



SomnoMed delivers record quarter

27th January 2011, Sydney: SomnoMed Limited (ASX: SOM) announced today it had achieved record quarterly unit sales during the second quarter to December 2010. Unit sales increased by 23% over the same period last year and by 18% over the previous quarter achieving an all time high of 6,196 units sold during the three months period to December. Total revenue grew by 10% in the second quarter over the first quarter, despite the exchange rate effects of the Australian dollar against both the US\$ and Euro during this period.

Volume and revenue growth continued to be driven by strong results posted by SomnoMed's European subsidiary. In comparison to the same period last year volume growth in Europe was over 102% for the December quarter and SomnoDent® MAS revenues grew by over 120%. In the US during the second quarter of FY 2010/11 new record unit sales were recorded with the month of December marking the highest volume sales ever achieved in the US. This comes despite the delayed Medicare announcement still causing uncertainty about the level of reimbursement which Medicare patients will be entitled to receive for the treatment of sleep apnea with an oral appliance.

Total revenues for SomnoMed's second quarter were \$3.1 million, compared to \$2.6 million in the same period last year and resulted in the company to generating positive cash flow and profits for the quarter.

SomnoMed's CEO Mr. Ralf Barschow commented, "We are quite content with the results achieved in the second quarter of FY 2010/11, particularly with the sales growth and new records achieved in the month of November in Europe and in December in the USA."

The company's investment in manufacturing, logistics and operations has allowed SomnoMed to better control manufacturing costs and therefore the gross margin of the business. SomnoMed's group gross margin has improved from 63% in the first quarter to 65% in the second. This is significantly up on the 61% posted in the same period last year and has contributed to the quarter's positive cash flow and a profitable first half of the year, for both the company as a whole and each geographic area.

"From a global perspective SomnoMed controls direct operations in three global regions, with Japan still at the development stage. Our global strategy is clear and we are now able to develop and secure our presence in all markets in which we trade. We continue to concentrate our resources on markets, which can achieve good sales for us within a period of up to three years. Other markets will develop and will also become significant in time but might have to be approached with different business models to maximize returns on resources deployed," Mr. Barschow said.

“At the end of 2010 we can look back and conclude that SomnoMed has successfully built the foundation for a strong growth business, especially in highly developed countries around the globe. But like most other medical device businesses, the level of growth and product acceptance will depend on government regulations, reimbursement and the preparedness of medical practitioners, in our case sleep specialists, to embrace alternative treatment methods for sleep disordered breathing problems and achieve improved compliance and better results for their patients. Where the preconditions are not fulfilled the adaption and growth of oral appliance therapy is slow, whereas in markets where these preconditions are fulfilled the adaption and uptake is quite rapid, as we have seen in some markets,” said Mr. Barschow.

SomnoMed generated \$230,000 in net operating cash during the second quarter and finished the calendar year with \$3.75 million in cash available. There are currently no plans for the raising of additional capital.

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About SomnoMed Limited

SomnoMed Limited is a medical device company and designs, manufactures and markets a range of oral sleep appliances for the treatment of sleep apnea, snoring and bruxism. SomnoMed Limited was founded in August 2004, operates in 20 countries and received worldwide registration approvals FDA, TGA, CE, ISO for its patented oral sleep apnea appliance SomnoDent. Today, the SomnoMed product range includes SomnoDent Flex, SomnoDent Classic, SomnoDent Edent and SomnoBrux.

To learn more about SomnoMed or to find a SomnoMed trained and qualified doctor in your area, please visit www.somnomed.com.au .