

Appendix 4C
Quarterly report
for entities admitted
on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

SomnoMed Limited

ABN

35 003 255 221

Quarter ended ("current quarter")

30th June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from customers	6,355	24,656
1.2 Payments for		
(a) staff costs	(2,828)	(10,193)
(b) advertising and marketing	(674)	(1,920)
(c) research and development	(11)	(39)
(d) leased assets	-	-
(e) other working capital	(2,069)	(12,594)
(f) business development	(65)	(225)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	25
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(305)	(510)
1.7 Other income- net grants/R&D concessions	-	-
Net operating cash flows	408	(800)

+ See chapter 19 for defined terms.

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Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	408	(800)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(199)	(424)
(b) equity investment associate	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(127)	(314)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) net cash from a previous associate company now a controlled entity	-	353
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loan to associated entity	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	(48)	(48)
	(374)	(433)
Net investing cash flows		
1.14 Total operating and investing cash flows	34	(1,233)
Cash flows related to financing activities		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	-	4
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
	-	4
Net financing cash flows		
Net increase (decrease) in cash held	34	(1,229)
1.21 Cash at beginning of quarter/year to date	2,998	4,221
1.22 Exchange rate adjustments to item 1.21	(88)	(48)
1.23 Cash at end of quarter	2,944	2,944

+ See chapter 19 for defined terms.

New sales records in Q4 with increasing growth prospects for 14/15

SomnoMed Limited announced today that it had broken sales records in all three geographic regions – North America, Europe and APAC/Japan - during the financial year 2013/14 and expected further acceleration of its growth during the financial year 2014/15.

Sales in Q4 reached 11,973 units, the highest unit sales in the history of SomnoMed. New records were set in all regions during the quarter. For the first time North America reached 6,400 units in a three month period and set a new record, with sales of over 2,300 units in a single month; Europe exceeded quarterly sales of 4,300 for the first time and APAC/Japan sold over 1,250 units in a quarter for the first time.

Unit sales in the second half came in at 22,983, 24% above the same half year period in the previous year, reflecting accelerating growth in both North America and APAC/Japan regions, while Europe maintained its strong performance during the second half of the financial year. Total sales units for the year came in above guidance at 43,438, which was 21% above the previous year.

“Besides Europe continuing on its extraordinary expansion and APAC/Japan showing clear acceleration in its growth rates throughout the year, the positive developments in North America are of greatest importance. Direct sales to our dental network had suffered due to dental sales and service issues our US operation experienced during the last two years. We are very pleased to report that these direct sales have now shown consistent accelerating growth in every quarter in 2013/14. Year on year growth rates for direct sales in the US went from 3.1% in the first half to 16% in the second half. The changes are even more impressive on a quarter by quarter basis compared to the previous year – after a 9% drop in Q1, Q2 recovered with a 16.9% growth rate, Q3 was up by 14.2% and Q4 grew by 17.6% (in which a record direct sales month was recorded). The trends are good and we are confident that the measures we have taken in the US have put us solidly on a higher growth path for the future,” said Dr. Peter Neustadt, Executive Chairman of SomnoMed.

SomnoMed’s group revenues have grown in the financial year by 40%, exceeding \$25.8 million (subject to audit) and coming in higher than the guidance previously given.

Cash at the end of the financial year was just under \$3 million. “A significant increase in accounts receivable was recorded during the year, due to the fast growing business with insurers in Europe and the US, with longer payment cycles than those experienced with our dental customers,” said Dr. Neustadt.

Guidance Financial Year 2014/15

“The volumes achieved in 2013/14 and the trends observed in all three global regions augur well for the 2014/15 financial year and are proof that our strategies around the world are achieving the desired results. We are going very confidently into the new financial year.”

The good growth we have seen in the second half of 2013/14 in the US is expected to continue, due to the improved dental sales and service operations, excellent acceptance of our Herbst products and results from our medical initiative, which are now becoming visible,” commented Dr. Neustadt.

+ See chapter 19 for defined terms.

Guidance Financial Year 2014/15 (continued)

“Europe’s growth of 41% in the 2013/14 year will be hard to beat. However, the strong trends in emerging markets, which we opened in the last 18 months, together with the new markets we are expanding into in 2014/15 should allow us to maintain a high level of growth in the new financial year.”

“Activities in APAC/Japan also indicate that further acceleration in growth is likely in 2014/15. In Australia, Japan and Korea sales forces are being strengthened to respond to increasing demand from physicians and leading hospital centres treating obstructive sleep apnea patients,” said Dr. Neustadt.

Based on the above, volume is expected to grow in 2014/15 by 26.5% from 43,438 units and exceed 55,000 units. The first half is traditionally affected by the Northern summer holidays and should generate sales of around 25,000 units (+22% vs. same period in prior year). The second half should see further acceleration, with growth of 30% resulting in total unit sales for the second half of 30,000.

Revenues in 2014/15 are expected to exceed \$32.5 million at current exchange rates.

“Our financial results for 2013/14 are currently being audited and will be released in the second half of August. Subject to this audit, we expect the earnings before interest, tax, depreciation and amortization (EBITDA) in 2013/14 to be around \$1.0 million, after expensing about \$2.3 million in costs associated with the medical initiative in the US, set up costs in preparation for the launch into new markets in Europe and APAC and the employment of new sales staff,” explained Dr. Neustadt.

“Our expectation for 2014/15 is that we will maintain our gross margin for SomnoDent® products in the upper sixty percent range. We currently anticipate start-up losses in five new markets in Europe and a much reduced shortfall in our medical departments in the US will cost us around \$800,000 in the first half of 2014/15 but should be cost neutral in the second half year. We believe the second half will show signs of the future earnings strength of SomnoMed, which will underpin the growth of profits in the future. Our expectation for 2014/15 is an EBITDA range between \$2.0 and \$4.0 million,” said Dr. Neustadt.

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	150
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments made during the quarter include directors' fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,431	2,490
4.2 Deposits at call	513	508
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
Total: cash at end of quarter (item 1.22)	2,944	2,998

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

SMH Biomaterial AG, which was previously an associate entity of SomnoMed Limited, is treated as a controlled entity from July 2013, as a result of the acquisition of Orthosleep19 GmbH. This company had cash reserves of \$353,000 at the date it became a controlled entity.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
 (Company Secretary)

Date: 23rd July 2014

Print name: T A Flitcroft

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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