



Investor Presentation

*Sleep Centres America Inc. and
Pro rata accelerated entitlement issue*



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Transaction Summary

Opportunity overview

- SomnoMed has obtained an exclusive license with Simple Sleep Services LLC (“S3”), an established sleep centre operator, to open and operate direct to patient sleep treatment centres in the USA (excluding in the State of Texas) and globally
- New SomnoMed subsidiary - Sleep Centres America Inc. (“SCA”) is 84% owned by SomnoMed, with S3 and its founders holding a minority equity interest of 16%
- SCA aims to operate at least 5 centres by the end of FY2017 and 15 centres by the end of FY2018

Funding

- Pro-rata non-renounceable accelerated 2:25 entitlement issue at \$2.50 per share to raise approximately \$10.5 million
- Wilson HTM Corporate Finance Ltd is Lead Manager of the issue

Timetable

- Institutional offer – May 3rd to May 4th
- Retail Offer – May 10th to May 27th
- Quotation of new shares – June 7th



SomnoMed has achieved significant growth by developing dental and medical distribution channels

FULFILMENT CHANNEL

- SomnoMed Dental network now in 30 countries (24 OECD countries)
- Educated over 10,000 dentists in dental sleep medicine and Continuous Open Airway Therapy (“COAT™”) to date
- Treated over 250,000 Obstructive Sleep Apnea (“OSA”) patients with SomnoDent® devices

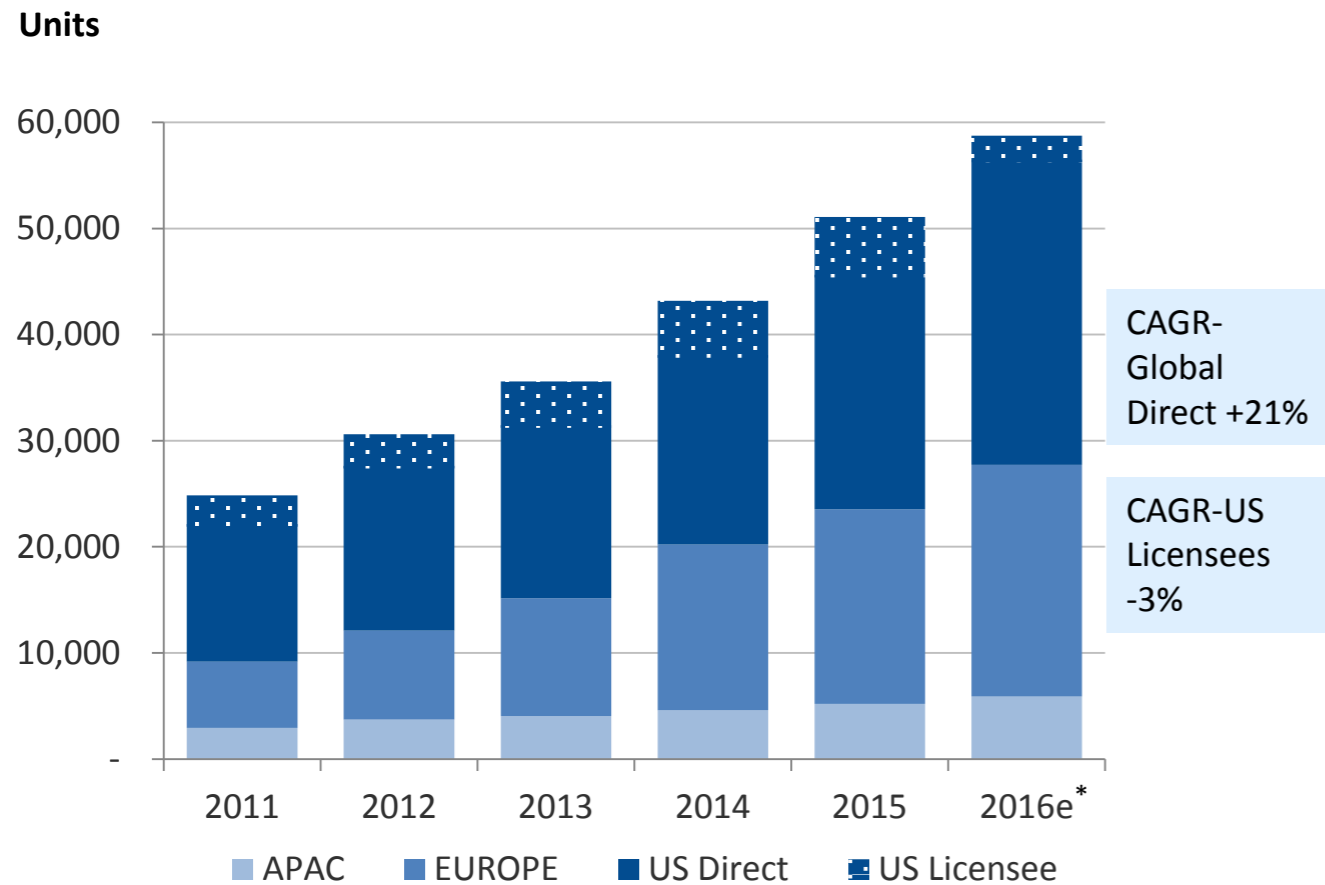
REFERRAL CHANNEL

- Over the past four years SomnoMed has educated and worked closely with medical specialists, sleep clinics, hospitals and health insurers
- The aim has been to increase referrals of patients for COAT™ and channel these patients to the SomnoMed dental network by changing the prescribing behaviour of medical specialists

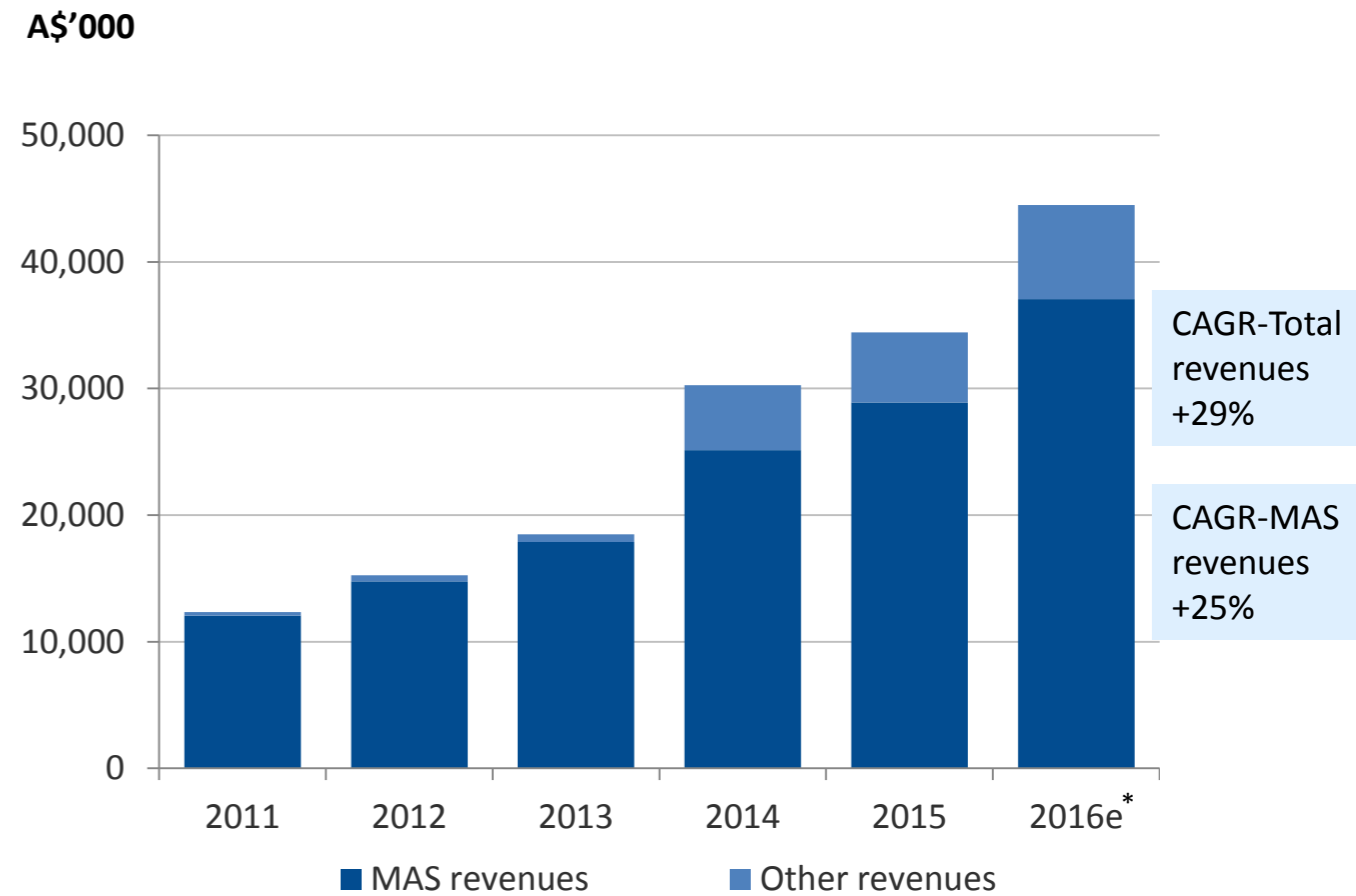


Strong growth in sales volumes and revenues

Global unit sales growth



Global revenues growth



* Source: Company guidance (further details on slide 11)



Direct To Patient opportunity for SomnoMed

Large pool of diagnosed patients not in treatment

- Total patient pool of diagnosed patients not in treatment in the USA is approximately 10 to 15 million patients - growing at approx. 1.0-1.5 million patients p.a. (estimated to be 15-20 million patients by 2020)
- +3 million patients newly diagnosed with OSA in the USA every year and 50-70%¹ of these patients cannot or do not want to accept Continuous Positive Airway Pressure (“CPAP”) as a treatment for their chronic condition and either reject CPAP out of hand or give up in the first few months after trying
- Untreated patients usually do not return to medical specialists unless their condition has worsened significantly

Highly effective alternative treatment exists

- COAT™ is a clinically proven, non-invasive and comfortable alternative treatment of OSA
- Research proves SomnoDent® patients show a very high compliance (95% on CPAP definition and 85% on an “all night every night” definition)¹
- Virtually all USA health insurers are reimbursing all or a large part (depending on the individual’s insurance plan) of the cost of COAT™

Notes:

1. Company research



Direct To Patient opportunity for SomnoMed

Proven direct to patient business model

- A Direct To Patient OSA treatment business has been successfully developed over the last 3 years and is now one of SomnoMed's largest customers
- Simple Sleep Services LLC ("S3"), in Texas, USA operates two treatment centres - its first centre in Dallas was opened in mid 2013 and generated A\$4.7 million in revenue and A\$1.7 million in PBT in CY2015 (based on AUD:USD of 0.77)
- S3 advertises to the target market, assists patients with their reimbursement claims, uses independent sleep physicians and contracted sleep dentists to diagnose/treat patients and uses SomnoDent® devices exclusively

Overview of the direct to patient business model

- Marketing and advertising specifically targeted at OSA diagnosed patients not in treatment and educates OSA patients of the existing of alternative treatments
- Patient is offered integrated diagnostic and treatment services in easy to reach treatment centres
- Treatment centre facilitates reimbursement approvals on behalf of patient
- Treatment centre fits suitable patients with COAT™ - uses independent sleep physicians and contracts sleep dentists to diagnose/treat sleep patients
- COAT™ devices sourced from the SomnoMed product range
- Treatment centre processes insurance claim on behalf of patient



SomnoMed's Direct To Patient distribution business

SCA overview

- SomnoMed has obtained exclusive license to open and operate S3 centres in the USA (excluding in the State of Texas) and globally
- New SomnoMed subsidiary - Sleep Centres America Inc. ("SCA") is 84% owned by SomnoMed, with S3 and its founders holding a minority equity interest of 16%
- No cash consideration paid to S3 and its founders
- SomnoMed to fund the roll-out of new treatment centres (further detail provided in following pages)
- S3 founders have joined the board of SCA as non-executive directors and have entered into a three year consultancy agreement
- SCA is governed by a shareholder's agreement which contains terms usual for such an arrangement and a put and call option over the minority interest in SCA exercisable in 2020
- Subject to suitability, SomnoDent® products will be used exclusively in all S3 and SCA's centres



SomnoMed's Direct To Patient distribution business

Rationale

- SCA to potentially become a significant business for SomnoMed over the next 3-4 years
- SCA expected to be earnings accretive to SomnoMed through attractive treatment centre economics
- Significant additional SomnoDent® device sales flowing from SCA treatment centres will also benefit SomnoMed Group revenue and margin growth

Execution plan

- SCA aims to operate at least 5 centres by the end of FY2017 and 15 centres by the end of FY2018
- Detailed rollout plan being developed based on reimbursement rates in different states in the USA
- Senior executive search underway



S3 Treatment centre economics

S3 Dallas Centre—opened in mid 2013

December year end	2014	2015
Patients treated	860	1,506
Revenues (A\$m)	2.7	4.7
PBT (A\$m)	1.1	1.7
PBT margin (%)	41%	37%

- S3 second centre is in Fort Worth (not included in the numbers in the table to the left) and opened in July 2015 — showed a similar revenue ramp up profile to Dallas and broke even by September 2015
- S3 third centre due to open in San Antonio in September 2016

Source: Unaudited S3 accounts; FX translation at AUD:USD of 0.77



Expected SCA treatment centre economics

	Year 1	Year 2	Year 3
Patients treated	450	1,250	1,650
Revenue per centre (A\$m)	1.25	3.2	4.0
EBITDA per centre (A\$m)	-	0.8	1.2
Centre EBITDA margin	N/A	25%	30%

Assumes AUD:USD of 0.77

- Ramp up based on SomnoMed's more conservative assumptions compared with the actual performance of the Dallas Centre
- Total investment per new centre expected to be approximately A\$500,000
- Break-even expected within 12 months of opening
- Year 1 assumes 3 months pre opening and 9 months operating
- EBITDA contribution per SCA centre before SCA overhead expenses



FY2016 outlook

- Based on our current estimates and trends for Q4, FY2016 volume 58,000-60,000 units, down from previous guidance of 62,000 units
 - Direct sales 56,000-57,500 - up 22% to 24%
 - Licensee sales 2,000-2,500 - down 55% to 60%
 - Total volume growth 13%-16%
 - Q4 direct sales in the US now assumed to grow by 25% instead of YTD 28.4%, due to increased insurance premiums
- FY2016 revenue of \$44-45 million, up from previous guidance of \$42 million, up 28-30% on FY2015
 - higher share of direct sales and higher managed care revenues in US and Europe
- FY2016 underlying EBITDA of \$2.0-2.4 million, up 130%-175% on FY2015 (down from previous guidance of \$3.0 million)
 - lower sales volume and product mix in US negatively impact gross margin
- FY2016 underlying EBITDA excludes set up costs of approximately \$0.7 million associated with SCA
 - including legal, travel, company formation, recruitment, relocation and employee costs



Accelerated pro-rata entitlement issue

- Pro-rata non-renounceable accelerated 2:25 entitlement issue at \$2.50 per share to raise approximately \$10.5 million
- The offer price represents a discount to TERP of 10.0% and a discount to last close of 10.7%
- Funds to provide working capital and fund any capital investment associated with SCA
- To the extent that there is a shortfall in entitlements taken up compared to the target total capital raising of \$10.5 million, TDM Asset Management Pty Ltd (“TDM”) has agreed to subscribe for any shortfall not taken up by the bookbuild process
- In consideration of TDM’s commitment to subscribe for any shortfall, as well as the provision of strategic advice relating to the SCA growth initiative, TDM will be granted 400,000 options exercisable within 12 months from the issue at a strike price of \$3.00 per share
- Issued capital - 56.71 million shares post issue
- Wilson HTM Corporate Finance Ltd is Lead Manager of the issue



Timetable

Procedure Step	Date
Trading halt	3 May 2016
Announcement of Entitlement offer	3 May 2016
Ineligible Shareholder Letter	3 May 2016
Institutional Offer Opens	3 May 2016
Institutional Offer Closes	4 May 2016
Announce Results of Institutional Offer	5 May 2016
Release Retail Offer Documents to ASX	5 May 2016
Trading Halt Lifted – Trading is on ex-entitlement basis	5 May 2016
Record date for holders (7pm Sydney time)	5 May 2016

Procedure Step	Date
Information Booklet and Entitlement and Acceptance Form sent to Retail Investors	10 May 2016
Retail Entitlement Offer Opens	10 May 2016
Issue and Quotation of New Shares	16 May 2016
Retail Offer Closes (5pm Sydney time)	27 May 2016
Announce Results of Retail Offer	1 June 2016
Retail Offer Settlement	3 June 2016
Issue New Shares under Retail Offer	6 June 2016
Quotation of New Shares under Retail Offer	7 June 2016
Dispatch Holding Statements under Retail Offer	7 June 2016



Risks

SomnoMed is subject to a number of risks and other factors that may impact both on its future performance and the market price at which its Shares trade. Broadly, these risks can be classified as risks general to investing in the stock market and risks specific to an investment in SomnoMed.

The New Shares issued under this entitlement offer do not carry any guarantee of profitability, dividends or the price at which they trade on ASX. The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors of which investors need to be aware. However, before taking up any Rights or investing in SomnoMed, the Directors strongly recommend investors examine the contents of the entitlement offer Information Booklet in its entirety and consult their professional advisers before deciding whether to subscribe for New Shares pursuant to this entitlement offer Information Booklet.

General

As with all stock market investments, there are risks associated with an investment in SomnoMed. Share prices may rise or fall and the price of Shares might trade below or above the issue price for the New Shares under this entitlement offer.

General factors that may affect the market price of SomnoMed Shares include:

- economic conditions in both Australia and internationally;
- investor sentiment and local and international share market conditions;
- changes in interest rates and the rate of inflation;
- changes to government regulation, policy or legislation;
- changes in exchange rates; and
- the nature of competition in the industry in which SomnoMed operates.

Specific risks relating to SomnoMed

Directors believe that risks associated with an investment in SomnoMed include, but may not be limited to, the following:

Growth Management and Additional Capital Requirements

The existing and future operations of SomnoMed may place a significant strain on the Company's managerial, operational and financial resources. Future success will also depend on the ability to attract and retain personnel. Inability to manage growth, or to attract and retain the necessary personnel, could have a material adverse effect on SomnoMed.

The development of the "Direct To Patient" channel of the Company has been modelled on an existing successful business conducted in the state of Texas in the United States of America. Whilst the Directors believe this model can be replicated in other parts of the United States of America and possibly outside the USA, there is no guarantee that such operations will be successful due to a number of factors which may be peculiar to the various markets in which this channel is developed. Operations in any new markets can be affected by insurance reimbursement levels, the costs of operating, the levels of demand for various treatment options for obstructive sleep apnea, the Company's products and services and the availability of suitable personnel.

Additional funding may be required for the global expansion of SomnoMed's business in the future. There is no assurance that additional funding will be available to SomnoMed in the future at economically feasible terms.

Whilst the Directors are of the belief that the level of demand for the Company's products and the resultant revenues are expected to continue to grow in the future, there can be no guarantee that this growth will continue.

Execution risk in establishing a new business channel

Despite SomnoMed having acquired an exclusive license for an existing and successful "Direct to Patient" business, there are many risks associated with establishing any new business channel and rolling out the acquired concept US wide and internationally. There may be unforeseen difficulties, delays or expenses in developing any new business which could also apply to the "Direct to Patient" channel. SomnoMed will be building in the USA and possibly elsewhere.

SomnoMed's exclusive licence from S3 can be terminated by S3 if SCA does not open at least one outlet by 1 July 2017 or become non-exclusive if SCA does not open at least five outlets by 1 July 2018. Should either of these factors occur, SomnoMed's future earnings from the S3 channel may be adversely impacted.

Changes potentially affecting prices charged

There can be no guarantee that SomnoMed's products will continue to be successful in the market nor that SomnoMed will continue to receive significant revenues from the sale of its products or services. Unexpected expenses or downward pressure on the prices SomnoMed charges as a result of changes in regulations by national health authorities, emergence of alternative treatments for OSA delivering a higher level of efficacy and patient compliance as well as better health economics, competitive pressures, or levels of reimbursement provided health insurers in the places in which SomnoMed operates, may affect the profitability of that business.

Product Liability

Whilst SomnoMed had in its over ten years history treating over 250,000 patients not a single law suit resulting from mal treatment and/or serious side effects or harm being caused to a patient, SomnoMed could be exposed to product liability claims or other lawsuits if such events would occur. SomnoMed has implemented controls and processes designed to mitigate these risks and maintains what it believes is adequate liability insurance whenever economic and prudent.

Competition

There is a risk that the competitive landscape might change; new competitors might emerge or existing competitors might be taken over by larger and better resourced companies which may offer services that compete with the products and services provided by SomnoMed. There can be no assurance that a competitor of SomnoMed will not develop or achieve commercialisation of services that compete with, or supersede, SomnoMed services or products. The Directors believe that the potential market size for the services to be provided by SomnoMed is large enough to absorb a number of competitors.

Foreign Exchange Risk

All of SomnoMed's production and over 90% of its sales and revenues are taking place outside Australia. As SomnoMed is based in Australia and its accounts are kept in the Australian Dollar currency, changes to currencies will affect SomnoMed's profit and loss accounts. Most of SomnoMed's business is carried out in US Dollars or in Euros. A strengthening of the Australian Dollar against the US Dollar and/or the Euro will affect SomnoMed's profits adversely, whereas a weakening of the Australian Dollar against these countries will enhance its profits reported in Australian Dollars.



Offer restrictions

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Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Nominee Restrictions

Nominees and custodians may not distribute any part of this document, and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia, New Zealand and Singapore and except, with the consent of the Company, to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Offer.



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