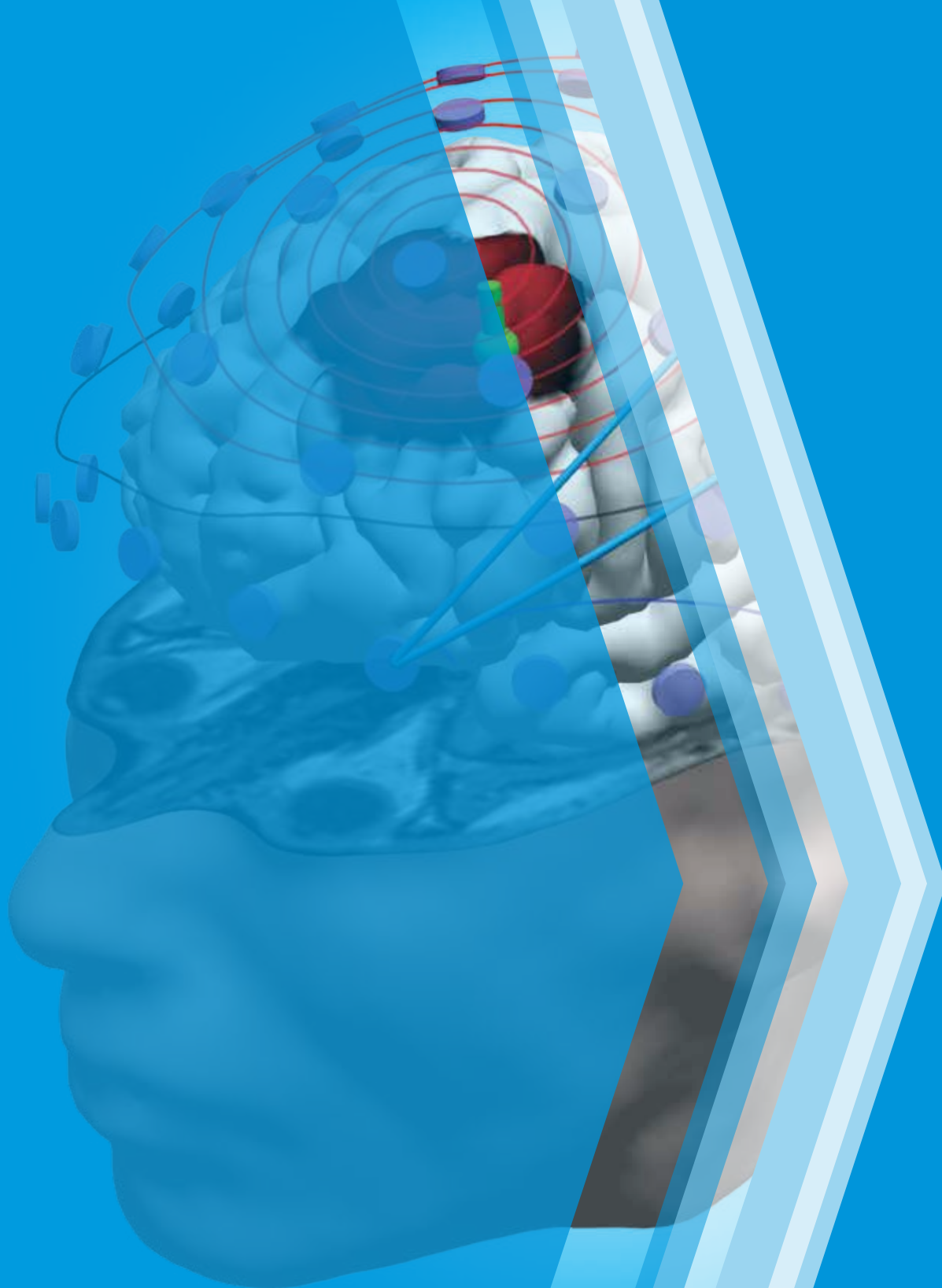


# ANNUAL REPORT 2016



- > SLEEP DIAGNOSTICS & TREATMENT
- > NEURO DIAGNOSTICS
- > BRAIN RESEARCH
- > ULTRASONIC BLOOD FLOW MONITORING
- > MEDICAL INNOVATIONS



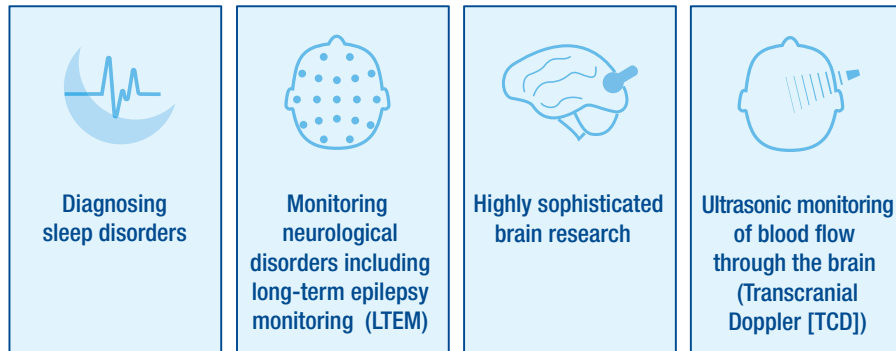
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**Compumedics Limited**  
ABN 95 006 854 897

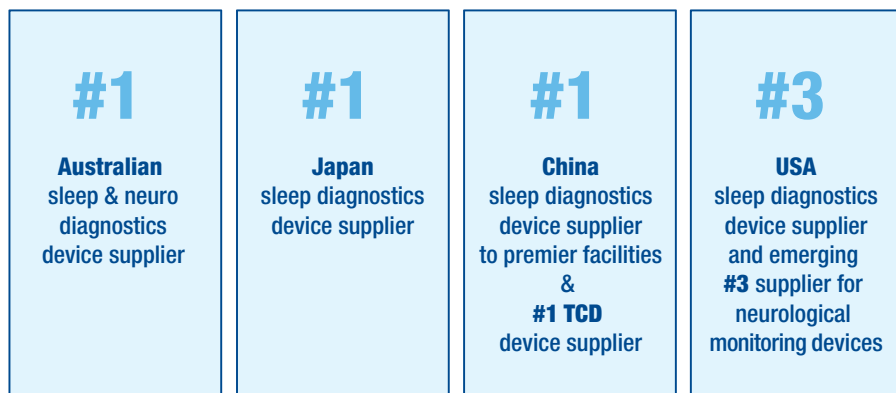
**Annual General Meeting**  
Thursday, 27th October 2016  
at 10.30am  
To be held at: Compumedics Limited  
30-40 Flockhart Street Abbotsford  
Victoria 3067

# Who is Compumedics?

Compumedics is a leading global, innovative developer and manufacturer of medical devices for:



Compumedics is a technological leader in its chosen markets:



Since 1987 Compumedics has grown into a company.

- with 120 employees across four locations, Melbourne, Australia (Head Office), Charlotte, NC, USA, Hamburg and Singen, Germany.
- which listed on the ASX on Dec 21, 2000.
- that has generated over \$500m in revenues since listing of which over \$400m have been export revenues

*All \$ = A\$ unless otherwise specified*

# FINANCIAL SUMMARY

ALL FIGURES IN A\$M UNLESS OTHERWISE STATED	TREND	2016	2015
Revenue for continuing operations	↑	37.5	33.5
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	↑	5.0	4.1
Earnings before interest and income tax (EBIT)	↑	3.2	2.7
Net operating profit after tax (NPAT)	↑	3.3	2.0
Research and development costs as a percentage of operating revenue	—	14.3	14.2
Total assets	↑	26.1	21.7
Shareholders funds	↑	14.6	11.3
Net tangible assets per share (cents)	↑	6.9	5.2
Weighted average number of shares (million)	↑	169	167
Earnings per share (basic) (cents)	↑	1.9	1.2
Earnings per share based on earnings before interest, tax, depreciation and amortisation (cents)	↑	3.0	2.5

- The 2016 FY net profit after tax (NPAT) was up 66% to AUD3.3M compared to AUD2.0M for the year-ended 30 June 2015. Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 22% to AUD5.0M compared to AUD4.1M for the June-end 2015 FY. These results reflected an ongoing focus on performance, and both quality and efficiency improvements across all operational areas.
- Revenues shipped and invoiced increased 12% to AUD37.5M over the previous financial year, respectively, compared to 9% and AUD33.5M, over the year before, whilst sales orders taken, were up by 12% at AUD37.4M, respectively, compared to AUD33.4M for the previous financial year.

# CORE BUSINESS - GROWTH DRIVERS

Compumedics will continue to grow its core sleep, neuro, brain research and blood flow monitoring businesses by:



Driving Compumedics/NeuroScan's innovative brain analysis software and high performance amplifiers, which offer unrivalled world class technology, into clinical neurology and long-term epilepsy monitoring markets world-wide.



Leveraging the >20,000 systems we currently have installed worldwide. This provides Compumedics with strong reputation and brand naming. As a result customers like buying from Compumedics.



Continue the earnings initiatives instigated, which will flow through in FY17 – FY20. The Company has recently commenced shipment of its new lower cost devices which will increase the addressable market we sell to three fold.



Compumedics has an opportunity to significantly grow the USA business through strengthening of the management team and expansion of the sales force.



Expansion into the untapped German market. Compumedics has an opportunity to leverage its success in the French market over recent years into this key European market.



Compumedics has successfully and profitably built its business in China over the last two decades. As a result Compumedics has over 250 key reference sites for sleep diagnostics, brain research and Doppler blood flow monitoring. Compumedics intends to utilise this strong market position to push into clinical neurology in China, whilst continuing to expand its existing businesses there.



Compumedics is ideally positioned to accelerate organic growth and seek value realisation on a number of key step-out opportunities, which it has currently identified.

# STRATEGIC GROWTH PLATFORMS

The Company is focused on a number of substantial opportunities based on next-generation growth platforms applicable to DWL, Neuroscan brain imaging, and medical innovation projects such as eHealth, sleep treatment, and driver vigilance.

*The MEG opportunity is highlighted here.*

## THE NEW CURRY MEG - AN EXCITING INNOVATION FROM COMPUMEDICS



### What is MEG? How Does it Work?

Invented by David Cohen at Massachusetts Institute of Technology in the 1970s, MEG technology can record the magnetic fields produced by electric currents generated by neurons in the brain.

It does this using a highly sensitive detector called a SQUID, short for super-conducting quantum interference device.

By maintaining superconducting magnetic detectors at super-cooled temperatures, the tiny but very fast (too fast for traditional MRI) brain characteristics associated with widespread neurological disorders such as dementia, autism, epilepsy can be detected.

### Key Features

- 150 Radial Gradiometers (> Spatial Density than Elekta)
- SQUID Double relaxation oscillation SQUID (DROS)
- Average sensitivity: Better than 3.5 fTrms/√Hz (@ 10 Hz)
- Integrated Helium Recycling
- Sample Freq 2/8 kHz Max Option, Resolution: 16/24 bits
- 32/64/128 Channel Integrated EEG
- Active MSR Shielding (medium strength)
- CURRY fully integrated / STIM2 / Video Integration
  - Real Time Dipole Averaging and Clustering
  - Real Time Event Averaging
  - 3 CURRY® WorkStations: 1 Acquisition, 2 Analysis







## Neuroscan MEG Neuroimaging

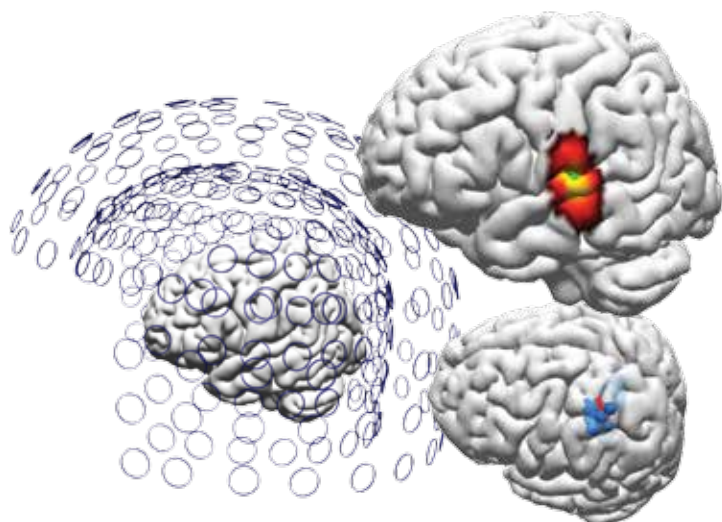
- The CURRY Neuroimaging platform and MEG have a history stretching back over 25 years. CURRY was first conceived as a product in the early 1990's when Philips Electronics investigated the feasibility of developing its own MEG hardware platform. Ultimately, the hardware platform did not survive, but the software, along with its core engineering architects, Dr. Manfred Fuchs and Dr. Michael Wagner, continued on.
- The benefits associated with CURRY's ability to integrate MEG with EEG and co-register both kinds of high-temporal resolution functional imaging data with the structural neuroimaging data including MRI, CT, DTI, as well as PET, SPECT and fMRI accelerated the adoption of the software by both the research and clinical communities. Early clinical adopters, such as Dr. John Ebersole, supported and championed the benefits of source localization tools such as CURRY, contributing to the development of specific source analysis billing codes for EEG and MEG. For a long time, CURRY has been the de-facto software platform for clinical MEG community, particularly those assessing epilepsy. This has culminated in the adoption of CURRY as the standard analysis platform by the European Epilepsy Consortium.

### Market & Competition

- The MEG market is currently estimated at about 35 systems a year at an average selling price of USD5.5m each = US\$200m/annum
- This is expected to grow about 10% a year, excluding China
- It is estimated that China could double the existing market size to about 70 units a year
- The dominant existing player is Elekta, based out of Sweden, followed by Yokogawa (Japanese market) and CTF MEG (a much smaller player)



Photo: MEG Brain Imaging System



### Plan

- H2 FY16 – sign LOI with KRISS for license access to MEG hardware platform
- H1 FY17 – sign LOI with at least first two customers to acquire CMP's MEG device
- H1 FY17 – Finalise specifications and manufacture with KRISS
- H2 FY17 – install first CMP MEG system

# STRATEGIC GROWTH PLATFORMS

Deep

*The Somfit® consumer sleep platform opportunity is highlighted here.*

## Quality Sleep is Essential

“Every aspect of who you are as a human, every capability is degraded, impaired, when you lose sleep. What does that mean? Your decision-making, reaction time, situational awareness, memory, communication, and those things go down by 20 to 50 percent.”

*(Mark Rosekind, member of the National Transportation Safety Board in Sleepless in America – National Geographic Channel Documentary December 2014)*



### What is Sleep Fitness?

Sleep fitness is getting the right type or stages of sleep and the right amount of sleep.

There are five stages of sleep, each characterized by different brain activity.

The most important sleep stages are REM (dream sleep) that enables brain restoration for learning and memory and deep sleep for body recovery.

The body also needs alignment of our internal circadian clock with the sleep/wake cycle - otherwise sleep quantity suffers (ie the “jet lag effect”) and sleep fitness is degraded.


### Are you getting quality sleep (how do you know)?

Movement detection is not clinically accepted as a true measure of sleep-wake.

The American Academy of Sleep Medicine (AASM) recommends that to clinically and scientifically distinguish between various sleep stages to determine sleep quality or fitness - sleep scientists measure brain waves (electroencephalography or EEG), eye movements and muscle tone. This is the Gold Standard for a sleep test.



1 in 5 people  
suffer sleep disorders



30-40%  
of the population  
suffer insomnia



# Somfit<sup>TM</sup>®

## True sleep fitness



### The Somfit®

For the first time, a fitness tracker with gold standard sleep technology.

During the day, use Somfit® to track your daily activities – when you are walking, running, biking or even on an elliptical machine.

At night, the Somfit® will track your sleep collecting medical grade data to provide true sleep insights - understand your night's sleep architecture - accurately measure the quality of your sleep through accurate measurements of durations you spend in REM, deep sleep or light sleep.

### Why use Gold Standard Sleep Technology?

The technology in Somfit® is medically validated and the data collected is Gold standard – meaning that it is the accepted methodology to accurately measure and detect true deep sleep and REM, essential measures for body recovery and brain restoration. The data can be used for medical consultations with your GP or sleep specialist if and when the need arises.

### Coaching

Empower yourself with accurate sleep data and with Compumedics' strong ties with the sleep professional community and extensive experience in sleep, you can take intelligent action to improve your wellbeing and performance.

### Who is it for ?

- Athletes - managing and enhancing performance
- Parents - to monitor their children's sleep patterns
- Medical professionals - to assist treatments of insomnia or depression
- Anyone who wants to truly understand their sleep habits for well being.

### The power inside

Powered with technologies from Compumedics, the company with over 25 years experience in professional sleep diagnostics and equipping leading sleep laboratories around the world with advanced sleep monitoring systems.

Compumedics offers expertise in medical product design, but significantly provides the advanced diagnostic-grade signal processing power for more accurate sleep staging and analysis in the Somfit®.

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Sleep and fitness coaching can be done using the Somfit® App.

# CHAIRMAN'S ADDRESS



*Dear Compumedics investors,  
colleagues and business partners,*

On behalf of the Board, management and the Compumedics team, I am pleased to present to you the results contained within the Compumedics 2016 Annual Report.

The 2016 financial year ending 30 June 2016 (2016 FY) proved to be a year of significant progress with a number of initiatives at Compumedics. In particular, continued strong financial performance was achieved whilst, at the same time, advancing and commercially activating strategic growth platforms that will yield ongoing positive performance for 2017, and many years beyond.

The 2016 FY net profit after tax (NPAT) was up 66% to AUD3.3M compared to AUD2.0M for the year-ended 30 June 2015. Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 22% to AUD5.0M compared to AUD4.1M for the June-end 2015 FY. These results reflected an ongoing focus on performance, and both quality and efficiency improvements across all operational areas.

Additionally, and further underscoring the core business profitability, over AUD1.5M was invested in next-generation growth platforms (medical

innovations) including the new magnetoencephalography (MEG) neuroimaging business, eHealth (professional) sleep cloud-services (Nexus360), and Somfit® consumer-health platform, positioning Compumedics for significant upcoming realisation opportunities.

Revenues shipped and invoiced increased 12% to AUD37.5M over the previous financial year, respectively, compared to 9% and AUD33.5M, over the year before, whilst sales orders taken, were up by 12% at AUD37.4M, respectively, compared to AUD33.4M for the previous financial year.

Sales-order growth was driven out of Asia and Europe at 53% and 11%, respectively, over the previous financial year, with Australia performing very well at 37% growth with strong demand for neurological products. DWL also grew sales orders taken by 18% over the prior financial year, providing a strong basis for accelerating the immediate DWL growth platforms, such as colour transcranial Doppler monitoring, as well as patented transcranial Doppler (TCD) solutions, to accommodate the enormous unmet traumatic brain injury markets (TBI).

## KEY PERFORMANCE ACHIEVEMENTS 2016 FY

TOTAL REVENUE

12%

UP IN FY16 AT \$37.5M vs FY15 \$33.5M

EBITDA

22%

UP IN FY16 AT \$5.0M vs FY15 \$4.1M

NET PROFIT  
AFTER TAX

66%

UP IN FY16 AT \$3.3M vs FY15 \$2.0M

## SOUND FUNDAMENTALS

SALES ORDERS TAKEN

12%

UP IN FY16 AT \$37.4M vs FY15 \$33.4M

CASH ON HAND

41%

UP IN FY16 AT \$3.1M vs FY15 \$2.2M

MINIMAL DEBT

\$2.6M

STABLE AND LIGHTLY GEARED

## STRONG FINANCIAL POSITION

REVENUE

\$37.5M

UP FROM \$33.5M IN FY15

CORE BUSINESS \*  
EBIT

\$5.5M

STRONG CORE BUSINESS PROFITS

CORE BUSINESS\*  
NET PROFIT AFTER TAX

\$5.4M

STRONG CORE BUSINESS PROFITS

\* Excludes Medical Innovation Strategic Investments (\$1.2M)

Cash on hand also increased to AUD3.1M at 30 June 2016 compared to AUD2.2M at 30 June 2015, whilst debt levels were AUD2.6M at 30 June 2016, compared to AUD2.0M at 30 June 2015.

## OPERATIONS

*Core business strengthened and growth outlook secured with new product platform*

- **Strong Underlying Financial and Operational Performance.** Compumedics continues to generate profitable growth from its blue-chip client-based core business whilst constraining debt levels (AUD2.6M) and maintaining strong investment in R&D (15% of revenue). The continued profitable growth has been achieved in the face of extraordinary commercial activation of new growth platforms, including professional eHealth cloud-services (Nexus360) and Somfit® consumer health platform milestones tracking strongly.
- The first lower-cost GraeL® Version 2/GraeL® Light (LT) products have now shipped, marking a significant transition of the core sleep and neuro-diagnostic businesses from being mainly a premium-product supplier (30% of target market) to being a full-range product supplier for the complete premium, middle and lower tier sleep and neuro-diagnostic markets (additional 70%). Therefore, the successful execution of the Company's changing milestones paves the way for a 2-3 fold expansion of the Company's target markets without compromising margins or its traditional premium product offerings.
- **Ongoing Performance and Profitability Improvements.** Compumedics remains focused on operational programs designed to drive improved efficiencies, capable of enhancing sales margins and product quality. For example, key operational programs include more effective and competitive outsourcing of manufacturing, coupled with a sharpening of global logistics. Other operational improvement programs are focused on product-servicing business outcomes. Additionally, new initiatives such as the establishment of enhanced global online shopping capabilities are designed to drive sales volumes, improve manufacturing quality and logistics, along with the overall financial benefits such as increased recurring revenues and associated margins.
- **Corporate Advisory Services:** Compumedics appointed the advisory firm, PAC Partners, in order to expedite the Company's capitalisation and realization progress.

## Earnings Improvement Activities

- Productivity-enhancement programs continue to improve quality whilst driving down costs, including the outsourcing of non-key functions such as larger scale production.
- Streamlining of logistics including final product assembly, testing and shipment will continue to yield further efficiencies as the business continues to grow.
- The completion of the new GraeL® LT product range, resulting from a major redesign and enhancement of all Compumedics' neuro-diagnostic and polysomnography (PSG) systems. This new range of products will drive further sales growth within the lower and mid-tier market segments, whilst improving margins.

## PRODUCT DEVELOPMENT PIPELINE

- Product research and development was maintained across all the Company's divisions with a range of product updates, new product releases, and refreshed product pipelines prepped to maintain strong ongoing growth across the Compumedics® sleep, neuro-diagnostic, Neuroscan® research, DWL® (ultrasonic Doppler blood flow) and consumable businesses.

### Compumedics GraeL Range of Patient Diagnostic Amplifiers

- With the initial GraeL® LT shipments now underway, Compumedics is ideally positioned to drive ongoing earnings growth as further detailed in the geographical market expansion section. This new platform of products presents a highly competitive solution that has already been embraced with strong Asian sales. As these products are rolled out world-wide, the newly expanded market is expected to drive strong profitable growth and business expansion for the foreseeable future. Compumedics, for the first time in its history, can now offer the most competitive lower and mid-tier sleep and neuro-diagnostics solutions to complement its leading premier range of products.

### DWL Ezi-Dop and Multi-Dop T Digital

- 2016 FY, which was DWL's 25-year anniversary, coincided with DWL's most successful product launch to date: Multi-Dop T. Multi-Dop T comprises of an "all in one" portable system suitable for new markets such as deployment within ambulances and emergency departments. Strong ongoing DWL growth continues to be driven by markets such as China and South America, along with new applications such as brain-death diagnosis, stroke treatment, intensive care and vascular disease management.

### Neuroscan CURRY® and STIM

- The new upcoming CURRY®8 version of Neuroscan's Brain Analysis platform suite, scheduled for release in the latter part of 2016, provides 150 new features. A major focus of CURRY®8 brain analysis software includes support for the expanding user-base amongst the epilepsy community. In cases where MRI-detectable lesions are not identifiable, CURRY® brain analysis has become the new standard of care for identifying cortical origins of seizure activity. Other new CURRY® features include improved epilepsy-specific workflows, pre-surgical planning tools, additional source-analysis and enhanced statistical processing methods.

### Neuroscan MEG Neuroimaging

- The recent partnership deal with the Korea Research Institute of Standards and Science (KRISS) transitions Compumedics from supplying AUD30k software systems to the supply of USD4M to USD5M turnkey MEG neuroimaging systems. Similar to electroencephalography (EEG), magnetoencephalography (MEG) enables a measure of instantaneous brain activity, but can be acquired without the placement of electrodes on the head.



Photo: The new MEG Neuroimaging Technology Partnership underpinned by an exclusive 20 year License Agreement and MOU between Korean Research Institute of Standards and Science (KRISS) and Compumedics. The ceremony, conducted at KRISS, involved KRISS researchers and dignitaries and Compumedics senior executives (Sth Korean KBS 4Apr2016).

- Rather, MEG sensors are contained in a helmet that employs superconducting coils and electronics to detect the tiny magnetic field produced by the brain. This technology, combined with EEG, provides the most sensitive measure of epilepsy evaluation currently available. The new CURRY® Orien MEG will provide a range of novel elements to the brain-monitoring market, including helium recycling. Additionally, a dual-helmet system allows full life-span testing with helmet sizes optimised to cover both paediatric and adult populations. These novel features, fully integrated with CURRY® software, the accepted standard for MEG signal analysis, are already creating strong and rapidly growing interest amongst the MEG diagnostic community.

### GEOGRAPHICAL MARKET EXPANSION

**Geographical market expansion has been boosted with the global roll-out of our new mid-tier and lower cost range of Grael® LT products.** In particular, the ongoing execution of this product roll-out provides substantial growth drivers for USA, the world's largest device market, German business expansion, and expanded focus on China, the world's strongest medical device growth market.

#### USA Market Drivers

- The roll-out of the new Grael® LT product platform coupled with the roll-out of the new eHealth clinical cloud-services, provides a unique opportunity for profitable expansion of Compumedics' USA business.
- The combination of the new eHealth clinical cloud-services (Nexus360), combined with the Grael® LT preamplifier platform presents the first of its kind, and the most cost-effective, efficient and advanced end-to-end clinical sleep and neuro-diagnostic solutions.
- The MEG KRISS Agreement (per photo) paves the way for Compumedics to provide a fully integrated multi-modality platform covering clinical solutions spanning from the most competitive to the most advanced clinical neurofunctional monitoring and imaging solutions.



Photo: Commonwealth Trade Minister Hon. Mr. Andrew Robb and Minister for Health, Sussan Ley congratulates Dr. David Burton (Compumedics Chairman/CEO) on new major strategic MEG Brain imaging deal at USA trade mission (San Francisco; ASX: CMP 22Feb16)



### German Market Expansion

- Following the very successful DWL German business establishment (photo) and the successful establishment of a Compumedics direct sales French headquarters in recent years, Compumedics is now focused on the establishment of a German sleep and neuro-diagnostic headquarters.
- Similar to other Compumedics direct sales markets the German office will enable strengthened local German representation of service, logistics and supply capabilities, along with an expanded sales and marketing presence.



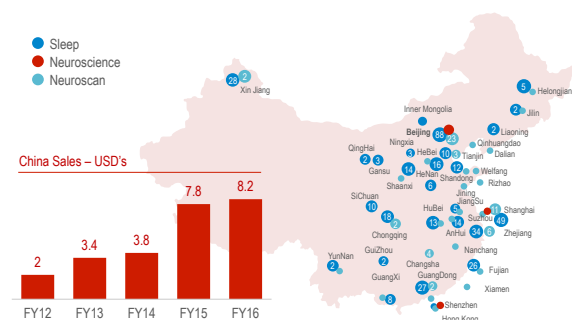
Photo: Commonwealth Finance Minister Hon Mathias Cormann congratulates Dr. David Burton (Compumedics Chairman/CEO) on winning new DWL deal as part of Berlin Trade mission (ASX:CMP 8Jly15)

### China Market Expansion

- China has been one of Compumedics most successful markets. After two decades of collaboration with a network of some of China's finest distributors, Compumedics is recognised as the premier manufacturer of sleep and neuro-diagnostic systems.
- Over 200 reference centres including many of the most prestigious government, military and private sleep and neuro-diagnostic centres of excellence, throughout China have been established with Compumedics products (see figure).
- Importantly, the timely roll-out of the new lower cost Grael® LT platform of amplifiers coupled with the eHealth sleep cloud-services provides a timely and formidable offering as the middle-class demand for more advanced sleep and neuro-diagnostic services continues to grow.

### China - We are the number 1 Premier Supplier

#### Compumedics Clients in China



Profitable China growth from \$2M to \$8.2M or 300% over the past 4 years (ASX:CMP September Roadshow 2016 Presentation 31Aug16).

### NEXT GENERATION GROWTH PLATFORM

#### COMMERCIALISATION

The Company remains focused on a number of substantial opportunities based on key next-generation growth platforms applicable to the imminent commercial activation of Neuroscan® brain imaging, Medical Innovation projects including online health initiatives (professional eHealth services and Somfit® consumer health platform) and DWL traumatic brain injury (TBI) monitoring systems. Additionally, other upcoming commercialisation opportunities include patented sleep-treatment and driver-vigilance step-out projects.

- **MEG Neurofunctional Imaging Major Milestone.** The recent Partnership agreement with KRISS executes one of the Company's major strategic milestones and transitions Compumedics/Neuroscan from selling USD30K software systems to USD4M brain functional imaging systems. With a pipeline of 27 MEG systems sales and a number of pre-eminent leaders rapidly closing in on their MEG decision phase, strong commercial activation is imminent.



Photo: MEG Brain Imaging System



- **Online Professional eHealth.** AUD13M of high-margin clinical sleep cloud -services initial contracts have been executed, successful beta sites established and paying customer sites commissioned. This positions Compumedics to scale-up and commercially activate sites. This scale-up will initially be based on approaching more than 20,000 existent Compumedics customers including a majority of the key opinion-leading hospitals, universities and service centres, world-wide. Differentiators driving early adoption include Compumedics' seamless and fully integrated preamplifier, acquisition and application software versus traditional software or cloud-service only providers.
- **Compumedics eHealth Sleep Cloud-Services Platform.** The new platform continues to gain commercial traction with the successful establishment of the first Australian eHealth and USA sites now delivering sleep-diagnostic services to the medical industry. The first Chinese sites have also been established, providing a platform capable of delivering unsurpassed cloud-based diagnostics and data-management efficiencies. These eHealth developments present significant efficiency gains for Compumedics' existent and new customers, along with a highly scalable and effective business model for Compumedics and clients alike. Customers appreciate the industry-leading quality and sophistication of Compumedics' internet "plug and play" amplifiers coupled with a single vendor with the option of fully integrated sleep cloud-services providing the first of its kind "end-to-end" clinical enterprise solutions for unsurpassed simplicity, efficiency and effective user clinical workflow and user-experience.
- **Online Consumer Somfit® Platform** has advanced to verification, validation and regulatory phases. Consumer commercial distribution and high-scale manufacturing distribution and manufacturing arrangements are underway, and announcements are expected to be made in 2017.
- **DWL immediate growth opportunities** continue to be pursued in relation to the new 3D Transcranial Colour Doppler (3D TCCD) Duplex imaging technology. Additionally, the newly patented auto-scan TCD technology that is capable of activating substantial future accelerated growth, including expansion into vascular brain imaging, traumatic brain injury (TBI) and stroke management markets, continues to be pursued.
- **Neuroscan continues to progress its advanced brain imaging market expansion strategy** to augment Neuroscan's niche neurophysiological research business. This continues to enable expansion into new sectors within the larger neurological imaging and associated health management markets.

## OUTLOOK

**Key product development achievements** for the 2016 year in progress included the first shipments of Compumedics new GraeL® LT range of products which ushers in a new era for the Company. The traditional top-end premium Compumedics sleep and neurology products will now be complemented by a new range of highly competitive mid-tier and lower tier products.

**For the first time in Compumedics' history this development has the potential to open up the addressable market two to threefold**, paving the way for rapid expansion of Compumedics' global sales and marketing forces. Moreover, Compumedics has enhanced its premier range of sleep and neuro-diagnostic products in conjunction with the introduction of the highly competitive GraeL® LT range. Recent outsourcing of production provides a means of meeting the growing demand without significant capital expenditure requirements. The combination of Compumedics' sleep and neuro-diagnostic amplifier range coupled with its new clinical cloud-services provides the first of its kind end-to-end solution with an unrivalled, clinical operational efficiency, performance and competitiveness.

**Additionally, the successful execution of the MEG KRISS deal positions Compumedics for imminent announcements relating to USD4M MEG neuroimaging system orders.** Each MEG system sale will effectively double the Company's profits and ultimately executes the Company's transformation strategy. Similar to the surge of demand for MRI for body and metabolic scanning (36000 MRI machines today versus about 100 in early the 1980s) the Compumedics®/Neuroscan® MEG neuroimaging system with significantly superior sensitivity and analytics (to incumbent market leader), coupled with the most advanced seamless software integration, and dual adult-paediatric capabilities, has the potential to revolutionise brain imaging akin to the surge in MRI deployment post the 1990s and 2000s. Importantly, the burgeoning global health demands associated with neurological disorders (World Health Organisation), continue to be driven by prevalence and awareness, highlights the enormous unmet demand for these new generation Compumedics®/Neuroscan® MEG systems. Demand for these MEG systems will continue to be driven by the enormous unmet demand for improved pharmaceutical development and the early diagnosis and intervention to address neurofunctional disorders such as epilepsy, Parkinson's disease and dementia disorders including Alzheimer's disease.

**Strong Ongoing Growth and Profitability** resulting in 2017 FY revenues in the range of AUD41m to AUD43m, with a corresponding EBITDA of about AUD6M to AUD8M, and NPAT of about AUD4M to AUD6M, is expected to be realised. Earnings forecasts include ongoing investments in the next-generation growth platforms, via medical innovations, as noted in this report. Moreover, this guidance includes continued high levels of R&D investment (15% of revenue) but at this stage excludes growth-platform revenues or profit contribution to the 2017 FY results.

**This guidance** is based on the general economic environment in Australia and the Company's other key offshore markets being the US, China, France and Germany remaining broadly as they are at the timing of the release of these results.

**The 2017 FY has commenced with good momentum building,** including the commencement of the new lower-cost sleep and neurology systems to complement our premium range of products. Additionally, we have a growing pipeline of potential MEG orders and expect to make some exciting announcements in this regard during the current financial year.

## SUMMARY

**Compumedics remains well positioned,** following a strong 2016 FY, to continue its profitable growth trajectory, whilst executing upon its geographical sales expansion strategy underpinned by major product roll-outs across all business divisions.

**The core business growth continues to generate** strong operating profitability and is well positioned for significant earnings growth for many years. In particular, the commencement of the new range of lower cost Graef<sup>®</sup> LT systems opens up the addressable market by a factor of two to threefold. This paves the way for major sales and marketing expansion across all major geographical territories.

**The recent announcement of the new MEG Agreement with the KRISS** transitions Compumedics from a USD30K software sale to a USD4M complete system sale company.

**The next generation step-out growth platforms** including eHealth sleep cloud-services, Somfit<sup>®</sup> consumer-health platform, and DWL's patented auto-scan systems for TBI and stroke management will contribute to growth. These new generation platforms uniquely position Compumedics for a combination of strong ongoing core financial performance with extraordinary step-out business up-side.

**The year ahead will remain sharply focused on** driving our profitable core business growth, accelerating geographical market expansion, and commercial activation of our highly lucrative next-generation growth platforms. Ultimately, we have commenced a new chapter of exciting growth in building Compumedics into a high-performance global organisation focused on improved health outcomes by way of advanced innovative technologies coupled with enhanced efficiencies.

I would like to thank you all for your continued support and we look forward to sharing with you a number of upcoming important milestones, as we remain sharply focused on driving profitable growth and commercially activating our extraordinary break-out business opportunities.

Yours sincerely,



**Dr. David Burton, Ph.D.**

*Executive Chairman and Chief Executive Officer  
Compumedics Limited*

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\* Our guidance may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this communication. Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events.

# CORE BUSINESS

Premium Focus now expanding to whole market.

	Sleep Diagnostics	Neuro Diagnostics – Clinic	Neuro Diagnostics - Research	Brain Blood Flow Diagnostics
<b>Global market – USD pa</b>	250m	1,300m	20m	15m
<b>Compumedics market share (approximate)</b>	6%	<1%	30%	35%
<b>Compumedics market position</b>	Aust – 1 USA – 3 China - 1	Aust – 1 USA – 3 China - 1	Aust – 1 USA – 1 China – 1	Aust – 1 USA – 2 China – 1 Germany – 1

Compumedics has traditionally sold its products into the premium end of each of the markets it sells into. The company has recently launched, and commenced shipping, a new range of devices that have been specifically designed to be price competitively for the majority of customers in the markets Compumedics sells into. Compumedics will use its branding and reputation in the premium end of the market to drive market expansion in the whole market, increasing the addressable market available to Compumedics by two to three times.

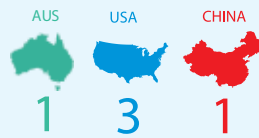


## Global Neurodiagnostics market

### Description of the market:

Global Neurodiagnostics is the study of electrical activity in the brain, spinal cord, nerves and muscles for the diagnosis and monitoring of neurological based diseases. Tests may be performed in hospital outpatient departments, neurophysiology labs, operating theatres, intensive care units and private practice.

### Current Market position:



### Competitive Advantages:

- 1 Complete range from clinical to research technologies
- 2 Uncompromised system design
- 3 Highest industry quality standards
- 4 Best in class brain analytics

### Current Market Share:

less than 1%

### Key drivers:

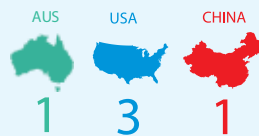
The key drivers for achieving growth in this market are to have technologically superior products that differentiate Compumedics from the existing competition. With the current products being complemented by a completely new long-term monitoring device in 2010, this will be achieved.

## Global Sleep Diagnostics market

### Description of the market:

The global Sleep Diagnostics industry is comprised of diagnostic and therapeutic technologies and medicines. Compumedics' core business lies in the design and manufacture of technologies for the diagnosis of sleep disorders – a market estimated to be worth AUD\$250 million worldwide and growing.

### Current Market position:



### Competitive Advantages:

- 1 Innovative strength
- 2 Active involvement in sleep science globally
- 3 Market placement and momentum
- 4 Best in class sleep analytics

### Current Market Share:

6%

### Key drivers:

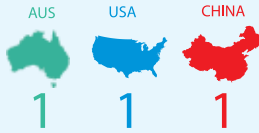
To logically continue to expand our US and European sales and support infrastructure and to evolve the business to provide complete sleep medical solutions.

## Global Brain Research market

### Description of the market:

Global Brain Research is the study of the brain's functionality, using Quantitative EEG (QEEG) methods to supplement traditional EEG findings. With the advent of high speed digital information processing and statistical analysis, QEEGs extract and quantify brain electrical activity to address aspects of EEGs that cannot be appreciated visually.

### Current Market position:



### Competitive Advantages:

- 1 Superior patented technology
- 2 Uncompromised system design
- 3 Unmatched innovation
- 4 Best in class brain analytics

### Current Market Share:

30%

### Key drivers:

The key driver for growth in brain research will be to maintain Neuroscan's preeminent technological lead and to back this by expanding the sales and support infrastructure to harness this expanding market opportunity.

## Global Doppler Ultrasound market

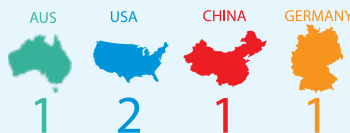
### Description of the market:

The Doppler Sonography technique utilises sound frequencies to measure the blood flow conditions in vessels and evaluate haemodynamics by using high-quality diagnostic and monitoring systems.

DWL Doppler systems are used in a wide range of specialist branches of medicine including neurology, neurosurgery, cardio- and vascular surgery, anaesthesia, intensive treatment, internal medicine, angiology and radiology.

The products are purchased by private practices and clinics, hospitals (both public and private), and by major universities, national research institutes and corporate research laboratories around the world.

### Current Market position:



### Competitive Advantages:

- 1 Full Digital Doppler Technology
- 2 Bilateral Doppler
- 3 Multi-Range Doppler Technology
- 4 Physiological Tests
- 5 Emboli Differentiation & Multi-Frequency probes
- 6 Highest Doppler sensitivity
- 7 Best signal to noise ratio
- 8 Reference gates
- 9 High and low temperature endurance systems
- 10 Space endurance systems

### Current Market Share:

less than 35%

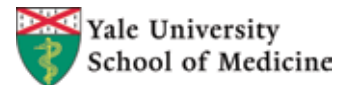
### Key drivers:

- Digital Doppler Technology
- New application areas for the use of TCD
- Expanding market opportunities by new Health Care Regulations for the use of TCD
- Expanding Sales and Support Infrastructure

# CLIENTS OF COMPUMEDICS

## Key Clients

Compumedics has over almost 30 years of operations and in that time has worked with and established a client list of key opinion leaders, world wide which include:





# COMPUMEDICS CORE PRODUCTS

## Sleep Diagnostics



Compumedics GraeL® - 4K HD



Compumedics GraeL® PSG



Compumedics Somte® PSG



Compumedics Siesta®



Compumedics Profusion™  
Sleep Software



Compumedics Profusion™  
NeXus Software

17  
18

## Neuro Diagnostics (including Brain Research)



Compumedics Neuro®  
512 Channel



Compumedics GraeL EEG®  
Neuroimaging Suite - 4K HD

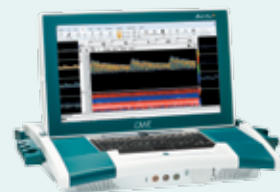


Compumedics  
GraeL LT® - HD EEG



Compumedics CURRY®  
Neuroimaging Suite

## Ultrasonic Blood Flow Monitoring



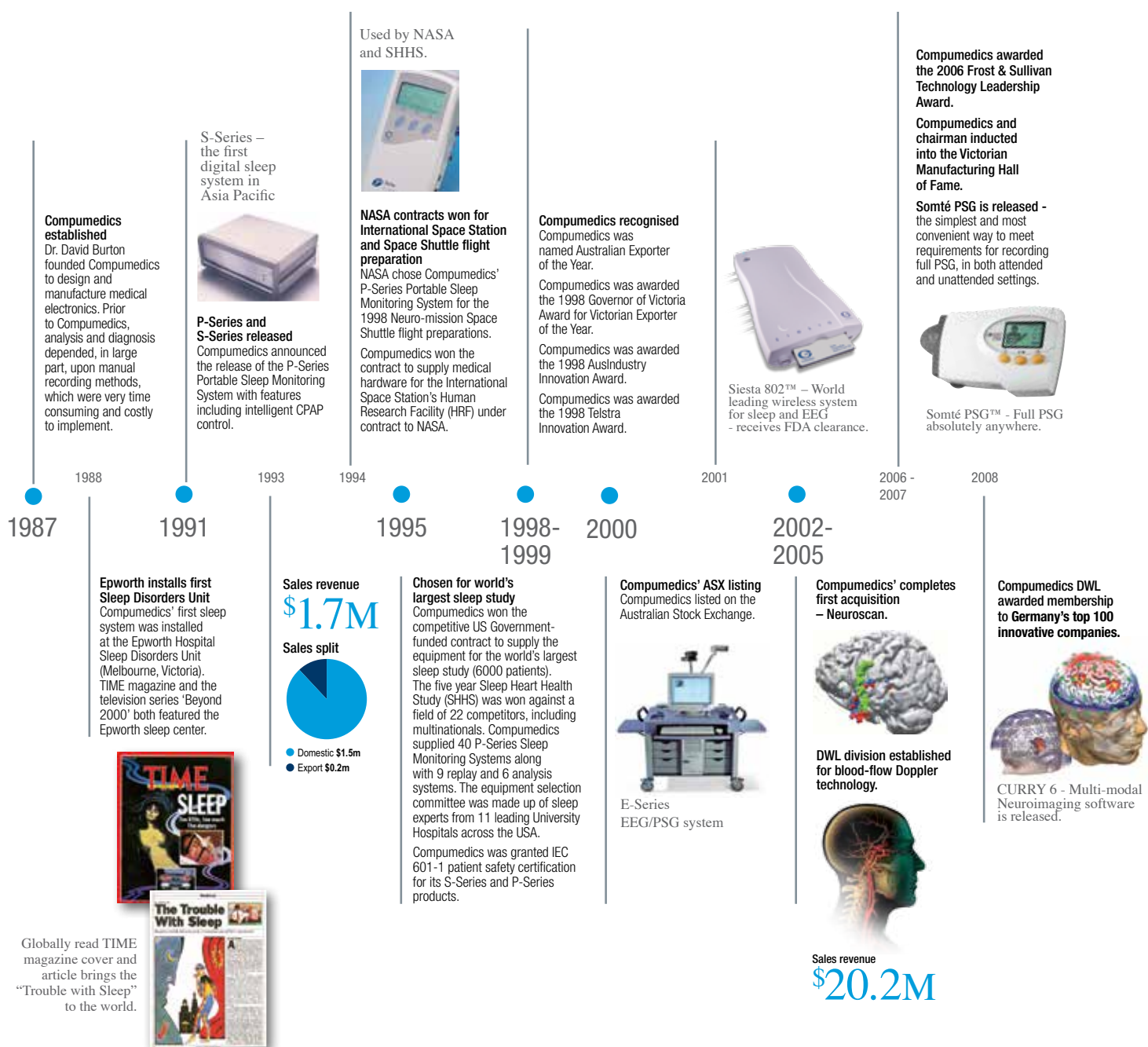
Multi-Dop® T digital



Doppler-Box™ X

# A FOCUSED STRATEGY IN ACTION

For almost 30 years, Compumedics' focus in Sleep and associated medical disorders has established a solid platform for growth.





**Grael is released -**  
Compumedics released the world's first High Definition and premier PSG/EEG, Grael.

**Grael wins Powerhouse Museum Award & finalist at the Australian International Design Award.**



Grael PSG/EEG - World's first High Definition Amplifier.

Compumedics introduces direct selling in Germany.



**CURRY SCAN 7 Neuroimaging Suite is released -**  
Compumedics Neuroscan releases it's combined acquisition and signal processing software.

Compumedics introduces direct selling in France.

**Beijing Bestmed, Compumedics' China-based distributor invests \$0.5, becoming a top 10 shareholder -** this injection of funds contributes to Compumedics further growth in the China region.



Neuvo LTM 512 Channel EEG

**New Patent Grant Underpins Growth Opportunities for Compumedics' DWL.**  
- New product development based on patent for system of detecting and treating blood vessel stenosis or occlusions.



**\$7.5 Million Sleep Diagnostic Systems Contract with Beijing Bestmed Accelerates Compumedics Strength in China.**



Grael PSG



Grael LT EEG

Compumedics recognised as one of Australia's top 100 Health Innovators through its world leading devices for sleep diagnostics.



Somnilink SPAP®

Somnilink SPAP receives CE and TGA clearance.



**Compumedics celebrates its 25 Year Silver Jubilee Anniversary.**

**Neuvo LTM, world's first 512 channel wall system is released to market - the Ultimate Long-term Monitoring System.**

**Grael-HD EEG - High-Definition EEG** is released to market.



Grael-HD EEG

**eHealth Business focus in Asia.**

New contract signed with Bestmed (China) with potential revenue of US\$5 million over the next three years growing to US\$13.2 million within five years.

Company has now secured total contracts for its eHealth platform with potential incremental revenue of US\$9.1 million over the next three years.

**New products released -**

**Profusion EEG5 -** World class EEG diagnostic software.

**Profusion Sleep4 -** World class PSG diagnostic software.



**New Grael Rangereleased for market -** Grael PSG, Grael LT and updates to Grael and Grael EEG

**New e-Health Somfit consumer product is developed -**



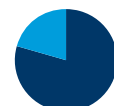
Somfit Night

Compumedics and KRISS (Korea Research Institute of Standards and Science) officiates technology transfer agreement and MOU for new advanced MEG.

Sales revenue

**\$37.5M**

Sales split



Domestic \$7.8m  
Export \$29.7m

# BOARD OF DIRECTORS

Compumedics is committed to developing a world class working environment that rewards individuals for the contributions they, and their teams, make to the business each year. Compumedics is proud of the diversity of its people, and continues to develop its people infrastructure under the guidance of the Senior Management Team and the Board.



**Dr. David Burton, Ph.D.**

Executive Chairman, CEO

Dr. David Burton, Ph.D., is the founder, Chairman and CEO of Compumedics. After establishment of Compumedics the company was listed on the ASX in 2000, and has been awarded 24 awards for design, innovation, business and exports including the Australian Exporter of the Year in 1998 and Small Business of the Year in 1999.

Dr. Burton started his career at the Bureau of Meteorology, where he studied radar techniques and electronic equipment. He founded Linear Transfer Pty Ltd, which designed, manufactured and marketed high fidelity recording and sound equipment. He was awarded an Associate Diploma in Engineering (Electronics) by the Royal Melbourne Institute of Technology and a Ph.D. (Eng. Sc.) by Monash University, Melbourne (Australia). Dr. Burton's engineering background includes the design and project management of the Compumedics' first sleep laboratory and portable sleep systems. Dr. Burton has authored 150 patents or patent applications across more than 20 families of patents that form part of Compumedics' intellectual property. Dr. Burton has served as an advisor for the Victorian Government as a member of the Council for Knowledge, Innovation, Science and Engineering (KISE), being the Victorian Government's key advisory body on issues and policies focusing on science and innovation.

Dr. Burton was presented the Clunies Ross National Science and Technology Award in 2002 for his development of innovative sleep monitoring technology. He was awarded the 2003 Centenary Medal by the Prime Minister and Governor General of Australia for outstanding contribution to science and technology, particularly public science policy. In 2003 Dr. Burton was awarded the Ernst & Young Victorian Entrepreneur of the year award for technology, communications, E-commerce and life sciences. In 2007 Dr. Burton was inducted into the Victorian Manufacturing Hall of Fame in recognition of manufacturing achievements and world-wide medical device exports.

Dr. Burton served as a Victorian Government adviser as a Board member of the Design Victoria (2008-2011), was appointed to the Academy of Technological Science and Engineering (ATSE) committee in 2012 and in recognition of his outstanding contribution to the profession of Biomedical Engineering was awarded the 2012 David Dewhurst Award by Engineers Australia, College of Biomedical Engineers.



**Dr. Alan Anderson**

Non-Executive Director

Dr. Anderson, is a leading American attorney in the areas of commercial litigation, intellectual property and computer law. He has represented Compumedics for all legal matters in the USA since late 1998.

Dr Anderson completed his Bachelor of Arts with Honours (Political Science) at Coe College. He also holds a Master of Business Administration with Distinction, a Doctor in Law with Honours from Cornell University, and a Certificate in International Business and Commercial Law from the McGeorge School of Law (University of the Pacific).



**Mr. David Lawson**

Executive Director

Mr Lawson has been Chief Financial Officer and the Company Secretary of the Company for over fourteen years. In that time, Mr Lawson has been extensively involved in the development of the Company including the Initial Public Offering of shares in the Company, the subsequent offshore acquisitions in the US and Germany, private equity placements and the recent refinancing of the Company. Mr Lawson also has been involved in the operational turn around of the Company and brings a significant amount of experience and knowledge to the Board. Mr Lawson is also a Director of Swinburne Venture Pty Ltd, the intellectual property commercialisation arm of Swinburne University.



# SENIOR MANAGEMENT



**Dr. David Burton, Ph.D.**  
Executive Chairman, CEO



**David Lawson**  
Executive Director,  
Chief Financial Officer  
& Company Secretary



**Warwick Freeman**  
Chief Technology Officer

21  
22



**Kerry Hubick**  
Trademark, Patent  
& General Legal Attorney



**Christoph Witte**  
General Managing Director  
DWL Compumedics Germany GmbH

## Medical Advisory Board



**Dr David Burton**  
Heads up Compumedics Medical  
Innovations Division.  
Authored > 100 patents or  
applications across >20 families



**Prof Ian Colrain, Ph.D.**  
Exec. Director - Brain Sciences &  
Senior Director, Center for Health  
Sciences, Stanford Research  
Institute (SRI) Biosciences.  
Professorial fellow - Uni of  
Melbourne . Core faculty member -  
Palo Alto School of Sleep Medicine.  
Member - editorial board of SLEEP



**Prof Patrice Bourgin, M.D.,  
Ph.D.****Professor of Neurology**  
Strasbourg University  
Director, Sleep Disorders  
Center - Head of Research Team  
"Light, Circadian Rhythms, Sleep  
Homeostasis and Neuropsychiatry



**Prof John Ebersole,  
MD****Chicago University**  
Department of Neurology  
Director, Adult Epilepsy  
Service  
Director, Clinical  
Neurophysiology Program  
Medical  
Director, Illinois MEG Center  
Editor-  
in-Chief, Journal of Clinical  
Neurophysiology





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Defining *Life's* Signals



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