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**Boardroom Radio Interview with David Burton, CEO of Compumedics Ltd.
“2007 Annual Investor Update” on the 23 October 2007.**

Edited Transcript

Australia, Wednesday, October 24, 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 Interview with David Burton, Compumedics, CEO.

To listen to the audio broadcast, please click on the following link :

<http://www.brr.com.au/event/CMP/632/34080/wmp/ftnbu9w0b5>

The company has traded profitably now for some 18 months. Has the corner been turned?

Whilst it will always be difficult for any small - medium business competing and expanding on the global stage to state categorically that the corner has been turned, it is very encouraging that Compumedics has traded profitably for 18 months now. The last two years saw the Company implement a very demanding and rigorous re-structure of the business across all areas, which has led to the emergence of positive earnings at the current revenue stream.

The current year's result has been achieved despite a tight working-capital regime, onerous debt repayments and increasing borrowing costs. Despite this, the business still achieved an overall operating profit.

Are you satisfied with the results to date?

In terms of the outcomes of two years of re-structuring and cost reductions the answer would be yes. In terms of the absolute result we still have much work to do to obtain market-acceptable levels of earnings and then to ensure these can be consistently achieved over the long term.

The work that has been done to date will enable the business to continue to execute its strategic goals which includes a return to strong growth and profitability.

What are the key actions going forward for the business to ensure the improvements continue?

There are a wide range of on-going programs and new initiatives that will continue to progress. The existing programs range from continuing to strengthen our Asian and European distribution arrangements, launch our new long term monitoring EEG product range, intensify our sales and marketing efforts through to on-going cost reductions.

Late in the 2007 financial year Compumedics sub-let a third of its office space in Melbourne as this was surplus to its needs. In addition, the US business has been re-located from El Paso, Texas to Charlotte in North Carolina. These two initiatives will contribute cost savings in the 2008 financial year. Furthermore, Compumedics will continue to review all operational aspects of the business to ensure that all activities are being achieved in the most efficient and economical manner possible.

Research and development spending continues to fall. Will this have any adverse impacts for the business in future years?

The Company has reduced research and development (R&D) expenditure back to about 15% of revenues, excluding the booking of the intangible asset this year. This is a significant reduction from the 20% of revenues spent on R&D two years ago. The company plans to hold R&D spending in dollar terms at current levels until on-going revenue growth in the business sees R&D spending at about 12% of revenues. Compared to our peers overseas this is an appropriate target to aim for without jeopardising the product flow and delivery for the business.

More importantly, Compumedics released several new products in the 2007 financial year and has a significant pipeline of products ready for release in the current financial year. The business is in a very strong position as far as product development and releases are concerned.

The Australian dollar to the US dollar exchange rate has appreciated significantly in the current year and looks like holding at current levels for some time. How will this impact the business going forward?

The Board reviews the Company's foreign exchange policy on a regular basis. In the 2007 financial year the Company booked a \$1m net foreign exchange loss as a direct consequence of the falling US dollar exchange rate. However, it is important to note that in the over six years since listing Compumedics the impact of foreign exchange movements on the profitability of the business had been almost neutral.

The Company estimates that a plus or minus one cent movement in the Australian dollar to the US dollar exchange rate has an approximate plus or minus \$60,000 impact on profits after tax.

The on-going strength of the Australian dollar relative to the US dollar forces the business to continue to rigorously seek efficiencies so that underlying profits can be maintained, which is not a bad thing.

Both the US and European businesses grew although not as quickly as in the first half of the financial year. Why was this?

The core Compumedics business is sleep and neurological diagnostic equipment sales, which are ultimately capital equipment sales. As a consequence, the buying patterns of our customers in the Northern hemisphere tend to be skewed to the first half of our financial year. This appears to be largely a result of the budget cycles of the major customers in these markets.

The onus on Compumedics is to continue to expand the global geographical foot print of its businesses so this seasonal effect is diminished. This is a primary focus of the business in these two geographic areas over the next couple of years.

How has the DWL business performed in the current year?

The DWL business posted revenue growth of about 6% over the prior year and continues to build on its product offerings around the world. Importantly the US business grew significantly in the current year, albeit relatively on small numbers. This growth in the US business is forecast to continue in the current year.

Describe your company's principal product and the healthcare markets they relate to.

Compumedics Limited, founded in 1987, is a global leader in the design and manufacture of diagnostic technologies for sleep disorders, neurophysiology and cardiology.

Compumedics holds an 80% share of the Australian sleep-diagnostic market, and has a major and rapidly growing presence in the US, European and Asian markets for its sleep, neurological, and Doppler blood-flow diagnostic monitoring devices.

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 for these products.

The Company has increased sales more than 4-fold from \$9 million (in 1999) to the region today of \$40 million. This 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 these unique fields is high growth. Our move into the adjoining field of sleep-treatment with a new patented breakthrough product, 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. 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 a complementary market but much larger.

What is the rationale for the Company moving beyond diagnostics technologies for sleep disorders where you have a strong market position into the more competitive treatment market?

The development of advanced products for treating sleep apnoea is a natural step-out from our traditional diagnostics business and leverages the Company's knowledge and experience in the field to develop advanced, next-generation solutions for the management and treatment of an increasing prevalent problem.

This is a major milestone for Compumedics, as the development of new and innovative products in the sleep-treatment market have been a part of our long-term vision for the Company. While some experts view sleep treatment primarily as addressing deficient respiratory function, our development of the SomniLink® SPAP® system is based on the premise that both quality-of-life and sleep-quality are integral to the optimal treatment for sleep-disordered breathing conditions, including sleep apnoea.

We understand that Compumedics is a global leader in the \$250 million sleep – disorder diagnostics technologies market.

This move takes the Company into the \$2.1 billion global sleep–treatment market.

What impact is this likely to have on Compumedics if it can take a significant share of this market?

Being the only independent sleep-diagnostics company and having such a large installed base of sleep beds in many of the most prestigious clinical and sleep-research organisations in the world, the SomniLink® SPAP® system may become a logical choice for practitioners to recommend to patients, subject to any regulatory constraints. We expect that Compumedics' market presence in the sleep-treatment market will grow organically from its well-known and dominant presence in the sleep-diagnostic realm.

Further, the design approach to the SomniLink® SPAP® system took into account sleep efficiency and patient comfort, as well as being a simple treatment for OSA. The SPAP® system has the ability to link to a patient's diagnostic data for controlling the system. This has resulted in a treatment system that is arguably superior to those currently available in the market. The SPAP® also has the ability to link into the sleep-diagnostics laboratories and clinics with a product that can be individually controlled according to both sleep- and respiratory-related diagnostics for an individual patient, all at a competitive price. It is unlikely that there will be head-to-head competition and undercutting on price by competitors, because the SPAP® products are well differentiated.

Given established players in the market and the early stage of your commercialisation program, are you targeting any specific opportunity or market segment to build a presence?

Obstructive sleep apnoea may affect up to 10% of the population. Only a small proportion of OSA sufferers have been diagnosed to date. The estimate of market size may be very conservative and growing. Compumedics already has its diagnostic equipment installed in over 4,000 beds around the world, in a significant proportion of the world's sleep laboratories, representing hundreds of millions of dollars of sleep-treatment device sales per year, to other companies. The sleep practitioners who run the laboratories with Compumedics equipped beds that are used in diagnosing OSA will likely enable a ready market for the new SomniLink® SPAP® gas-delivery systems.

Even a small proportion of new gas-delivery systems sold each year will result in Compumedics gaining a market presence very quickly. Initial trials have indicated that the technology in the SomniLink® SPAP® system provides the potential for a superior treatment experience for the ultimate decider – the patient.

What expectations do you have for these products over the next few years. Do you see the time when treatment technologies surpasses diagnostics as the core of the group's operations?

The treatment market is nearly 10 times the value of our diagnostic market and we have premium value and innovative products so the outlook is promising and has the potential to surpass the size of our diagnostic business.

What does the next 12 months hold for investors?

The core business focus will continue to be based on our three diagnostic competencies - sleep, neurology and Doppler blood flow technology. We now need to drive the scale and proficiency of our sales and marketing to achieve leadership within these multi-billion dollar device segments. In terms of the treatment side of our business which we demonstrated recently, we hope that the 1-2% market share which we achieved as the first test, signing with our partner in Italy will now be complemented with a global large-scale OEM deal.

We will retain our continued focus on productivity, and importantly, strive to switch our growth engines back into gear as we replenish our capital reserves without unnecessary shareholder dilution. Moreover, we will return this great Company back to its traditional growth rate to the benefit of all stakeholders.

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.

www.compumedics.com