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ASX Announcement **21 October 2020**

Improved quarterly performance despite ongoing COVID-19 impact

SomnoMed Limited (ASX "SOM", or the Company) a leading company in the provision of treatment solutions for sleep-related breathing disorders and obstructive sleep apnea, is pleased to provide its quarterly activities report for the period ended 30 September 2020.

Overview

- Revenue volatility continues but a gradual improvement in business activities during the quarter was observed across the Company's major geographies of North America, Europe and APAC
- Reflecting the ongoing economic impacts from COVID-19, Q1 FY2021 unaudited revenues of $13.7m were down 6% over the previous corresponding period (PCP)
- In Europe, the positive reimbursement trends continue, with further indications from some authorities that the SomnoDent® oral appliance will move from second line treatment to first line treatment, equal to that of CPAP
- Launched Herbst Advance Elite™ in North America introducing the second digitally made, PDAC approved SomnoDent® oral appliance
- During the quarter, SomnoMed announced significant changes to the Board with Mr Guy Russo appointed as Chairperson and Neil Verdal-Austin, CEO, appointed Managing Director
- Net cash[1] at period end of $23m

Commenting on the results, SomnoMed's Managing Director said: "Revenues posted during the quarter were down slightly year on year as the impact of COVID continued to effect the broader macro-economic conditions across the globe. During the quarter we saw a progressive return of business activity levels across our main regions of Europe, North America and APAC. Whilst activity levels are improving, we continue to expect some regional volatility in revenue as the world continues to navigate the ongoing effects of COVID-19 as seen in many of our sales regions. Our team remains committed and focused on the needs of our customers and we continue to work with them to restore their businesses back to pre-COVID levels and beyond."

Financial Review

Q1 FY2021 unaudited revenues of $13.7m were down 6% over PCP due to the ongoing effects of COVID-19 (down 5% in constant currency terms). On a regional basis Europe fared better than both North America and APAC. September month posted stronger revenue growth in all regions indicating a more positive trend to the end of the quarter.

	Q1 FY21 Revenue (A$000's)	Revenue Growth (vs PCP)
North America	4,513	-14%
Europe	7,942	0%
APAC	1,270	-4%
Total	**13,725**	**-6%**

Whilst the operational cost containment measures introduced earlier continue as planned, the global business has recovered sufficiently to fully re-instate all salaries from Q2 onwards. The company does not currently receive any further COVID-19 related government support in any region.

SomnoMed is currently operating on a positive cash flow basis.

Operational Review

North America

Business activity levels in North America are recovering slowly towards pre-COVID levels. With most states generally open for business, including the majority of our dental customers, activity levels are running between 75-85% of pre-COVID business volumes and revenues.

During the quarter, the Company launched the new Herbst Advance Elite™ in North America. The launch introduced the second digitally made, PDAC approved (Medicare insurance approval) SomnoDent® oral appliance into the North American market. The Herbst Advance Elite™ will offer a precise first-time fit and retention and the Company is anticipating strong consumer acceptance of this expanded product range.

Europe

In parts of Europe, business is recovering to pre-COVID levels with strong activity levels in France, Germany, Switzerland, Finland and Sweden. Europe's recovery remains gradual and we will continue to monitor activity levels and the impact of the elevation in new COVID cases across continental Europe.

The positive reimbursement trends continue with further indications from certain authorities that SomnoDent® will move from second line treatment to first line treatment, coupled with an increase in the current reimbursement value. This confirms our ability to effect change in the overall acceptance and adoption of oral appliances for the effective, long term treatment of patients suffering from obstructive sleep apnea.

Asia Pacific

Activity levels across APAC have now broadly normalised as the impact of COVID on the region has stabilised with the exception of the State of Victoria in Australia.

Corporate

On 24th August 2020 Mr Guy Russo, Ms Amrita Blickstead, Mr Michael Gordon and Mr Hilton Brett joined the SomnoMed Board. On that same day, after many years of service to the Company, Dr Peter Neustadt, Ms Lee Ausburn and Mr Rob Scherini resigned as directors of the company. At that time Mr Russo assumed the role of Chairman and Neil Verdal-Austin, the Company's Global CEO, since November 2018, was appointed Managing Director.

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Notes

1. Net cash [1]: defined as gross cash less, commercial borrowings and COVID-19 related government loans
2. Aggregate amount of payments to related parties and their associates included at 6.1 in the Appendix 4C for the September 2020 quarter includes payments made for non-executive directors' fees and the Managing Director's remuneration
3. This release has been approved by the Board of SomnoMed Limited

For further information please contact

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About SomnoMed

SomnoMed is a public company providing 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 more than 580,000 patients in 28 countries. For additional information, visit SomnoMed at http://www.somnomed.com.au

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