

## SomnoMed full year profitability

**26th August 2010, Sydney:** SomnoMed Limited (ASX:SOM)

After generating losses since its listing in 2004 SomnoMed Limited recorded its first profitable year in fiscal year 2009/10. Profit before tax came to \$114,000 (unaudited) and after bringing tax credits of \$672,000 to account, the net after tax profit amounted to \$786,000. This compares very favourably to a loss before tax of \$1.803 million and an after tax loss of \$1.819 million in the previous year.

Revenues have grown 39% to reach total sales revenues of \$10.7 million for the year. This is reflected in the unit sales growth of 59%, which are 7,289 units more than last year's sales of 12,254 units to achieve total sales for FY 2010 of 19,543 units.

The gross margin increased year on year by 50% or over \$2 million to reach \$6.08 million. This was achieved as the result of increased revenues but also of improved margins - the gross margin grew from 52.5% (FY08/09) to 56.8% (FY09/10). This came as a result of improvement in manufacturing efficiencies, logistics and operational economies within the business, which allowed SomnoMed to post an EBITDA (earnings before interest, amortization and tax) of \$269,000 for the full year compared to an EBITDA loss of \$1.51 million in the previous year, despite absorbing a total of over \$300,000 in start up costs in a new manufacturing facility and market development expenses in Japan.

This fiscal year has again shown good growth and demand around the world for the SomnoMed products in the treatment of sleep disordered breathing. All regions have shown strong growth, with overall unit growth higher than the total sales achieved in FY 2008. Unit sales in the USA grew by 66% year on year and were responsible for 68% of total global sales. Europe represented 16% of total sales for the whole year but is growing strongly and exceeded 20% of global sales in the last quarter of FY 2009/10. APAC represented the remaining 16% share of global sales and achieved annual growth of over 10% in unit sales. SomnoMed continues to show consistent unit growth each half year with the second half of FY 2010 exceeding, for the first time, 10 000 units.

Sales and marketing expenses have declined slightly during FY 2010, due to the more efficient cost structures adopted for the seminar program within the USA. Administrative costs have increased from \$1.442 million to \$1.785 million for this fiscal year. This includes the absorption of over \$200,000 in training, launch and start up losses in the company's new manufacturing facility and nearly \$100,000 in market development expenses incurred in Japan.

Corporate overheads, which include research and development expenditure, were kept at previous year's level reducing slightly from \$1.786 million to \$1.768 million.

**For more information contact:**

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### **How the SomnoDent® MAS works**

The medical term for your lower jaw is 'mandible' and an oral appliance worn over the teeth is a 'splint', hence the name SomnoDent® Mandibular Advancement Splint, or SomnoDent®MAS.

The SomnoDent®MAS consists of two acrylic plates fitted over the upper and low teeth. A patented fin coupling mechanism on the lower arch accurately positions the lower jaw (mandible) a little forward of its natural position.



This positioning tightens the soft tissue at the back of the throat to stop it from collapsing – the cause of snoring (partial collapse) and sleep apnoea (full collapse). SomnoDent® MAS allows the normal opening and closing of the mouth, allowing the user to yawn, speak and drink. The device will last 5 years and comes with a warranty.

The SomnoDent® MAS is provided to patients through an integrated clinical protocol, involving dentists, primary care practitioners and sleep physicians. This pathway ensures that all patients are appropriately diagnosed and that only suitable patients are fitted with the device.