

Trading update

The following update is provided prior to the end of the financial year in relation to SomnoMed's traditional core business and its "Direct to Consumer" business Renew Sleep Solutions, Inc. ("RSS").

The traditional core SomnoMed business is solid, continues to expand and will have a strong second half of the financial year. Revenue growth for the financial year in Europe exceeds 25%, whilst APAC and particularly Australia has returned to a typical 10% growth after a flat first half of the year. The USA is on a positive trend and should show positive growth after a negative first half of the year. Increased revenues and good cost control are behind significant increases in profits being generated by SomnoMed's core business. Based on these results to date, and forecasts to June, SomnoMed's core revenues for the year are expected to be in the range of \$53.5 - \$54 million (unaudited) and up between 12% and 13% over prior year. The second half revenues are expected to be in the range of \$28.5 - \$29 million (unaudited), which is an increase of between 19%-21% over the previous year's second half. Further breakdown of the SomnoMed core division's performance by geography is set out below:

SomnoMed Core	H1		H2		FY	
	Revenue	Growth	Revenue	Growth	Revenue	Growth
Europe	\$14.2m	25.00%	\$16.7m-16.8m	31.6-32.7%	\$30.9m-31m	28.4-29.0%
APAC	\$2.1m	-0.50%	\$2.2m-2.3m	13.9-18.8%	\$4.3m-4.4m	6.4-9.9%
North America	\$8.7m	-16.00%	\$9.6m-9.9m	2.6-5.9%	\$18.3m-18.6m	(7.1)-(5.6)%
Total	\$25.0m	4.90%	\$28.5m-29m	19.0-21.1%	\$53.5m-54m	12.1-13.1%

Based on these revenues the expected profit to be generated by the core business before corporate overheads is forecast to be in the range of \$8.5–8.8 million (unaudited) for the year, which would reflect an increase of 31-35% over fiscal year 2017. The resultant second half contribution of the core business would be an increase of more than 50% over the first half results of \$3.4 million (unaudited) and would exceed our previous expectations for the second half. After corporate costs the forecast EBITDA for the year is expected to be in the range of \$3.5-3.8 million, which is an increase of more than 46% over 2017. Should current trends continue, we expect the revenues in the core business to grow by at least 15% in FY19 with EBITDA margin expansion. We will provide further guidance at the full year results.

Renew Sleep Solutions, Inc. results for the first four centres continue to be strong as reported at the half year. However, the next four centres, which on average are now 10 months old, are performing at a much lower level. There are potentially many factors which are contributing to the varying performance of the different RSS centres in addition to a level of seasonality which has had an impact on our second half performance. We continue to work on understanding the key local market attributes, improve our local marketing strategies so we can improve results. Consequently, our financial results for RSS are expected to fall short of our latest estimates.

Revenues for RSS are now expected to be in the range of \$4.9 – 5.6 million (unaudited) for the second half and \$11.5-12.2 million for the full year. As a result of the performance of the second set of centres, RSS is now expected to lose between \$6–6.5 million in the second half of the financial year, bringing the annual RSS loss to between \$10.4–10.9 million. We remain optimistic that the challenges we are facing with the second set of centres can be solved. By the end of June, we will have 16 centres opened. Our plan is to defer opening any further centres until the next calendar year. In the meanwhile, we will focus on optimizing results with the existing centres.

It is expected SomnoMed group revenues for the 2018 financial year will grow by between approximately 32-34% over 2017 to between \$65 - 66.2 million, with a resultant EBITDA loss of between \$6.6 -7.4 million.

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 400,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>