

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

SomnoMed Limited

**ABN**

35 003 255 221

**Quarter ended ("current quarter")**

30<sup>th</sup> June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	12,984	47,948
1.2 Payments for		
(a) research and development	(17)	(67)
(b) product manufacturing and operating costs	(4,766)	(17,199)
(c) advertising and marketing	(1,518)	(6,034)
(d) leased assets	-	-
(e) staff costs	(4,477)	(17,941)
(f) administration and corporate costs	(1,778)	(8,374)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	124
1.5 Interest and other costs of finance paid	(16)	(20)
1.6 Income taxes paid	(285)	(1,117)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>143</b>	<b>(2,680)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,075)	(2,392)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(d) intellectual property, licence and access rights	(27)	(239)
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	(1)	(104)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1,103)</b>	<b>(2,735)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	585
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options	1,200	1,767
3.4 Transaction costs related to issues of shares, convertible notes or options	(17)	(71)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>1,183</b>	<b>2,281</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	13,861	17,632
4.2 Net cash from / (used in) operating activities (item 1.9 above)	143	(2,680)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,103)	(2,735)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,183	2,281
4.5	Effect of movement in exchange rates on cash held	126	(288)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>14,210</b>	<b>14,210</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	9,656	8,721
5.2	Call deposits	4,554	5,140
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>14,210</b>	<b>13,861</b>

**6. Payments to directors of the entity and their associates**

<b>Current quarter \$A'000</b>
64
-

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments made during the quarter include directors' fees

**7. Payments to related entities of the entity and their associates**

<b>Current quarter \$A'000</b>
-
-

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(100)
9.2 Product manufacturing and operating costs	(5,400)
9.3 Advertising and marketing	(3,500)
9.4 Leased assets	-
9.5 Staff costs	(6,600)
9.6 Administration and corporate costs	(2,600)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(18,200)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

## Strong Q4 growth to finish SomnoMed's transitional year

SomnoMed Limited announced today that a return to growth of sales in the US during the quarter (+24% over prior year), combined with ongoing strong Q4 growth in Europe (+20.6%), resulted in record total group unit quarterly sales of 19,859 units (+24.2%). Total device sales for the 2016/17 year were 68,100 units. Unaudited quarterly group revenues were \$14.3 million (+22%) and total group revenues for the 2016/17 financial year were \$49.3 million, representing an annual growth of +12%.

Renew Sleep Solutions ("RSS") opened its seventh centre during the month of June, to end its first 7 months of trading with an exceptional operational performance. "The latest centre in Phoenix, Arizona continues our commitment to expand our network of treatment outlets across the US and I am very proud of our team and their achievements during this time," commented Mr Jim Evanger, CEO of RSS. "We remain confident that this "Direct to Patient" initiative will continue to build in line with or above our current expectations in terms of patient inquiries, appointments and treatments," Mr Evanger added.

SomnoMed's sales in North America, which had seen the impact of a reaction to a perceived channel conflict linked to the establishment of RSS, showed its best quarterly results of the financial year 2016/17 in the last quarter. US sales grew by 24% and the North American region, including Canada, grew by 31.8% in Q4.

"We are pleased with the return to positive growth in our US business," said Mr Derek Smith, CEO of SomnoMed. "After a tough period in the second and third quarter of the year we can now see the combined impact of a stabilisation of the reaction to our establishment of RSS, with positive growth returning to our direct US sales, strong growth in sales to our licensees and device sales to our RSS outlets. We believe Q4 growth indicates that 2016/17, which was a transitional year for SomnoMed establishing a "Direct to Patient" channel to broaden the adaptation of COAT™ as an alternative treatment for OSA, has been successfully navigated. This should allow SomnoMed to accelerate growth through a stronger and broader distribution concept in 2017/18 and beyond."

"The reaction of some Sleep Dentists in the US to the perceived channel conflict with RSS seems to have stabilized and we continue to add new practitioners to our Preferred Dental Network. The RSS concept is now better understood in the US market. Our traditional channel and RSS are distinctly different and the addition of RSS should increase the overall penetration of oral devices for Sleep Apnea and benefit both channels," said Mr Derek Smith. "We believe that the high level of "Direct to Patient" advertising done by RSS will ultimately increase patient awareness and access to treatment for all patient groups, thus enhancing opportunities for SomnoMed overall," added Mr Smith.

Europe continued to show excellent growth, with the fourth quarter growing by 20.6% year over year. European growth was achieved due to exceptional sales in the Benelux countries, France, Norway, Italy and Spain. This continued growth quarter over quarter has been impressive during 2016/17 and the acceptance and adoption of the SomnoDent® treatment solution over CPAP is becoming significant in some markets.

APAC sales volume dropped by 4% in the quarter, reflecting slow adaptation of the COAT™ concept in Korea and Japan. Australia/New Zealand sales were 2.6% below the prior year in the fourth quarter but finished the year with a 10.8% growth in the month of June.

"A very positive Q4 result brought an excellent end to what could be considered a transitional year in the USA, where we introduced and launched the RSS business. The future of this region is extremely bright for SomnoMed overall now that we move to the next phase with RSS and SomnoMed NA has returned to positive growth. Opening seven centres, two more than originally planned, in only seven months underlines the exceptional performance we received from our RSS management team. We believe that a similar rate of opening additional RSS centres will be maintained in the future. Whilst this is very early in the development of our RSS business, indications are that the response to advertising and patient treatment numbers are in line with our original model," said Mr Smith.

"We are also particularly pleased with the growth achieved in Europe, with a number of new and emerging markets showing growth rates in excess of our average 20.6% growth. We see this growth being maintained in 2017/18 and beyond with further potential to come from some of the newer markets and in particular France and Belgium, as a result of improved reimbursement regulations," commented Mr Smith.

Net operating cash flow for the quarter was \$143,000, taking the cash position at the end of June 2017 to \$14.2 million. Of this positive quarterly operating cash flow, the cash investment made in RSS for the quarter was \$2.2 million, indicating a positive cash quarter for SomnoMed's core business of \$2.343 million.

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
Company Secretary

Date: 24<sup>th</sup> July 2017

Print name: T A Flitcroft

### 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.