



STRONG GROWTH IN EUROPE AND A NEW US MANAGEMENT TEAM NOW IN PLACE

12th April 2013, SomnoMed Limited (ASX:SOM)

The March 2013 quarter saw SomnoMed complete the restructuring and expansion of its US management team, with the aim of strengthening the dental team, as well as building the medical capabilities of SomnoMed within the US and Canada. Considerable effort went into the establishment of an experienced and very well credentialled management team capable of taking SomnoMed to the next level in the development of our business in the US. It is envisaged that the expansion into the mainstream medical device market will allow SomnoMed to participate in the vast market of treating SDB patients by providing an alternative to CPAP and will also elevate and differentiate SomnoMed from a range of smaller, dental laboratory focused competitors.

During the first quarter a new VP Dental was appointed reporting to the recently appointed new president of SomnoMed North America, Dr. Kien Nguyen. Under their leadership SomnoMed will continue to build the SomnoMed Dental Network, now consisting of over 2,500 educated dentists in the US, but at the same time, working in an integrated fashion with the newly created medical departments, it will connect and integrate our network dentists into the medical market.

The recruitment of key positions in our new medical departments was completed during the last quarter. Our new US medical team, headed by a Chief Medical Officer, new VP National Marketing & Sales and VP Managed Care will be focusing in a dedicated approach to increase the acceptance of oral appliance therapy, positioning SomnoDent[®] as the product of choice (now being used by over 130,000 patients worldwide) and increasing referrals to our specialist dentists.

The new US medical team has commenced the development of education and sales programs for the US market. The introduction of the team and their programs will officially kick off at the upcoming annual convention of the American Association of Sleep Medicine in Baltimore in June. The development of our medical educational and sales programs will shape SomnoMed's business in the US in 2013/14 and beyond. The recently published three year MASPAP research (American Journal of Respiratory Critical Care Medicine) headed by Professor Peter Cistulli and Professor Ron Grunstein confirming the comparable effectiveness of SomnoDent[®] and CPAP will contribute to the growing acceptance of SomnoDent[®] as an alternative treatment method for the majority of obstructive sleep apnea patients.

Total sales revenues for the year to date are \$13.3 million, up by 25% compared to the previous year after third quarterly revenues of \$4.33 million, up 13% compared to the same period in the previous year.

Q3 produced varying sales results in SomnoMed's three global regions. Whilst European unit sales grew by 35% compared to the same quarter in the previous year, North America's sales growth was still lagging due to the changes taking place in our US organisation. APAC numbers were marginally down on the previous strong quarter. Total unit sales for the first nine months of the financial year 2012/13 were 25,764 up by 15.2% compared to the same period in the previous year. Total global sales for the quarter grew by 8.3% to 8,582 MAS units.

Executive Chairman Dr. Peter Neustadt commented, "Europe is growing very fast across our four regions – Nordic, Benelux, German speaking and France. Every region is expanding but has totally different market configurations, maturities and key factors for success. Sales forces in all regions been expanded during the third quarter and are expected to produce ongoing growth. New market entries in France, Belgium and Norway produced promising and accelerating sales."

North American sales have been affected by the expansion, upgrade and corrective actions taken by our new management team and staff which commenced in the first half of the financial year. In essence, we have a new and stronger team running SomnoMed North America's dental business today and, at the same time, have added a number of new medical departments. Changes on the dental side were needed in the light of changing market conditions and our aim to be the leading sales and service organisation in the US oral appliance market. Adaptation of our new G2 device is going well but promotional programs to strengthen sales and services of our complete product line are taking longer than expected to achieve the desired results. Application for FDA approval for a new product to serve the middle-lower price segment targeted to Medicare patients was lodged at the end of February. The new product is expected to be launched into the market during Q4.

APAC sales, dominated by Australian sales, were lower than the previous quarter but sales in Japan, albeit still small, are growing fast and will continue to develop within the constraints of a non-reimbursed market for SomnoDent® vis a vis CPAP.

Whilst Europe will continue to produce high growth in Q4, it is taking longer than first envisaged for our new management team to adjust our operations and for our programs to gain momentum in North America. The impact of our medical expansion will only be seen in the next financial year. We currently expect our overall growth in the second half of 2012/13 to be affected, resulting in total unit sales of around 35,000 units for the year, approximately 8 to 10% below our stated targets. Notwithstanding that, we have the fullest confidence in our most capable and experienced new team in the US, probably the strongest team in our industry, to position SomnoMed successfully in the mainstream medical treatment market for sleep disordered breathing patients in the US and generate the expected growth in the years ahead.

Cash use for the quarter was \$851,000 and in line with our expectations. The use was dominated by the increase in the investment in the US management team generally and the establishment of our medical departments, the acquisition of our Swedish distributor and service partner MAS Nordic on the 1 January 2013, the funding of recently acquired French company Orthosom S.A. (now SomnoMed France S.A.) on 1 December 2012 and increased accounts receivable in Europe and the US. Cash available at the end of the quarter was \$2.68 million.

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About SomnoMed

SomnoMed is a public company providing diagnostic and treatment solutions for Sleep-related Breathing Disorders including obstructive sleep apnea, snoring and bruxism. SomnoMed was commercialized on the basis of extensive clinical research. Supporting independent clinical research, continuous innovation and instituting medical manufacturing standards has resulted in SomnoDent® becoming the state-of-the-art and clinically proven medical oral appliance therapy for obstructive sleep apnea. SomnoDent® is the most comfortable and effective design and treatment solution for over 130,000 patients in 22 countries.

For additional information, visit SomnoMed at <http://www.somnomed.com.au>