

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")

31st December 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	8,443	14,496
1.2 Payments for		
(a) staff costs	(2,431)	(5,261)
(b) advertising and marketing	(599)	(911)
(c) research and development	(54)	(61)
(d) leased assets	-	-
(e) other working capital	(5,539)	(8,655)
(f) business development	(37)	(54)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	50	77
1.5 Interest and other costs of finance paid	(6)	(6)
1.6 Income taxes paid	(53)	(59)
1.7 Other income- net grants/R&D concessions	-	-
Net operating cash flows	(226)	(434)

+ See chapter 19 for defined terms.

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	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	(226)	(434)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	(96)
(b) equity investment associate	-	-
(c) intellectual property	(57)	(57)
(d) physical non-current assets	(270)	(575)
(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	-	-
(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)	-	-
	(327)	(728)
Net investing cash flows		
1.14 Total operating and investing cash flows	(553)	(1,162)
Cash flows related to financing activities		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	429	7,047
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)	-	-
	429	7,047
Net financing cash flows		
Net increase (decrease) in cash held	(124)	5,885
1.21 Cash at beginning of quarter/year to date	8,974	2,944
1.22 Exchange rate adjustments to item 1.21	45	66
1.23 Cash at end of quarter	8,895	8,895

+ See chapter 19 for defined terms.

SOMNOMED ACHIEVES GROWTH TARGETS

SomnMed Limited achieved Q2 sales of 13,575 units, which set a new quarterly record and brought the first half volume to a total of 24,775 units, in line with its guidance for the July to December six month period. Sales in December were the company's highest ever for an individual month, with over 5,000 units sold.

Strong growth was achieved in the US during the second quarter, which saw unit sales increase by over 30% compared to the same quarter in the previous year, and resulted in global volume growth for the second quarter of 21.8%.

"We are very pleased with the development of our operation in the US, with Q2 volume growth of 30.3%, following growth of 16.2% in the previous quarter. This increased growth is a result of continuing improvements in our dental, medical and managed care sales operation and reflects the initial contributions from our new products," said Dr. Peter Neustadt, Executive Chairman of SomnoMed Limited.

Europe grew its sales in the first half by 18.8%, compared to the corresponding half year period in the previous year. "Excellent growth was experienced in our emerging markets in Norway and Belgium. Sales in our European core markets were slower than expected in the second quarter, especially in December, as general demand in Holland, Germany, France and Sweden was subdued. Staff recruitment for new markets is taking longer than expected. However, indications are that new markets will start to contribute positively in the second half," said Dr. Neustadt.

APAC produced a growth of 15.3% for the half year period and Japan grew by 31%. "The expansion of our operation in Japan is showing good results and we are confident that the growth trend seen during the first half year will be maintained in the second half," Dr Neustadt said.

Total revenues generated in the first half of the financial year grew by 18% to \$14.81 million, in line with guidance and confirming the forecast revenues of \$32.5 million for the financial year. "The weakening of the Australian dollar only contributed about 1% to the revenue growth during the first half, as most of the currency movements only occurred towards the end of the year. The weaker Australian dollar is likely to have a positive impact on our second half revenues and earnings," said Dr. Neustadt.

During the half year SomnoMed expanded its plant in Manila, doubling its production capacity. "The expansion works in our plant in Manila were completed by the end of the year on time and on budget. This has effectively doubled the capacity of our plant and will provide for the anticipated future growth. Works included dedicated facilities and equipment for the phasing in of digital processes between our plant and service hubs. Pilot programs started at the beginning of January," commented Dr. Neustadt.

"Volume and revenues achieved in the first half were consistent with our guidance for the financial year 2014/15. The trends during the first half, especially in the US, are very positive. Guidance for the second half was based on the expectation of a further acceleration of our growth rates in volumes and revenues, leading to total sales of 30,000 units and revenues in the order of \$18 million during the January to June 2015 period. This would result in volume growth of 30% in the second half and 26% for the year being achieved. Revenues are forecast to grow by 25% to \$32.5 million for the year. As previously indicated, profit growth in the first half will be lower than the growth in revenues, with start-up costs incurred in new markets in Europe and Asia, and expenditure relating to the global launch of new products. Profits in the second half are likely to be in line with our expectations and will give an indication of the future earnings capability of SomnoMed. Given first half earnings, EBITDA for the year is expected to be consistent with our guidance but likely to come in towards the lower end of the range given," said Dr. Neustadt.

SomnoMed had a cash position of \$8.9 million at the end of December 2014, after absorbing about \$1 million in investments linked to the expansion of its plant, the purchase of digital equipment and expenditure relating to the global launch of new products and entry into new markets

+ 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	-	-

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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	3,885	2,909
4.2 Deposits at call	5,010	6,065
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
Total: cash at end of quarter (item 1.22)	8,895	8,974

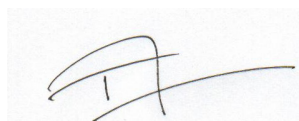
Acquisitions and disposals of business entities

	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, will be 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: 28th January 2015

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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