



Good revenue growth for the quarter as northern hemisphere returns from summer break

26th October 2017, SomnoMed Limited (ASX:SOM) today announced total revenue growth of 18.8% (20.3% constant exchange rates) for the September quarter to \$13.0 million (unaudited) compared to the same period in the prior year. This comes as a result of strong revenue growth in Europe, improving results in APAC and increasing income generated in Renew Sleep Solutions offsetting negative revenue growth in SomnoMed's North American core MAS operation.

Renew Sleep Solutions ("RSS"), the direct-to-patient sleep centre model, opened a further three centres during the quarter - in Scottsdale AZ, Hartford CT and Roseville MN. This brings the total of all centres now opened since December 2016 to ten. All centres have been opened ahead of schedule and under anticipated cost. As the financial year has progressed enquiries received by RSS have increased significantly, resulting in increased patient volumes. Enquiries driven from our direct marketing efforts have increased more than threefold between August and October. This is expected to significantly increase the number of appointments RSS is able to schedule and the number of patients being treated with a SomnoDent® in the second quarter and the second half of the financial year.

During the first quarter, considerable effort went into improving RSS's operational processes, so as to reduce the time from the initial patient enquiry to the fitting of a patient's device. This involved in some cases expanding external capacities or in other instances bringing a number of functions in-house from external providers, who had encountered difficulties in dealing with the fast growing number of enquiries, benefit checks and sleep diagnoses. As a result, the total time to process and treat patients is shortening and patient leakage is being reduced, which will allow us to treat an increased number of patients within a shorter timeframe. RSS is expecting a strong second quarter and is confident about its business model and the future prospects of its business.

In Europe, revenue growth was 24% year-on-year during the first quarter. September delivered another record month and lifted Europe's share of global unit sales for the quarter to 44%. This excellent growth was achieved in a number of core and new markets for the quarter. During the quarter France achieved growth of 40%, which is having a significant impact on our European sales. This is due to the French Government's announcement regarding new regulations that came into effect from 1 November 2016. Under these regulations, COAT™ (device and fitting services) will be fully reimbursed and all diagnosed patients with mild and moderate conditions will be directed to use oral appliances as first line treatment in Europe's biggest CPAP market. This is expected to significantly contribute to the overall growth in sales of oral appliances in Europe over the next few years.

North America's share of the global MAS revenues was 40% for the quarter, with a negative growth in direct unit sales of 6%. July and August were challenging months, followed by a slower than expected September. This was due in part to higher patient deductibles in the US private health insurance market, which have caused patients to defer their elective medical treatments as reported by leading SomnoMed practitioners and across the health industry. September hurricanes also affected sales in three States. Licensee volumes, which rose unexpectedly last financial year and against the trend of the previous years, as a result of the move of some practitioners away from working with SomnoMed directly and procuring their SomnoDent® devices from our licensees, fell by two-thirds during the quarter. October orders and completed sales indicate that direct sales in the US will grow well in the second quarter, whereas sales through licensees will return to their previous lower levels and become less and less important compared to last financial year.

Australia and New Zealand sales rebounded in the quarter with much stronger results in September, where a growth of 7% was posted and it is believed that this positive growth should be maintained for the remainder of the year.

Global CEO, Mr Derek Smith commented, "We are pleased that our traditionally softest quarter of the year is behind us. All focus is now on the next quarter and we are excited about the rest of the financial year where we expect Europe to accelerate in its revenue growth, North America to continue to positively grow direct sales, APAC to remain on the current trajectory and RSS to generate significant increases in revenues. Given the growth of RSS enquiries experienced over recent months, the opening of three additional RSS centres in the first quarter of the new financial year and the significance of RSS on the company's overall results, we will comment further on the full year's expected results once the first half of the financial year is completed."

SomnoMed held \$9.7m in cash at 30 September 2017. The operational cash flow for quarter one was affected by investment of \$2.4 million in RSS start-up expenses and opening costs of three new RSS centres.

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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 over 300,000 patients in 27 countries.

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