

[SomnoMed accelerates Growth beyond forecasts](#)

27th January 2010, Sydney: SomnoMed Limited (ASX: SOM).

SomnoMed Limited finished the first half of fiscal 2009/10 by setting new records in units sold and contribution generated and will report better than expected results in the half yearly report due in late February.

SomnoMed's CEO Ralf Barschow commented, "We finished 2009 very strongly. Whilst we are still waiting for the formal sign off from our auditors, we can state that we are proud to have generated, not only a positive EBITDA for the six months to December but, for the first time, our company generated profits before tax. We are expecting a final EBITDA figure for the first half in the order of \$250,000 and a profit before tax in excess of \$100,000."

These better than forecast results are coming on the back of accelerating global growth in sales of the SomnoDent[®] device for treating sleep disordered breathing. Units sold in the six months to December 2009 amounted to 9,140, 66.9% more than in the same period in the previous year. Sales growth is accelerating, as the December quarter recorded sales of over 5,000 units, compared to 4,082 units in the first quarter of the current fiscal year. Total revenues generated in the December half were \$4.99 million (unaudited), up by 56.9% compared to the same period in the previous year.

"Strong volume growth is a reflection of the increasing demand we now see on a global basis for our SomnoDent[®] MAS from practitioners and patients looking for an alternative to CPAP to treat their sleep disordered breathing problems, in particular sleep apnea. More and more patients either look for a first line treatment, which is less invasive and more lifestyle sympathetic than the use of a breathing machine or they have tried CPAP, are rejecting it and need an alternative treatment of their chronic condition," said Mr. Barschow.

SomnoMed's global sales are still dominated by North America, with almost 70% of all units sold during the half year to December. Europe and APAC are sharing the balance equally. However, growth in Europe is highest and all indications are that this region of the world will emerge as the second most important sales region during the second half of fiscal year 2009/10.

"Our growth in volume sold in North America came in at an excellent rate of 75.9% for the six months to December 2009, compared to the previous year. Continuous strong demand has been recorded across the US and Canada coming from the SomnoMed sleep dentist network, increasingly driven by growing acceptance and demand from medical practitioners," commented Mr. Barschow.

"During the same period, Europe grew its sales by 130%, albeit from a smaller base. We see very good movement in Scandinavia, where the SomnoDent[®] MAS is gaining more and more acceptance from practitioners as being the best oral appliance available. We also believe that Holland will contribute significantly to our European sales in 2010, after a change of regulations came into effect on 1 January this year, allowing fully reimbursed treatment of obstructive sleep apnea with oral appliances," said Mr. Barschow.

SomnoMed's business in Australia and Asia also recorded good growth in the first half of fiscal year 2009/10 and future prospects are positive as Japan started selling the SomnoDent[®] MAS after all regulatory approvals were finally received in October 2009.

Cash use for the December 2009 quarter was \$496,000, with an investment of \$401,000 in equipment and fit out cost expanding the capacity of SomnoMed's network of manufacturing and fulfillment facilities.

"Expansion of our production, quality control and fulfillment infrastructure around the world is not just in response to growing volume but it aims to allow us to extract from larger scale operations steadily improving gross margins. We can see the benefits already and expect this will continue into the future," said Mr. Barschow.

At the end of December 2009 SomnoMed had a cash balance of \$3.3 million available.

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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 lower 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.

