



## **Board changes - Letter from the Chairman**

Dear Shareholders

SomnoMed is announcing today significant changes to the Board. Three board members being Dr Peter Neustadt (Chair), Ms Lee Ausburn and Mr Robert Scherini (Chair of the Audit Committee) have announced their resignation and five new directors have accepted invitations to join an expanded Board. Mr Guy Russo will assume the role of Chairperson. The changes will take effect on 24<sup>th</sup> August. On the same date Neil Verdal-Austin, the Company's Global CEO since November 2018, will be appointed Managing Director.

The new non-executive directors will be nominated for re-election at the Company's next Annual General Meeting.

At the beginning of the financial year 2021, SomnoMed is in a stronger position than it has ever been and is embarking on the next chapter in its role as global leader supplying a more comfortable and effective alternative treatment of obstructive sleep apnea to CPAP, which still suffers from a high level of patient rejection and of chronically low compliance.

Since the Board appointed Neil Verdal-Austin as its new Global CEO in November 2018 our Company has excelled and generated excellent growth. SomnoMed had achieved significant improvement in earnings until the onset of COVID-19 in March this year. Once it became clear it was likely that all the countries in which SomnoMed operates would be heavily affected by the Coronavirus pandemic, the Board reacted early and decisively. It swiftly raised additional capital to safeguard the future of our Company and worked closely with Neil and his senior management team to control cost and minimise the impact of this dreadful virus on our business.

Six months into the virus crisis, it is still impossible to forecast what the future holds. However, at this point in time, it can be said that SomnoMed has been able to manage the crisis well. At the end of the financial year 2020 revenues are trending to return to pre COVID- 19 levels in most of our 28 markets. Receivables were managed well and contrary to our fears there are no signs indicating any major failure by our customers to meet their obligations. Assistance by government support in several of the countries offering incentives to retain staff allowed SomnoMed to achieve satisfactory results, despite significantly lower revenues during the fourth quarter of the past financial year compared to the previous year. Most importantly, we experienced the crisis bringing our staff around the world closer together, lifting moral and loyalty to our Company under very difficult circumstances, and even producing enthusiasm and optimism for a strong future of SomnoMed. The Board commends Neil Verdal-Austin and his global senior team on their excellent leadership, especially during this unparalleled period since the onset of COVID-19.

Earlier this year, the Board and management reviewed our global strategy and strategic objectives and set a program for the next three years. This program will see the implementation of a range of important initiatives aiming to lift the acceptance of oral appliance therapy further, to broaden the market, to increase the referral rate to our network of practitioners and to accelerate growth. These projects will focus heavily on opportunities offered by the development and the integration of advanced technologies, which aim to strengthen SomnoMed's competitive position, and expand its position as dominant market leader in most of our markets in treating patients with the most successful alternative to CPAP. SomnoMed's strategic projects will touch all aspects of our business from research and product development to production and logistics, from sales & marketing to our communication and co-operation with medical and dental specialists. These projects herald the beginning of the next chapter in the development of SomnoMed.

The Board also considered its current size, its composition and the tenure of its members. It looked at skills required to successfully supervise and guide the implementation of the important strategic projects. It also took the views of our largest shareholders into account and decided that the best time to renew the Board is now, at the end of the 2020 financial year.

I have served you as Executive Chairman for ten years (2006 to 2016) and as Non-Executive Chair for four years (2016 to 2020). Lee Ausburn and Robert Scherini joined our Board in 2011 and have now completed nine years of service. Rob chaired our Audit Committee during these years. As SomnoMed is now embarking on the next chapter in its development the view was that a new Board with a different mix of skills could be beneficial for our Company. As a result, Lee, Rob, and I decided to step down following the sign off of our preliminary financial accounts for the financial year 2020. I would like to thank Lee and Rob for their enormously important input and guidance during their years of service, which were instrumental in turning SomnoMed into a global medical device company. I am proud to have served with Lee and Rob and trust that you join me to thank both of them for their valuable work, their dedication and their loyalty during their tenure. Each of the retiring non-executive directors has agreed that following their resignation they would assist the newly comprised Board, if and when reasonably required, until the end of December 2020.

The new Board, under the Chairmanship of Guy Russo, is offering different skills and backgrounds and consists of people who have shown great success in building and managing medium and large size corporations. It is an impressive line-up of individuals who, as we all do, believe that the best days for SomnoMed are still ahead and that significant growth can be achieved for many years to come.

Allow me to thank you for the support you have given our Company and me personally over the years. It has been a great privilege to lead SomnoMed, from a time where its value was just a few million dollars to a global medical device company, leading in its field and being valued at over \$200 million just before the onset of the COVID-19 pandemic.

Lee, Rob and I wish Guy Russo and the new Board all the very best of luck in continuing the successful journey and taking SomnoMed to new heights over the next years.

Yours sincerely



Dr Peter Neustadt

Chairman

21 August, 2020