

**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")

**31<sup>th</sup> March 2016**

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
1.1 Receipts from customers	11,697	32,514
1.2 Payments for		
(a) staff costs	(4,158)	(12,008)
(b) advertising and marketing	(639)	(1,806)
(c) research and development	(5)	(15)
(d) leased assets		
(e) other working capital	(6,849)	(17,577)
(f) business development	(48)	(120)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	43
1.5 Interest and other costs of finance paid	(3)	(7)
1.6 Income taxes paid	-	(151)
1.7 Other income- net grants/R&D concessions		
<b>Net operating cash flows</b>	<b>4</b>	<b>873</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**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)	<b>4</b>	<b>873</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	(1,098)
(b) equity investment associate		
(c) intellectual property	(11)	(82)
(d) physical non-current assets	(748)	(1,673)
(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)	-	-
<b>Net investing cash flows</b>	<b>(759)</b>	<b>(2,853)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(755)</b>	<b>(1,980)</b>
<b>Cash flows related to financing activities</b>		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	-	204
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)		
<b>Net financing cash flows</b>	<b>-</b>	<b>204</b>
<b>Net increase (decrease) in cash held</b>	<b>(755)</b>	<b>(1,776)</b>
1.21 Cash at beginning of quarter/year to date	<b>7,424</b>	<b>8,306</b>
1.22 Exchange rate adjustments to item 1.21	(186)	(47)
1.23 <b>Cash at end of quarter</b>	<b>6,483</b>	<b>6,483</b>

+ See chapter 19 for defined terms.

## **Continuing High Growth in the Third Quarter**

SomnoMed Limited announced today that continuing high growth in its volume of sales of its sleep apnea devices resulted in it recording a growth of 28% of its sleep apnea device sales revenues to \$9.2m (unaudited). Total group revenues, which include non-device managed care revenues and sale of various supplementary products, amounted to \$11.1m (unaudited), up by 32% compared to the third quarter in the previous year.

High revenue growth was driven by the growth in sales of SomnoDent® devices in all global regions and was further fuelled by growing managed care revenues in the US and Europe.

Global direct sales of MAS devices reached 13,492, up by 21.1%. On a region by region basis North America saw a growth in direct MAS device unit sales of 27.5%, Europe +17.0% and APAC/Japan +9.5% over the same quarter last year. Devices sold through US licensees recorded a drop of 45.4%, compared to the same quarter in the previous year. Licensee sales represented only 7.0% of total North American sales in the third quarter, compared to 15.0% in the previous year, emphasising the diminishing importance of the sale of third party produced SomnoDent® devices. After absorbing the reduction in licensee sales total device sales in the third quarter came to 13,997 units, up by 16.0% year on year.

Good year on year growth was achieved in Europe, reaching sales of 5,500 units in the third quarter, which this year included Easter holidays. Excellent growth was achieved in the Nordic region (Sweden, Norway, Finland and Denmark) and in Southern Europe (France, Spain, Portugal, Italy), whilst Benelux and the German speaking countries posted slower growth during the quarter.

Australian sales performed well growing above 10% in the third quarter. Korea and SEA posted a growth of over 20%, whilst sales in Japan were down by 8% during the quarter compared to the prior year.

“We are pleased with the global results achieved in the third quarter and in particular in the US where we posted a growth rate again of 27.5% in our direct sales,” said Dr Peter Neustadt, Executive Chairman and CEO of SomnoMed Limited. “The US health and medical sector is experiencing the impact of significant increases in private health insurance premiums paid by the majority of American families and individuals. Premiums typically increased by around 40% at the beginning of 2016, partly as a result of the introduction of Obamacare. To counter these massive increases, most privately insured American families increased the amount of deductibles they pay in addition to their premiums out of their own pockets before they access payments from their insurers. We hear that this is impacting on the sales of services and devices of established companies, in particular in the first half of the calendar year.”

“The growth of 27.5% generated in our direct sales in North America under these circumstances should be taken as an indicator of the strength of SomnoMed and the success of our new products. The demand for SomnoDent® COAT™ treatment is either less affected by these developments or it points to a potentially higher growth rates once the changes to the health insurance premiums and deductibles are accepted by the public,” said Dr Neustadt.

---

+ See chapter 19 for defined terms.

The inclusion of SUAD devices sold in Canada in the quarter through our new SomnoMed Canada entity, although only contributing less than 2% of our North American sales at this point in time, contributed to achieving a good result.

Operating cash generated during the quarter was affected by an increase in accounts receivable linked to higher managed care revenues, as well as corporate expenses relating to a project to enlarge the scope of business of SomnoMed, which is being finalised and will be announced in due course.

The cash position at the end of the third quarter was \$6.5m after further investments in the digitalisation of processes in our factory and our 14 hubs, integration of our Canadian new products into our production facility and working capital increases.

**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	168
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	5,753	5,687
4.2 Deposits at call	730	1,737
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,483</b>	<b>7,424</b>

### 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		

### 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: 20<sup>th</sup> April 2016

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.

---

+ See chapter 19 for defined terms.