



**Board Room Radio interview
with David Burton, Chairman of Compumedics Ltd
25 June 2008 - Transcript**

Melbourne Australia, Thursday, 26 June 2008.

Leading Australia-based medical diagnostics company, Compumedics Limited (ASX: CMP), is pleased to provide the following edited transcript of the interview of David Burton, CEO, by Board Room Radio today. This transcript follows the ASX announcement of the interview today, which provided a link to the audio interview. Click here <http://www.brr.com.au/event/47265> to listen to the audio interview.

Question 1:

David, you have been travelling overseas recently, particularly to the USA, looking at various business opportunities. What was the main focus of your trip, and was it successful?

Answer 1:

The focus of the trip was quite simple. It was an exercise to identify avenues to realise the intrinsic value of Compumedics. In light of the recent transactions in the sleep sector of the medical devices industry, it is clear that Compumedics is undervalued. Royal Philips Electronics just acquired Respironics, Inc for a multiple of about five times annual sales. An equivalent multiple would value Compumedics about \$200 million. Resmed is generally valued about 40 times earnings, whereas the Australian market values Compumedics currently about 8 times annualised earnings.

Question 2:

David, what is your strategy to underpin a revaluation of Compumedics' growth potential through its share price, ensuring ongoing growth and yield in the current businesses?

Answer 2:

The Company's core neurocare division is undergoing several major developments. One development occurring in the business is underpinned by the Neuroscan acquisition that occurred in 2002. That business has always had a major presence and reputation for excellence in the approximately US\$20 – US\$30 million market for research neurophysiology tools. The Neuroscan products have been directed to this small, highly specialised boutique market. So, Compumedics combined its know-how and technologies in sleep diagnostics with Neuroscan technologies, to develop its Neuvo® long-term EEG system, which it is launching into the clinical neurophysiology market. This market is 10 – 20 times larger than the research market. The Neuvo® platform represents the summation

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of Compumedics' know-how and technology for the clinical market with Neuroscan's world-leading research technology. The total available market for the Neuvo® product line is in the order of US\$500 - US\$1 billion.

A second development is the recently announced agreement which enables Compumedics to launch a new product line, the Xegis® EMG (electromyography) evoked response system. Again, the global market for this product line is in the order of US\$500 – US\$1 billion.

The total available market for these two product lines is several billion dollars per annum.

A third development in the core sleep-diagnostics business is the expansion of the US market to encompass Home Sleep Testing, which opened up just this past March. The regulatory authorities in the US approved reimbursement guidelines to include devices in Classes III and IV. Class IV includes the lowest cost home sleep-monitoring devices, which Compumedics has in its product line-up. A new group of customers including health providers and sleep experts will want to purchase Comumedics' low-cost product range for the first time. This is a new market with the potential for explosive growth. Compumedics is in a leading position to exploit this market, based on the Company's over 20 years in this market, its current installed base, and market presence in the US, where Compumedics has its own sales force.

Question 3:

David, in addition to developments in its core business Compumedics has made a number of announcements to the ASX over the past year in relation to developments in break-out businesses, such as its new sleep-treatment products. What is the strategy behind the sleep-treatment development?

Answer 3:

Compumedics will soon be shipping the first order of the SomniLink® SPAP® systems to its distribution partner, Medigas Italia, a member of the Praxair, Inc group of companies. This shipment will be another milestone in the development of this product line. It was validated by independent clinical tests as being at least as good as Resmed's top auto-titrating gas-delivery device. Regulatory approval for major markets is nearly complete. Further milestones will see the products launched in global markets by a suite of distribution partners, strategic alliance partners, and Compumedics' direct sales force.

Question 4:

In the recent past you have reduced long-term debt from \$6 million to \$2.5 million and reduced the annual costs in the business by \$5 million. How will such a lean organisation support the breakout initiative as well as the core business?

Answer 4:

This brings us back to the focus of my overseas trip. Compumedics represents a unique proposition to work in partnership with a global organisation that may be a late entrant to the lucrative sleep-treatment market, but that is keen to telescope a

quick market entry off Compumedics' proven diagnostics business. It will be possible for both parties to share the value-addition of this initiative while enabling Compumedics to fully realise the intrinsic value of the development to this stage.

Compumedics' entry to the sleep-treatment market is underpinned by a number of key advantages.

Compumedics is already a top-tier sleep-diagnostics company in key markets (USA).

Its over 20 years of business in the sleep medical-devices sector has created an excellent reputation and brand position.

There are nearly 5,000 beds that are equipped with Compumedics' sleep-diagnostics equipment that lead to prescriptions for CPAP/APAP devices. Annual sales for sleep-treatment devices companies from these prescriptions is in the order of US\$300 - US\$400 million.

Compumedics has its own base in the US with dedicated teams for sales, marketing, services, and training for its products, which derives nearly 50% of the Company's revenue.

Question 5:

David, precisely what does this mean?

Answer 5:

As Compumedics' Chairman, I am responsible to explore all avenues to create shareholder value. To do so, I must consider all of mergers, acquisitions, and capital structures and other factors that will realise the Company's intrinsic value. That is the focus of these developments.

Discussions are continuing with a number of US-based advisers, and possibly will include European advisers, because the business's revenue is generated predominantly from these regions in contrast to the limited Australian market.

David, thank you

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 Chairman were inducted into the Victorian Manufacturing Hall of Fame for their pursuit of excellence in manufacturing.

Compumedics has grown to become a global medical diagnostic 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.

www.compumedics.com