



## **SomnoMed achieves strong growth in profits in 2011**

Strong fourth quarter sales assisted SomnoMed in more than trebling its EBITDA from \$269,000 in the previous year to \$991,000 in FY 2010/11 (all financial information contained in this release are unaudited). Profit before tax rose from \$114,000 to \$667,000, resulting in an after tax profit of \$739,000 for the financial year 2010/11.

After a slower than expected start to the year, good growth in the third and especially fourth quarter generated total SomnoDent<sup>®</sup> unit sales of 25,119, 28% more than in the previous year, with fourth quarter sales coming in above 7,000 units for the first time. EBITDA in the second half of 2010/11 came in at \$597,000, reflecting an increase of 51% over the \$394,000 EBITDA achieved in the first half year of 2010/11.

Total sales revenues for the year were \$12.34 million, 15.1% higher than in the previous year, adversely affected by exchange rate movements. Revenue growth with constant exchange rates would have been 26.7%.

During the course of the 2010/11 financial year strong growth was recorded in Europe and the US. As a result the European share of unit sales rose from 16% to over 25%; notwithstanding that North America is still representing the majority of global sales (63%), with APAC now representing only around 12% of global volume. Despite that, good growth in demand was recorded in Australia towards the end of the financial year, with South East Asia and Japan also recording good growth but still representing very modest volumes.

Operating profit before corporate, research and development expenses rose by 61% to \$3.062 million from \$1.897 million. This was despite sales & marketing expenses increasing by 38% year on year, as SomnoMed continued to build its global marketing and distribution network.

Behind the increase in profitability stand continuing improvements in the gross margin, which rose from an average of 56% in the previous year to 66% in FY 2010/11. This positive result was driven by improvements in labour productivity, better use of materials and much improved unit costs in logistics.

Corporate, research and development expenses rose from \$1.77 million to \$2.30 million. Most of the increase was due to expenditure related to contributions made to clinical research and IP related legal costs and, most importantly, product development expenses relating to new products scheduled for release during the current financial year 2011/12.

With the official introduction of the new SomnoDent<sup>®</sup> G2 for the treatment of sleep apnea and the diagnostic instrument SomnoMed MATRx at the US Sleep Convention held in Minneapolis in June 2011, the focus for the 2011/12 financial year is on broadening SomnoMed's product line.

"In the year ahead Somnomed is looking to generate further growth in the sale of its leading range of products and enter into the sleep medical market, so as to establish itself as a recognized force in the medical arena of the sleep disordered breathing market around the world," said Somnomed's CEO, Mr Ralf Barschow.

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