



17 October 2003

Dear Compumedics Investor,

I am pleased to update you with Compumedics performance and news, as detailed in the accompanying newsletters and also outlined in the following highlights. It is our intent to keep you regularly updated on the exciting growth of your company in the forthcoming months.

PERFORMANCE HIGHLIGHTS

- Sales in the 12 months to June 30, 2003 were up 62% from previous year to a record \$32 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) lifted to \$2.1 million, a \$3 million improvement when compared year-on-year
- Operating cash and debtors are positive and under control
- From 1st July 2003 R&D is now expensed and not amortised, presenting a stronger operational focus and transparency to all shareholders and meeting international stock market expectations

ORGANISATIONAL HIGHLIGHTS

- The signing of a three year European distribution Agreement with one of the world's leading medical instrument companies, Dräger Medical
- 100% growth in the Japanese market year-on-year after 10 years investing in building a strong relationship with Teijin (the leading Japanese supplier of sleep equipment)
- FDA clearance to sell Somté in the lucrative USA market. Somté is a world first sleep disordered breathing (SDB)/cardiac recording device (5 million sufferers in USA alone)
- Establishment and opening of world-class manufacturing facilities capable of exceeding \$100 million dollars of sales throughput per year
- Bedding down of Neuroscan acquisition with a) FDA clearance to sell SynAmp2 in the USA market - halving costs of goods and lifting profitability of Neuroscan business; b) expansion of Compumedics diagnostic equipment sales with the addition of EMG & EP (neurology diagnostics). Our core focus on sleep has been strengthened with the acquisition of Neuroscan's technology
- Chief Operating Officer appointed to accelerate focus on profit, sales and cash flow

We thank all investors as we continue to strengthen the Compumedics outlook.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Burton'.

David Burton
Executive Chairman & CEO

Enclosed: Compumedics Investor News and Client Update Newsletter (VISTA)