



24th November 2023

2023 Annual General Meeting

Chairman's AGM address by Guy Russo

Dear Shareholders,

On behalf of the Board of Directors I would like to welcome you to the 2023 Annual General Meeting for SomnoMed Limited.

Today is my third AGM as your Chairman and together with the board remain very positive about your Company's potential and opportunity which has not changed since I was appointed in 2020. The Board and management team at SomnoMed continue to manage your business with great pride and focus.

The opportunity to aid the treatment of millions of patients suffering from Obstructive Sleep Apnea is clear. SomnoMed changes peoples' lives – through its products and technology and the quality, passion, and commitment of our teams. SomnoMed believes strongly in the efficacy of our products and the "patients' choice", offering a range of clinically validated and researched oral appliances that are comfortable to wear, durable and also highly effective. We sell our products across the world and as such we ensure that your Company operates under all the necessary global medical manufacturing regulations to deliver the highest-quality medical devices to our partners and patients.

The business has faced several challenges over the past year including logistics and supply chain constraints, a tough recruitment environment for electronic manufacturing skills, rising inflation and a changing regulatory and Medicare reimbursement landscape in the US. To help meet these challenges, we have initiated a comprehensive cost management program as well as re-negotiated our current debt covenants which we are confident will deliver better and stronger margins into the future.

We are building a future that will be technologically protected through the development and application of Rest Assure®. We believe this will enhance our offering as the best in class, most comfortable, 'fit right first time' durable oral appliance for the treatment of OSA and revolutionise the way we engage and work with clients. This project reached an important milestone recently where the FDA 510k submission was made on October 30. I am delighted by this momentous step in the company's history, and we continue to mobilise the business so that when approval is granted, we will be ready to commercialise.

We believe that the launch of Rest Assure® into the market will be a game-changer for the Company. Becoming a smart, cloud-based ecosystem will set SomnoMed apart from its competitors, demonstrating true leadership in innovation. Rest Assure enables the collaboration of both the medical and dental communities for the ultimate benefit of the patient. It brings real world data to all parties including the patient, providing confidence in the treatment solution.

Notwithstanding our focus on preparations to bring Rest Assure® to market over the past 12 months, SomnoMed performed in line with its revised revenue guidance of 15% growth and EBITDA¹ of \$2m +. Pleasingly, the number of patients throughout the world treated with a SomnoDent® device has now surpassed 830,000.

Post balance date, in August 2023, your Board decided it was prudent for your Company to launch a fully underwritten \$15.5 million capital raising. The capital raise, which included both an institutional and retail offer, was successfully completed in September 2023 with the proceeds used to reduce the Company's balance of drawn debt, provide additional working capital, drive organic growth and support the continued development and commercialisation of Rest Assure® in FY24.

We continue to closely monitor the performance of the business and the company's capital position. As a result, we have also initiated a significant cost reduction program to be executed between now and the end of FY24 to ensure efficient growth in the face of ongoing challenges.

Before I pass on to Neil to provide you with his overview of current trading conditions and the strategic direction, I would like to thank the Board for their efforts and contribution over the past 12 months. Ms Amrita Blickstead, Ms Karen Borg, Mr Hamish Corlett, Mr Michael Gordon and Mr Hilton Brett have been tireless in their commitment to the Company, providing both myself and management with valuable insight.

I would also like to take this opportunity to extend our deepest thanks to Neil and his high-quality management team who retain the Board's full confidence. Finally, allow me to thank you once again for your support during 2023.

It is now my pleasure to introduce our Managing Director and CEO, Mr Neil Verdal-Austin.

Managing Director and CEO's AGM address by Neil Verdal-Austin

Thank you, Chairman. I am delighted to be able to update our shareholders on the progress we have made across the business over the past 12 months.

I was appointed as your CEO in November 2018, and I remain fully committed and honoured to lead your company which I believe has a noble, patient driven, purpose. We are certain that what we do every day at SomnoMed can and does positively impact the lives of our patients who suffer from Obstructive Sleep Apnea ("OSA").

To reiterate what Guy said, the opportunity to aid the treatment of millions of patients is clear and SomnoMed remains the market leader in oral appliance therapy. We provide an outstanding product in a large, global market – this opportunity is ours for the taking.

However, as Guy mentioned, we have had some missteps and operational challenges over this last year. SomnoMed is a complex business. We manufacture and deliver custom built medical devices at scale across almost 30 different countries, exposing the business to numerous different regulatory jurisdictions, and we have a patient pathway that involves many parties including both the sleep physician and the dentist. What we do is hard.

In particular, North America continues to face a range of competition, supply chain and regulatory challenges that are impacting the growth in the region, exacerbated by general economic pressures. The Board and I are acutely focused on this market and are in the process of undertaking a deep dive to ensure these issues are deeply understood and addressed in full.

¹ EBITDA does not include AASB16 lease payments, share/option expenses, unrealised forex gain/(loss) and discontinued operations

Slower growth in North America is coupled with SomnoMed nearing the end of a heavy investment period ahead of the launch of Rest Assure, which is now on the cusp of regulatory approval and commercialisation. This combination has placed pressure on cash flow and we are now embarking on a significant cost reduction program between now and the end of FY24 to complement our recent debt restructuring and equity fundraising efforts to maximise runway so that we can deliver on our future plans.

Before I outline our future plans, I would like to provide a quick trading update for the financial year 2023.

Trading Update

Over the 12 months to 30 June 2023, SomnoMed grew total revenues 15% to \$84 million and posted an underlying EBITDA¹ of \$2.1 million, in line with the revised guidance. Your Company maintained a strong focus on cost management, implementing cost control measures in the core business, including a headcount freeze in Q4, to support margins.

North American revenue growth increased 22% from FY22, or 13% on a constant currency basis, reflecting an environment of heightened competition and general economic pressures. European sales were robust in FY23, with revenue growth in this more mature market up 12% and positive reimbursement trends continuing to drive strong volume growth across both core and emerging markets. Although we encountered restraints related to access to raw materials in the first half of FY23, which impacted negatively on our non-device revenues, APAC still achieved a revenue growth rate of 13%.

We have also recently posted our results for Q1. The Q1 numbers confirmed the improving sales momentum, with revenues of \$21.4 million, up 15% on the prior year.

Rest Assure®

As Guy outlined in his address, we continued to progress our 'technology-driven' approach in 2023 with the development of Rest Assure®, a first-in-class integrated hardware and software system that we believe will revolutionise the OSA market and be a fundamental game-changer for SomnoMed.

The team has spent considerable time and effort over the last 12 months to prepare SomnoMed for the regulatory approval process which is required for the Rest Assure® technology. To date, the Rest Assure® project team has:

- Generated 240,000 individual documents that now define SomnoMed IP,
- Performed 300 different tests to confirm functionality, safety and durability of the Rest Assure® device and software
- Produced 335 test reports and supporting documents required by regulatory agencies
- Conducted the first production of 400+ Rest Assure® devices
- Completed all reports and documents required for the 510k submission and submitted this to the US FDA

We are confident that all key components to produce the Rest Assure technology® are secured and our production facility is now finalising the manufacturing process with the production teams. The Company is now focusing on the implementation of manufacturing related IT systems and other marketing materials for the impending launch.

Commercialisation in the United States is expected to commence once regulatory approvals are received and due to the different regulatory classifications in Europe, the first sales of Rest Assure® in Europe are expected during Q3 FY24.

¹ EBITDA does not include AASB16 lease payments, share/option expenses, unrealised forex gain/(loss) and discontinued operations

Outlook

In terms of outlook, tight cost management remains a key focus. To this end, we have now implemented an extensive cost reduction program throughout the business to correct the cost base and mitigate against the challenges we are currently confronting, the benefit of which will be reflected between now and the end of FY24.

Technology development expenditure is also expected to decline over FY24 now that the design of the Rest Assure® device and software is complete. This is expected to result in an improved performance across a range of metrics as the technology is distributed into the market.

The Company remains optimistic about its core trading activity levels and the outlook for the commercialisation of Rest Assure® in FY24. The Board and management are confident in its ability to deliver the provided guidance of revenue growth of at least 12% and EBITDA¹ of at least \$3 million.

Thanks

Finally, I would like to thank our shareholders for the support over these past 12 months. We are incredibly grateful for your ongoing support and as you can see, we are extremely excited about the company's future. My thanks also go to the many new shareholders who joined us during the year and invested in SomnoMed as we embark on a new era. Thank you to those long-term shareholders who continue to invest in this company and specifically for your patience over the last few years as we truly transition this company towards a quality-first, connected medical device organisation to be immensely proud of.

It is our privilege to guide and lead a company that changes people's lives around the world and helps patients who suffer from OSA to achieve improved sleep. Thank you for the opportunity.

¹ EBITDA does not include AASB16 lease payments, share/option expenses, unrealised forex gain/(loss) and discontinued operations

This release has been approved by the Chairman and Managing Director of SomnoMed Limited.