitoring its expenses whilst these incremental expenses bear fruit through greater sales.

## ■ Margins

- June 04 – 57%, June 05 – 53%.
- A renewed focus on margins is currently being implemented to restore margins to their previous levels.

## ■ Working capital improving

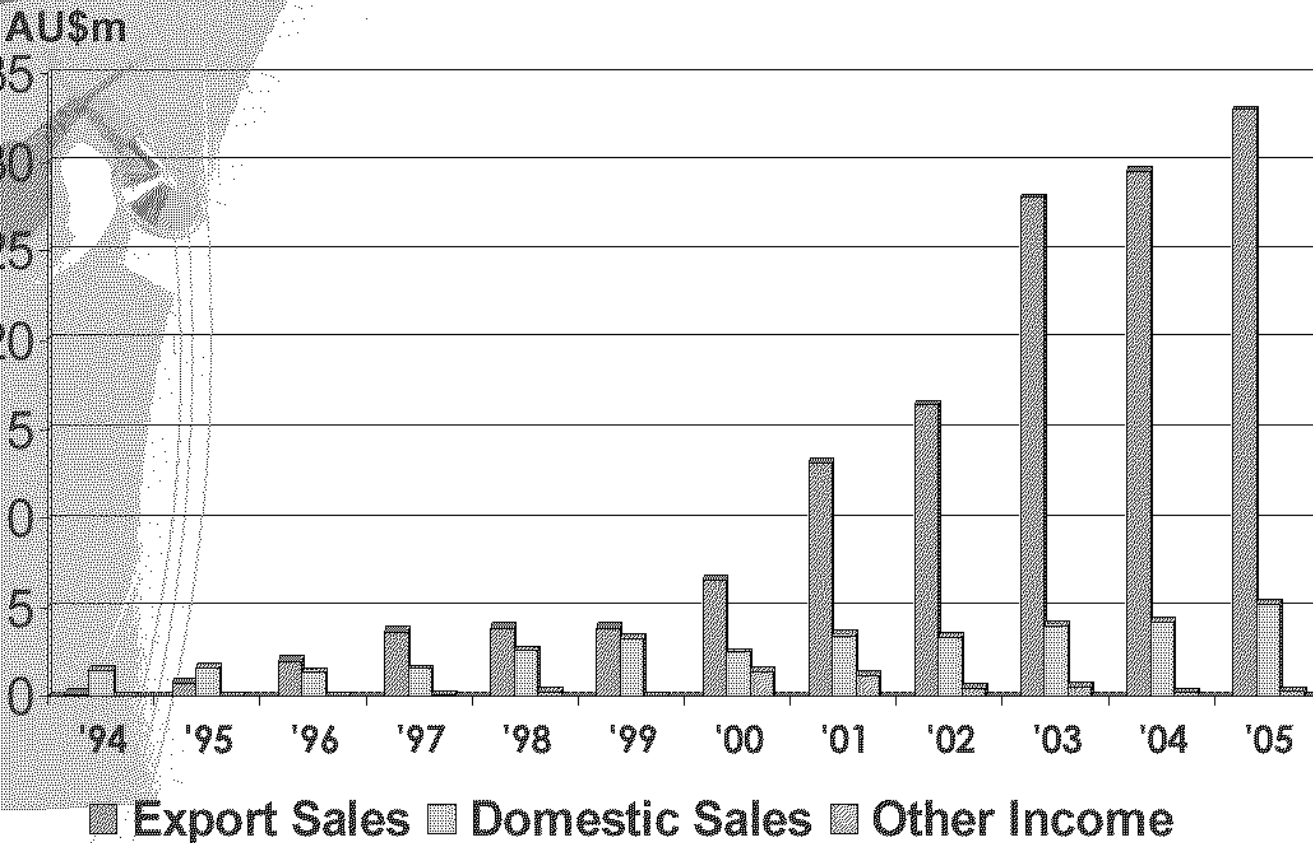
- Debtors days were impacted by skewing of sales to the month of June.
- Inventory still needs work but improving.



# First quarter trading performance

- Due to the end of September sales not being as strong as anticipated in the company's financial modeling, the company is not compliant with one of several covenants in its bank facility as at the end of the September quarter. The bank has expressed ongoing support for the company and its strategy for financial performance recovery and growth.
- The company has taken out over \$1 m of annualized costs from the business and specific other costs from other parts of the business amounting to at least \$0.75m and these cost reduction initiatives coupled with the revenue growth strategies previously disclosed will strengthen earnings of the company and are anticipated to restore compliance with bank covenants during the course of 2006

# Historical Sales Graph



**Fact:**

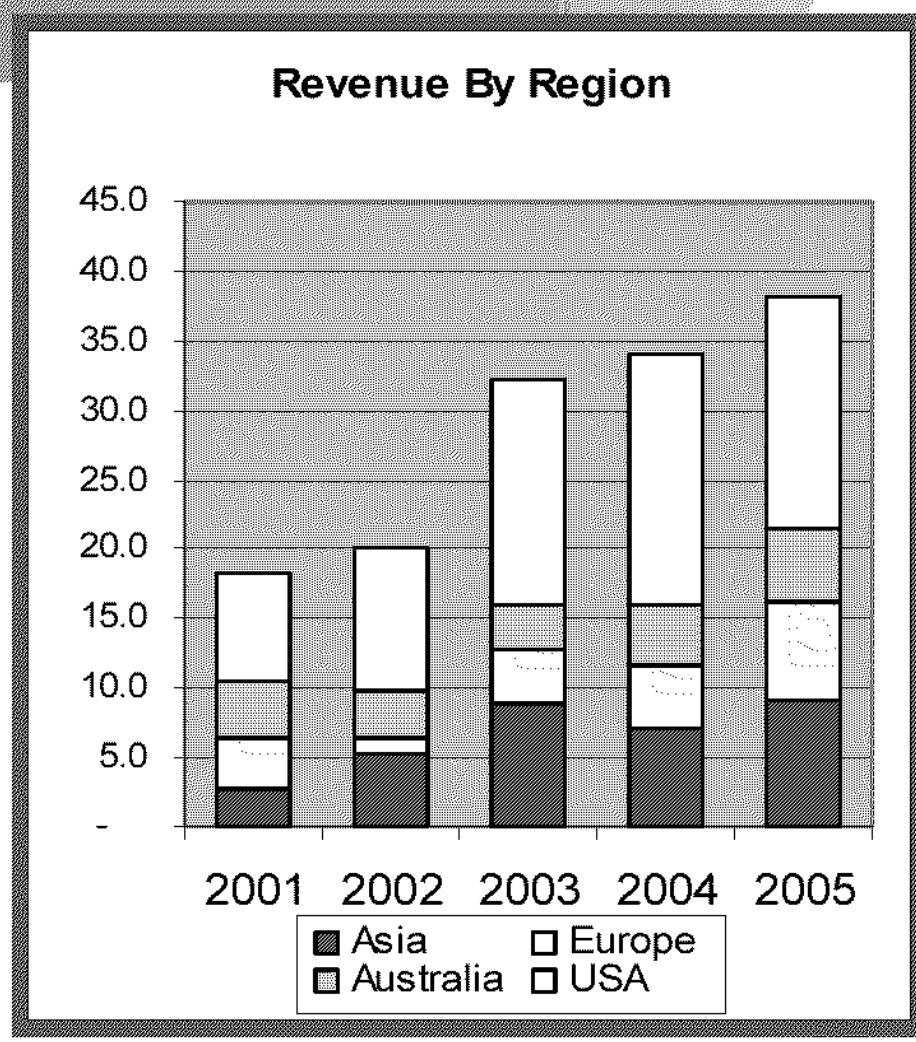
Revenues for the last five years have grown an average:

**+ 33% p.a.**





# International expansion continues





# Plenty of room to grow:

Global Brain  
Research  
market AS:  
**\$70M**

Global  
Sleep  
Diagnostics  
market AS:  
**\$250M**

Global Neuro-  
diagnostics  
market AS:  
**\$890M**

Global  
Ultrasound  
market AS:  
**\$19M**

Global Neuro-  
medical Supplies  
market AS:  
**\$260M**

# Strategy Working

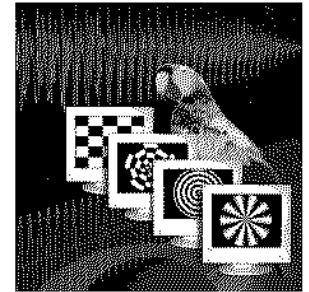
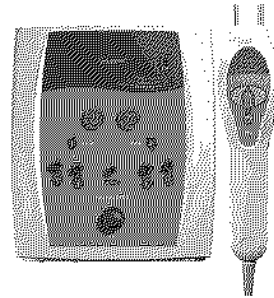
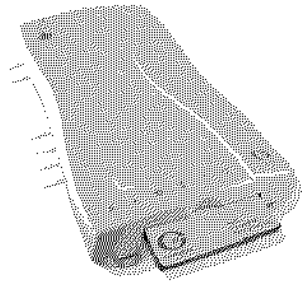
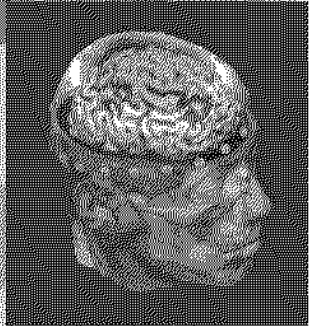
## *Building a global medical diagnostic company*

- With Compumedics' core strategic edge being Sleep Diagnostics and
- Leveraging this technology into related fields including Neurosciences and Cardiology.

# Moving Forward : Business

- ❑ *Revenues expected to continue growing beyond \$38million for year ended June 30, 2006.*
- ❑ *Margins have improved since June 2005.*
- ❑ *Earnings to be restored during the financial year.*
- ❑ *Research and development expenditure expected to be between 16% and 18% of revenue, for year ended June 30, 2006.*
- ❑ *The cost efficiency programs are delivering results.*
- ❑ *Expanded and strengthened USA sales force with more new sales territories, and new VP Sales, America's and VP Marketing America's.*
- ❑ *New leadership in Asia and Europe strengthening business there.*

# Moving Forward : Technologies



*Curry 5.0*   *Siesta802*   *ComperioDQ*   *Stim II*

ProFUSION  
**nexus**<sup>™</sup>

- *Strong product pipelines in all CMP divisions.*

- *Medical Innovation breakthroughs now in patent and clinical proof of concept phase.*

*'Defining Life's Signals'*



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# Recap

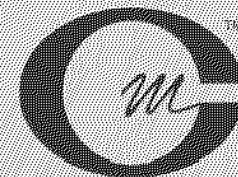
1. *Business has instigated a major restructure in the last 9 months which is now beginning to contribute to the underlying performance.*
2. *Q1 results were strong in Asia, Australia and Europe and emerging in the USA, this held Q1 numbers back.*
3. *Clear focus on costs and profitability, while sustaining ongoing growth.*
4. *Opportunities in DWL for existing business and its emerging technologies.*



# Ordinary business

- Mr. Ko Koike has resigned as a Director for health reasons.
- Mr. Alan Anderson who retires by rotation offers himself for re-election to the position of Non-Executive Director.
- Non binding vote on remuneration report.

‘Defining *Life’s* Signals’



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Thank You