



## SOMNOMED LIMITED

ACN 003 255 221

### Retail Entitlement Offer

Information Booklet

Two (2) for twenty five (25) accelerated pro rata non-renounceable entitlement offer  
at \$2.50 per New Share

Lead Manager to the Issue

Wilson HTM Corporate Finance Limited ACN 057 547 323

Last date for acceptance and payment: 27 May 2016

If you are an Eligible Shareholder, this is an essential document requiring your immediate attention. It is encouraged that you read it in its entirety. If after reading this document you have any questions about the securities being offered for issue under it or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

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## Retail Entitlement Offer Information Booklet

### IMPORTANT NOTICES

This Information Booklet is dated 5 May 2016

The Entitlement Offer is being made without a prospectus under section 708AA of the Corporations Act (as notionally modified by ASIC Class Order 08/35). This Information Booklet does not contain all of the information which a prospective investor may require to make an informed investment decision. The information in this Information Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Information Booklet is important and should be read in its entirety before deciding to participate in the Entitlement Offer. This Information Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC.

SomnoMed may make additional announcements after the date of this Information Booklet and throughout the period that the Entitlement Offer is open that may be relevant to your consideration about whether you should participate in the Entitlement Offer.

No party other than SomnoMed has authorised or caused the issue of this Information Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information Booklet.

By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Information Booklet and you have acted in accordance with and agree to the terms of the Entitlement Offer detailed in this Information Booklet.

#### **No overseas offering**

This Information Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. In particular, this Information Booklet does not constitute an offer to Ineligible Shareholders and may not be distributed in the United States and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States.

This Information Booklet is not to be distributed in, and no offer of New Shares is to be made in countries other than Australia and New Zealand except to the extent permitted below. The distribution of this Information Booklet (including an electronic copy) in other jurisdictions may be restricted by law and therefore persons who come into possession of this Information Booklet should seek advice on and observe these restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

#### **No overseas offering (continued)**

No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction outside Australia or New Zealand.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your Application for New Shares is subject to all requisite authorities and clearances being obtained for SomnoMed to lawfully receive your Application Monies.

#### **New Zealand**

The New Shares are not being offered or sold to the public within New Zealand other than to existing SomnoMed shareholders with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This document has not been registered, filed with or approved by a New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

#### **United States of America**

This Information Booklet and the accompanying Entitlement and Acceptance Form does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or in any other jurisdiction in which such an offer would be illegal. The securities referred to in this Information Booklet and the accompanying Entitlement and Acceptance Form have not been and will not be registered under the United States Securities Act of 1933 (the 'US Securities Act'), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, unless the securities have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. This document may not be distributed or released in the United States.

#### **Hong Kong**

WARNING: The contents of this Information Booklet and the accompanying Entitlement and Acceptance Form have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## **Singapore**

This Information Booklet and the accompanying Entitlement and Acceptance Form and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Information Booklet and the accompanying Entitlement and Acceptance Form and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to , and in accordance with the conditions of any other applicable provisions of the SFA.

This Information Booklet and the accompanying Entitlement and Acceptance Form have been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this Information Booklet and the accompanying Entitlement and Acceptance Form to any other person in Singapore.

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 Information Booklet and the accompanying Entitlement and Acceptance Form, 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.

### **Definitions, currency and time**

Defined terms used in this Information Booklet are contained in section 4. All references to currency are to Australian dollars and all references to time are to Sydney time, unless otherwise indicated.

## **Taxation**

There will be tax implications associated with participating in the Entitlement Offer and receiving New Shares. SomnoMed considers that it is not appropriate to give advice regarding the tax consequences of subscribing for New Shares under this Information Booklet or the subsequent disposal of any New Shares. SomnoMed recommends that you consult your professional tax adviser in connection with the Entitlement Offer.

## **Privacy**

SomnoMed collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in SomnoMed.

By submitting an Entitlement and Acceptance Form, you will be providing personal information to SomnoMed (directly or through the Share Registry). SomnoMed collects, holds and will use that information to assess your Application. SomnoMed collects your personal information to process and administer your shareholding in SomnoMed and to provide related services to you. SomnoMed may disclose your personal information for purposes related to your shareholding in SomnoMed, including to the Share Registry, SomnoMed's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies. You can obtain access to personal information that SomnoMed holds about you. To make a request for access to your personal information held by (or on behalf of) SomnoMed, please contact SomnoMed through the Share Registry.

## **Governing law**

This Information Booklet, the Entitlement Offer and the contracts formed on acceptance of the Applications are governed by the law applicable in New South Wales, Australia. Each Applicant submits to the exclusive jurisdiction of the New South Wales courts and courts competent to hear appeals from those courts.

## **No representations**

No person is authorised to give any information or to make any representation in connection with the Retail Entitlement Offer which is not contained in this Information Booklet. Any information or representation in connection with the Retail

Entitlement Offer not contained in the Information Booklet may not be relied upon as having been authorised by SomnoMed or any of its officers.



**Past performance**

Investors should note that SomnoMed's past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) SomnoMed's future performance including SomnoMed's future financial position or share price performance.

**Future performance**

This Information Booklet contains certain forward-looking statements with respect to the financial condition, results of operations, projects and business of SomnoMed and certain plans and objectives of the management of SomnoMed. These forward-looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither SomnoMed, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. In particular, those forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of SomnoMed. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this Information Booklet in light of those disclosures.

**Risks**

Refer to the 'Risk factors' section of the Investor Presentation included in section 2 of this Information Booklet for a summary of specific risk factors that may affect SomnoMed.



3<sup>rd</sup> May 2016

Dear SomnoMed Shareholder

SomnoMed Limited (“SomnoMed” or the “Company”) is pursuing an exciting new growth opportunity, involving the rollout of a network of US based treatment centres which will provide Obstructive Sleep Apnea (“OSA”) patients with direct access to SomnoMed’s world leading oral devices.

This initiative, which creates a new sales channel in addition to the established dental and medical channels, has the potential to enhance the growth of SomnoMed in the medium term.

We are offering you the opportunity to participate in an accelerated non-renounceable entitlement issue of 2 new ordinary shares in SomnoMed for every existing 25 shares held at an issue price of \$2.50 per share. The funds raised from the entitlement offer will be \$10.5 million which will be utilised to provide working capital for the Company and any capital investment associated with SomnoMed’s new Direct To Patient business, Sleep Centres America Inc. (“SCA”).

#### **Sleep Centres America Inc.**

SCA and its potential benefits to SomnoMed are further described in an investor presentation lodged with the Australian Securities Exchange on 3 May 2016.

SomnoMed has obtained an exclusive worldwide license (excluding the State of Texas) from Simple Sleep Services LLC. (“S3”), a company based in Texas, to roll out their successful concept of providing treatment predominantly to the large pool of US patients who cannot or do not want to use Continuous Positive Airway Pressure (“CPAP”) therapy as treatment for their chronic OSA condition.

S3 has developed a very successful business in the State of Texas and they have grown to become one of our largest US customers. S3 performs the following functions:

- Advertises directly to the large pool of mostly diagnosed but untreated patients;
- Assists those patients in receiving their reimbursement approvals from their health insurer;
- Updates their diagnosis if necessary;
- Treats them in dedicated, easy to reach treatment centres using SomnoDent® devices wherever suitable.

S3 is a proven business, showing high growth in patient numbers since commencing operations in mid-2013 and generating attractive profit margins in CY2014 and CY2015.

The founders of S3 have entered into a three year consulting agreement with SomnoMed and have joined the board of SCA to contribute to the successful roll out of the business. SCA is a newly formed SomnoMed subsidiary and is 84% owned by SomnoMed and 16% owned by S3 and its founders.

The addition of SCA’s “Direct To Patient” model offers a third distribution channel in addition to our established medical and dental channels in the US. We believe that the volume of SomnoDent® device sales which are expected to come from SCA over the next three to four years will be significant. Besides increasing device sales, revenues and profits for SomnoMed North America, SCA itself is expected to be highly profitable and contribute to our Company’s future profits.

## **Sleep Centres America Inc. (cont.)**

Based on current plans, SCA aims to open at least five treatment centres by the end of FY2017 and to have 15 treatment centres open by the end of FY2018. Expansion of the network of treatment centres is expected to continue throughout the USA in 2019 and beyond.

We also believe SomnoMed's existing dental and medical channels will continue to deliver high growth for many years to come as Continuous Open Airway Therapy™ ("COAT™") is more widely adopted as an effective, more comfortable, highly compliant and economical treatment alternative to CPAP.

### **Guidance FY2016**

Previous guidance given for FY2016 was for sales volume of 62,000 units, revenues of \$42 million and an EBITDA of \$3.0 million. Based on our current estimates and trends for Q4 and taking the start-up costs of SCA into consideration, the expectations for this year have been adjusted as follows:

- Unit sales volume is likely to be between 58,000 and 60,000 units;
- Revenue of \$44-45 million, representing a growth of 28-30% over the prior year;
- Underlying EBITDA of \$2.0 to \$2.4 million, representing growth of approximately 150% over the prior year; and
- Underlying EBITDA excludes set up costs of approximately \$0.7m associated with the SCA.

The reduction in FY2016 unit volumes guidance by approximately 3,000 to 4,000 units is largely due to the rapid decline in our sales of licensee kits to third party dental labs operating in the US and Canada. We have also built into our expectations for Q4 slightly lower direct sales (growth of around 25% instead of the 28% YTD) in the US than previously anticipated, due to increased insurance premiums and deductibles of US patients lowering patient flow. We expect that effect to wash out by the middle of this year.

Our direct sales have shown pleasing growth in the first nine months of the year, above 20% globally, increasing in North America by 28% and in Europe by over 20%, however, this growth could not compensate fully for the drop of 43% YTD in our sales to licensees. We now assume that licensee sales will further drop further in the last quarter ending the year around 3,500 units lower than in the previous year.

Going forward, sales through licensees will further reduce over the next two years but the impact on our overall growth will diminish as licensees represent a smaller percentage of our overall business (we expect licensee sales in FY2016 to represent about 3% of our global sales or around 7% of our North American sales). At the same time, we expect a strong first half of FY2017 in our direct sales in the US as patient flow is generally expected to return to normal.

We expect to exceed our revenue guidance for FY2016, even with the slightly lower sales volumes. The main revenue drivers have been the higher share of direct sales in our business vis a vis lower sales of licensee kits and higher managed care revenue in the US and Europe. Managed care revenues are still largely non margin generating. They are in process of transforming from a mere pass through of payments from health insurers for dental services to an income generating payment, which includes the administration and management of patients and their insurance reimbursement.

Despite the higher than expected revenue for FY2016, the lower unit sales volumes discussed above will result in lower than expected gross margin for the year. As a result, we now expect Underlying EBITDA for FY2016 of between \$2.0 to \$2.4 million, about 150% higher than the prior year. In addition we expect set up costs of approximately \$700,000 will be incurred in FY2016 associated with SCA.

## **Entitlement Issue**

Wilson HTM Corporate Finance Ltd has been appointed Lead Manager to the issue.

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.

## **Conclusion**

The growth in our global direct sales is consistent and gathering speed. It is proof of our expectation that COAT™ is increasingly being adopted by medical specialists, insurers and patients in developed countries as a mainstream treatment for mild and moderate OSA. The gain of market share of patients treated with COAT™ vs CPAP is a fact and unlikely to slow down.

We are very excited about the prospects of the significant enlargement of our US business through the addition of SCA delivering even higher growth in volume, revenues and profits in the future. I believe that the potential for SomnoMed to increase its value now exceeds what could have been otherwise expected based on the existing high growth business.

I would like to thank you, our shareholders, for your trust and support in the past and encourage you to consider the offer to participate in this issue.

Yours sincerely,



Dr. Peter Neustadt  
Executive Chairman

## Summary of the Entitlement Offer

Ratio:	Two (2) New Shares for every twenty five (25) existing SomnoMed ordinary shares
Issue Price:	\$2.50 per New Share
Size:	Approximately 4,200,935 New Shares
Gross proceeds:	Approximately \$10.5 million

## Timetable

Procedure Step	Date
Trading halt	3 May 2016
Announcement of Entitlement offer, Chairman's Letter, Investor Presentation	3 May 2016
Appendix 3B	3 May 2016
Cleansing Notice	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
Information Booklet and Entitlement and Acceptance Form sent to Retail Investors	10 May 2016
Announce Offer Documents sent to shareholders	10 May 2016
Retail Entitlement Offer Opens	10 May 2016
Institutional Offer Settlement	13 May 2016
Updated Appendix 3B following Institutional Offer (if required)	13 May 2016
Issue and Quotation of New Shares under Institutional Offer	16 May 2016
Retail Offer Closes (5pm Sydney time)	27 May 2016
Announcement of Results of Retail Offer	1 June 2016
Retail Offer Settlement	3 June 2016
Updated Appendix 3B	6 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

### Notes:

This timetable is indicative only and subject to change. The Directors may vary these dates, in consultation with the Lead Manager, subject to the Listing Rules. An extension of the Closing Date will delay the anticipated date for issue of the New Shares. The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

## **Description and effect of the Entitlement Offer**

### 1.1 Overview

The Entitlement Offer is an accelerated non-renounceable offer of approximately 4,200,935 New Shares at \$2.50 per New Share to raise approximately \$10,507,337 (before direct offer costs including fees paid to advisers and to providers of specific services to cover share registry, printing and postage costs and ASX listing fees).

The proceeds of the Entitlement Offer will be used for SomnoMed's ongoing working capital requirements and for any investment associated with SomnoMed's new Direct To Patient business Sleep Centres America Inc.

The Entitlement Offer has two components:

- (a) the Institutional Entitlement Offer - an initial offer to Eligible Institutional Shareholders; and
- (b) the Retail Entitlement Offer - an offer to Eligible Retail Shareholders.

### 1.2 Institutional Entitlement Offer

SomnoMed has already raised approximately \$4.035 million under the Institutional Entitlement Offer.

New Shares issued under the Institutional Entitlement Offer will be issued at the same price and at the same ratio as those being offered under the Retail Entitlement Offer. SomnoMed announced completion of the Institutional Entitlement Offer on 5 May 2016.

### 1.3 Retail Entitlement Offer

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders only. The Retail Entitlement Offer will raise approximately \$6.467 million.

Eligible Retail Shareholders who are on SomnoMed's share register on the Record Date are entitled to acquire two (2) New Shares for every twenty five (25) Shares held on the Record Date (Entitlement). Fractional Entitlements will be rounded up to the nearest whole number of New Shares.

The issue price of \$2.50 per New Share represents a discount of 10.7% to the closing price of SomnoMed shares on 2 May 2016 (being the last trading day before announcement of the Entitlement Offer), and a discount of 10.0% to the TERP.

The Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on ASX, nor can they be transferred or otherwise disposed of.

An Entitlement and Acceptance Form setting out your Entitlement accompanies this Information Booklet. Eligible Retail Shareholders may subscribe for all or part or none of their Entitlement.

Eligible Retail Shareholders who do not take up any or all of their Entitlements will have their percentage shareholding in SomnoMed diluted.

Eligible Retail Shareholders should be aware that an investment in SomnoMed involves risks. The key risks identified by SomnoMed are summarised in the Investor Presentation set out in section 2 of this Information Booklet.

### 1.4 Issue management

Wilson HTM Corporate Finance Ltd has been appointed as Lead Managers to the Entitlement Offer for which they will receive a fee of \$140,000 (excluding GST).

### 1.5 Shortfall

The Directors reserve the right, subject to the requirements of the Listing Rules and the Corporations Act, to place Shortfall Shares (any Entitlements of Ineligible Shareholders and any Entitlements not taken up by Eligible Shareholders) to either existing or new Shareholders at their discretion. If issued, Shortfall Shares will be issued at a price not less than the Issue Price of New Shares under the Retail Entitlement Offer.

### 1.5 Shortfall (cont.)

To the extent Shortfall Shares cannot be placed within 7 days of the close of the Retail Entitlement Offer they will be issued to TDM Asset Management Pty Limited ("TDM").

TDM and funds controlled by TDM are together a substantial shareholder of SomnoMed and currently own 5.49% of the issued capital of the Company. If no shares were applied for under the Retail Entitlement Offer TDM and funds controlled by TDM would own approximately 9.8% of the issued capital of the Company.

Shareholders will not receive any payment or value for the Entitlements not taken up under the Retail Entitlement Offer that are subsequently taken up as Shortfall Shares.

### 1.6 Options issued as part of the Entitlement Offer

In consideration of TDM's commitment to subscribe for any Shortfall Shares, as well as the provision of strategic advice relating to SomnoMed's new Direct To Patient business Sleep Centres America Inc, TDM will be granted 400,000 options exercisable within 12 months from the date of the announcement of the offer to the ASX at a strike price of \$3.00 per share.

### 1.7 Eligibility of Retail Shareholders

The Retail Entitlement Offer is being offered to all Eligible Retail Shareholders. An Eligible Retail Shareholder is a Shareholder on the Record Date who:

- (a) has a registered address on the SomnoMed share register in Australia, New Zealand and Singapore or is a Shareholder that SomnoMed has otherwise determined is eligible to participate;
- (b) is not in the United States and is not a person (including nominee or custodian) acting for the account or benefit of a person in the United States;
- (c) was not invited to participate in the Institutional Entitlement Offer and was not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and
- (d) is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus to be lodged or registered.

The Retail Entitlement Offer is not being extended to the Ineligible Retail Shareholders because of the small number of those Shareholders, the number and value of the Shares they hold and the cost of complying with applicable regulations in jurisdictions outside Australia, New Zealand and Singapore or in respect of Shareholders in jurisdictions SomnoMed otherwise determines are eligible to participate.

### 1.8 Ranking of New Shares

The New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally with Existing Shares.

### 1.9 Allotment

SomnoMed has applied for quotation of the New Shares on ASX. It is expected that allotment of the New Shares under the Retail Entitlement Offer will take place on or about 6 June 2016.

Application Monies will be held by SomnoMed on trust for Applicants until the New Shares are allotted. No interest will be paid on Application Monies.

It is the responsibility of Applicants to determine the number of New Shares allotted and issued to them before trading the New Shares. The sale by an Applicant of New Shares before receiving their holding statement is at the Applicant's own risk.

### 1.10 Capital structure

Subject to the rounding up of fractional Entitlements, the capital structure of SomnoMed following the issue of New Shares is expected to be as follows:

Existing Shares on issue as at 3 May 2016: (announcement of the Entitlement Offer)	52,511,686
New Shares issued under the Entitlement Offer:	4,200,935 (approx.)
Total number of Shares after the Entitlement Offer:	56,712,621 (approx.)

### 1.11 Effect on SomnoMed's financial position

SomnoMed had cash on hand of \$6.5m as at 31 March 2016. Following the completion of the Entitlement Offer the amount of Cash available to the Company will increase by approximately \$10.5m (before costs of the Offer).

### 1.12 Information availability

Eligible Retail Shareholders can obtain a copy of this Information Booklet from the SomnoMed website at [www.somnomed.com.au](http://www.somnomed.com.au) or by calling the Share Registry on 1300 737 760 (within Australia) at any time from 8:30am to 5:00pm on a Business Day during the Entitlement Offer period. Persons who access the electronic version of this Information Booklet should ensure that they download and read the entire Information Booklet. The electronic version of this Information Booklet will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the Share Registry.

### 1.13 Stamping fees

No stamping fees will be payable pursuant to the Entitlement Offer.



## 2 Investor Presentation



# Investor Presentation

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



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SomnoMed Group

## Disclaimer & Regulatory Disclosure

This document has been prepared as a summary only, and does not contain all information about the Company's assets and liabilities, financial position and performance, profit and losses and the rights and liabilities attaching to the Company's securities. This document should be read in conjunction with any public announcements and reports (including financial reports and disclosure documents) released by SomnoMed Limited. The securities issued by the Company are considered speculative and there is no guarantee that they will make a return on the capital invested, that dividends will be paid on the Shares or that there will be an increase in the value of the Shares in the future.

Some of the statements contained in this release are forward-looking statements. Forward looking statements include but are not limited to, statements concerning estimates of future sales, expected revenues and costs, statements relating to the continued advancement of the Company's operations and other statements which are not historical facts. When used in this document, and on other published information of the Company, the words such as "aim", "could", "estimate", "expect", "intend", "target", "forecast", "future", "will", "may", "potential", "should" and similar expressions are forward-looking statements.

Although the Company believes that its expectations reflected in the forward-looking statements are reasonable, such statements involve risk and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Various factors could cause actual results and projections of future performance to differ from these forward looking statements as a result of known and unknown risks, uncertainties and other factors not anticipated by the Company or disclosed in the Company's published material. Many of these factors are beyond the control of SomnoMed Limited and may involve subjective judgement and assumptions as to future events, which may or may not be correct.

The Company does not purport to give financial or investment advice. No account has been taken of the objectives, financial situation or needs of any recipient of this document.

Recipients of this document should carefully consider whether the securities issued by the Company are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position.



Investor Presentation | Slide 1

## 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 3<sup>rd</sup> to May 4<sup>th</sup>
- Retail Offer – May 10<sup>th</sup> to May 27<sup>th</sup>
- Quotation of new shares – June 7<sup>th</sup>



Investor Presentation | Slide 2

## 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

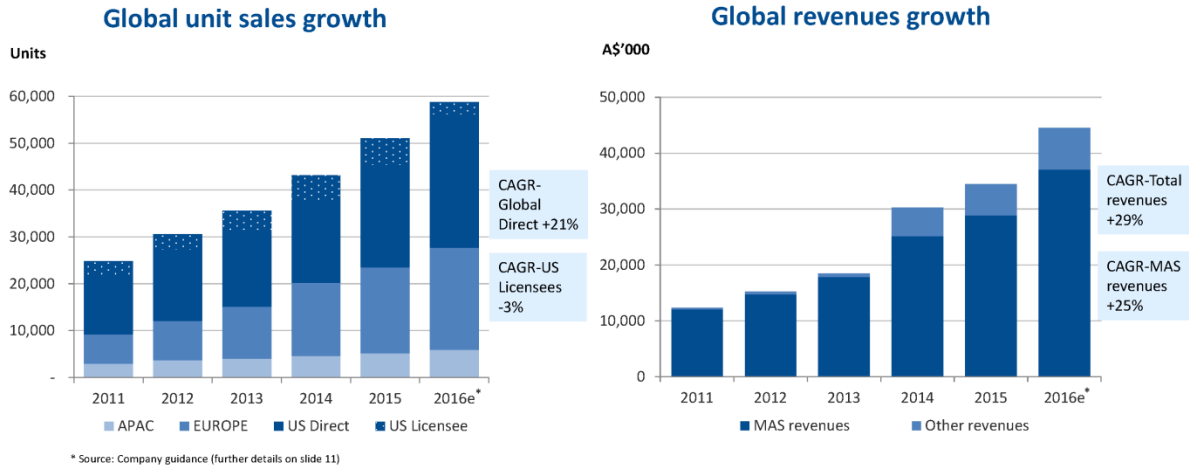
### REFERRAL CHANNEL

- 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



Investor Presentation | Slide 3

## Strong growth in sales volumes and revenues



Investor Presentation | Slide 4

## Direct To Patient opportunity for SomnoMed

Large pool of diagnosed patients not in treatment

- o 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)
- o +3 million patients newly diagnosed with OSA in the USA every year and 50-70%<sup>1</sup> 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
- o Untreated patients usually do not return to medical specialists unless their condition has worsened significantly

Highly effective alternative treatment exists

- o COAT™ is a clinically proven, non-invasive and comfortable alternative treatment of OSA
- o Research proves SomnoDent® patients show a very high compliance (95% on CPAP definition and 85% on an "all night every night" definition)<sup>1</sup>
- o 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



Investor Presentation | Slide 5

## 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



Investor Presentation | Slide 6

## 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



Investor Presentation | Slide 7

## 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



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## 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%

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

- 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



Investor Presentation | Slide 9

## 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



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## 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



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## 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



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## Timetable

Procedure Step	Date	Procedure Step	Date
Trading halt	3 May 2016	Information Booklet and Entitlement and Acceptance Form sent to Retail Investors	10 May 2016
Announcement of Entitlement offer	3 May 2016	Retail Entitlement Offer Opens	10 May 2016
Ineligible Shareholder Letter	3 May 2016	Issue and Quotation of New Shares	16 May 2016
Institutional Offer Opens	3 May 2016	Retail Offer Closes (5pm Sydney time)	27 May 2016
Institutional Offer Closes	4 May 2016	Announce Results of Retail Offer	1 June 2016
Announce Results of Institutional Offer	5 May 2016	Retail Offer Settlement	3 June 2016
Release Retail Offer Documents to ASX	5 May 2016	Issue New Shares under Retail Offer	6 June 2016
Trading Halt Lifted – Trading is on ex-entitlement basis	5 May 2016	Quotation of New Shares under Retail Offer	7 June 2016
Record date for holders (7pm Sydney time)	5 May 2016	Dispatch Holding Statements under Retail Offer	7 June 2016



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## 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:

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



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## Offer restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia or New Zealand except to the extent permitted below.

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or in any other jurisdiction in which such an offer would be illegal. The securities referred to in this document have not been and will not be registered under the United States Securities Act of 1933 (the "US Securities Act"), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, unless the securities have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. This document may not be distributed or released in the United States.

### Hong Kong

**WARNING:** The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

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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## Contact details

EXECUTIVE CHAIRMAN & CEO		Dr. Peter Neustadt
CHIEF FINANCIAL OFFICER		Mr. Neil Verdal-Austin
Address		Level 3, 20 Clarke Street Crows Nest NSW 2065 Australia
Telephone		+61 (2) 9467 0400
Website		<a href="http://www.somnomed.com.au">www.somnomed.com.au</a>



### 3 How to apply

#### 3.1 Shareholder's choices

The number of New Shares to which Eligible Retail Shareholders are entitled under the Entitlement Offer (i.e. their Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

Eligible Retail Shareholders may:

- (a) take up their Entitlement in full (refer to section 3.2);
- (b) take up part of their Entitlement, in which case the balance of the Entitlement lapses (refer to section 3.3); or
- (c) allow their Entitlement to lapse (refer to section 3.4).

Ineligible Retail Shareholders may not take up any of their Entitlements.

SomnoMed Limited reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

The Closing Date for acceptance of the Retail Entitlement Offer is 5.00pm (EST) on 27 May 2016 (however that date may be varied, in accordance with the Listing Rules and in consultation with the Lead Manager).

#### 3.2 Taking up all of your Entitlement

If you wish to take up your Entitlement in full, follow the instructions set out in the Entitlement and Acceptance Form. Please return your completed Entitlement and Acceptance Form together with your Application Monies in accordance with section 3.6 for the amount shown on the Entitlement and Acceptance Form to the Share Registry so that it is received no later than 5.00pm (EST) on 27 May 2016 at the address set out below:

##### Hand delivery

SomnoMed Limited  
C/- Boardroom Pty Limited  
Level 12, 225 George Street  
SYDNEY NSW 2000

##### Post

SomnoMed Limited  
C/- Boardroom Pty Ltd  
GPO Box 3993  
SYDNEY NSW 2001

You may also take up all of your Entitlement by payment of the Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If payment is being made through BPAY, you do not need to return the Entitlement and Acceptance Form. Your payment must be received by no later than 5.00pm (EST) on 27 May 2016.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders), or by direct credit to the nominated bank account as noted on the share register as at the closing date of the offer. If you wish to advise or change your banking instructions with the Share Registry you may do so by going to [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au) and following the instructions.

#### 3.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the other steps required under section 3.2.

You may arrange for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If payment is made through BPAY and SomnoMed Limited receives an amount that is less than the Issue Price multiplied by your Entitlement (Reduced Amount), your payment may be treated as an application for as many New Shares as your Reduced Amount will pay for in full.

#### 3.4 Allow your Entitlement to lapse

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

### 3.5 Consequences of not accepting your Entitlement

If you do not accept all of your Entitlement in accordance with the instructions set out above, any New Shares that you would have otherwise been entitled to under the Retail Entitlement Offer (or New Shares that relate to the portion of your Entitlement that has not been accepted) may be placed to parties nominated by the Directors at their discretion and to the extent they are not placed within 7 days of the close of the Retail Entitlement Offer will be acquired by TDM.

### 3.6 Payment

The consideration for the New Shares is payable in full on application by a payment of \$2.50 per New Share. The Entitlement and Acceptance Form must be accompanied by a cheque for the Application Monies. Cheques must be drawn in Australian currency on an Australian bank and made payable to 'SomnoMed Limited' and crossed 'Not Negotiable'.

Alternatively, you may arrange for payment of the Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.

Eligible Retail Shareholders must not forward cash by mail. Receipts for payment will not be issued.

### 3.7 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Shares on the terms of this Information Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Application for New Shares. The Directors' (or their delegates') decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Retail Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Retail Entitlement Offer;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended, and no action has been taken to register or qualify the Entitlement Offer, the Entitlement or the New Shares or otherwise permit the public offering of the New Shares in or under the laws of any other jurisdiction outside Australia, New Zealand or Singapore or such other jurisdiction in which SomnoMed determines a Shareholder is eligible to participate; and
- (c) you have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States.

### 3.8 Brokerage and stamp duty

No brokerage fee is payable by Eligible Retail Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for New Shares under the Retail Entitlement Offer.

### 3.9 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Information Booklet or any Entitlement and Acceptance Form in any country outside Australia, except to beneficial holders of Shares in New Zealand and Singapore 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.

## 4 Definitions

These definitions are provided to assist the understanding some of the expressions used in this Information Booklet.

<u>Term</u>	<u>Definition</u>
“\$”	means Australian dollars.
“Applicant”	means an Eligible Retail Shareholder who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form or has arranged for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.
“Application”	means the submission of an Entitlement and Acceptance Form accompanied by the relevant Application Monies or arranging for payment of the relevant Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.
“Application Monies”	means the aggregate amount of money payable for the New Shares applied for in a duly completed Entitlement and Acceptance Form or through BPAY.
“ASIC”	means the Australian Securities and Investments Commission.
“ASX”	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
“Business Day”	means a business day in Sydney as defined in the Listing Rules.
“Closing Date”	means 27 May 2016, the day the Retail Entitlement Offer closes, or any other date that the Directors in their absolute discretion determine, subject to the Listing Rules.
“Corporations Act”	means Corporations Act 2001 (Cth).
“Directors”	means the directors of SomnoMed Limited.
“Eligible Institutional Shareholder”	means an institutional or sophisticated Shareholder on the Record Date who: (a) is not an Ineligible Institutional Shareholder; and (b) has successfully received an offer under the Institutional Entitlement Offer (either directly or through a nominee).
“Eligible Retail Shareholder”	has the meaning set out in section 1.6.
“Eligible Shareholder”	means a Shareholder as at the Record Date who is not an Ineligible Shareholder.
“Entitlement”	means the right to subscribe for New Shares under the Entitlement Offer.
“Entitlement and Acceptance Form”	means the Entitlement and Acceptance Form accompanying this Information Booklet.
“Entitlement Offer”	means the Institutional Entitlement Offer and the Retail Entitlement Offer.
“Existing Shares”	means the Shares already on issue in SomnoMed Limited as at the Record Date.

“Ineligible Institutional Shareholder”	means a Shareholder who is an institutional or sophisticated Shareholder on the Record Date with a registered address outside Australia, New Zealand or Singapore or any other jurisdiction that SomnoMed Limited agree to which ASX Listing Rule 7.7.1(a) applies.
“Ineligible Retail Shareholder”	means a Shareholder (or beneficial holder of Shares) on the Record Date with a registered address outside Australia, New Zealand or Singapore unless otherwise determined by the Company.
“Ineligible Shareholder”	means a Shareholder as at the Record Date whose registered address is not located in Australia, New Zealand or Singapore unless otherwise determined by the Company.
“Information Booklet”	means this document.
“Institutional Entitlement Offer”	means the accelerated pro rata non-renounceable offer to Eligible Institutional Shareholders.
“Investor Presentation”	means the presentation to investors contained in section 2 of this Information Booklet.
“Issue Price”	means \$2.50 per New Share.
“Listing Rules”	means the official listing rules of ASX.
“New Shares “	means Shares to be allotted and issued under the Entitlement Offer or to TDM.
“Record Date”	means 7.00pm (EST) on 5 May 2016.
“Retail Entitlement Offer”	means the pro rata non-renounceable offer to Eligible Retail Shareholders to subscribe for two (2) New Shares for every twenty five (25) Shares of which the Shareholder is the registered holder on the Record Date, at the Issue Price under this Information Booklet.
“Shareholders”	mean holders of Shares in SomnoMed Limited.
“Shares”	means fully paid ordinary shares in the capital of SomnoMed Limited.
“Share Registry”	means Boardroom Pty Limited ACN 003 209 836.
“Shortfall Shares”	means those New Shares not taken up by Eligible Shareholders under the Entitlement Offer, together with those New Shares to which any Ineligible Shareholders would otherwise have been entitled.
“SomnoMed” (or the “Company”)	means SomnoMed Limited ACN 003 255 221.
“TERP”	means the theoretical price at which the Shares should trade immediately after the ex-date of the Entitlement Offer assuming 100% take up of the Entitlement Offer.
TDM	means TDM Asset Management Pty Ltd ACN 133 246 330

## **5 Corporate information**

### Company

SomnoMed Limited  
Level 3, 20 Clarke St  
CROWS NEST NSW 2065  
Tel: + 61 2 9467 0400  
[www.somnoMed.com.au](http://www.somnoMed.com.au)

### Directors

Peter Neustadt (Executive Chairman and CEO)  
Lee Ausburn (Non-executive Director)  
Robert Scherini (Non-executive Director)

### Company Secretary

Terence Flitcroft

### Share Registry

Boardroom Pty Limited  
Level 12, 225 George Street  
SYDNEY NSW 2001  
Tel: +61 2 9290 9600  
Fax: +61 2 9279 0664  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)