

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")

30th September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,304	12,304
1.2 Payments for		
(a) research and development	(28)	(28)
(b) product manufacturing and operating costs	(4,670)	(4,670)
(c) advertising and marketing	(3,439)	(3,439)
(d) leased assets		
(e) staff costs	(5,663)	(5,663)
(f) administration and corporate costs	(2,210)	(2,210)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	27	27
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	(137)	(137)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,820)	(3,820)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(547)	(547)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property, licence and access rights	(69)	(69)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(50)	(50)
2.6 Net cash from / (used in) investing activities	(666)	(666)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	67	67
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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)	-	-
3.10 Net cash from / (used in) financing activities	67	67

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	14,210	14,210
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,820)	(3,820)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(666)	(666)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	67	67
4.5	Effect of movement in exchange rates on cash held	(50)	(50)
4.6	Cash and cash equivalents at end of quarter	9,741	9,741

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,469	9,656
5.2	Call deposits	3,272	4,554
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,741	14,210

6. Payments to directors of the entity and their associates

- 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

Current quarter \$A'000
66
-

Payments made during the quarter include directors' fees

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

- 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

Current quarter \$A'000
-
-

N/A

8. Financing facilities available <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. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(5,600)
9.3 Advertising and marketing	(4,000)
9.4 Leased assets	-
9.5 Staff costs	(5,500)
9.6 Administration and corporate costs	(2,300)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(17,400)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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

Good revenue growth for the quarter as northern hemisphere returns from summer break

SomnoMed Limited today announced total revenue growth of 18.8% (20.3% constant exchange rates) for the September quarter to \$13.0 million (unaudited) compared to the same period in the prior year. This comes as a result of strong revenue growth in Europe, improving results in APAC and increasing income generated in Renew Sleep Solutions offsetting negative revenue growth in SomnoMed's North American core MAS operation.

Renew Sleep Solutions ("RSS"), the direct-to-patient sleep centre model, opened a further three centres during the quarter - in Scottsdale AZ, Hartford CT and Roseville MN. This brings the total of all centres now opened since December 2016 to ten. All centres have been opened ahead of schedule and under anticipated cost. As the financial year has progressed enquiries received by RSS have increased significantly, resulting in increased patient volumes. Enquiries driven from our direct marketing efforts have increased more than threefold between August and October. This is expected to significantly increase the number of appointments RSS is able to schedule and the number of patients being treated with a SomnoDent® in the second quarter and the second half of the financial year.

During the first quarter, considerable effort went into improving RSS's operational processes, so as to reduce the time from the initial patient enquiry to the fitting of a patient's device. This involved in some cases expanding external capacities or in other instances bringing a number of functions in-house from external providers, who had encountered difficulties in dealing with the fast growing number of enquiries, benefit checks and sleep diagnoses. As a result, the total time to process and treat patients is shortening and patient leakage is being reduced, which will allow us to treat an increased number of patients within a shorter timeframe. RSS is expecting a strong second quarter and is confident about its business model and the future prospects of its business.

In Europe, revenue growth was 24% year-on-year during the first quarter. September delivered another record month and lifted Europe's share of global unit sales for the quarter to 44%. This excellent growth was achieved in a number of core and new markets for the quarter. During the quarter France achieved growth of 40%, which is having a significant impact on our European sales. This is due to the French Government's announcement regarding new regulations that came into effect from 1 November 2016. Under these regulations, COAT™ (device and fitting services) will be fully reimbursed and all diagnosed patients with mild and moderate conditions will be directed to use oral appliances as first line treatment in Europe's biggest CPAP market. This is expected to significantly contribute to the overall growth in sales of oral appliances in Europe over the next few years.

North America's share of the global MAS revenues was 40% for the quarter, with a negative growth in direct unit sales of 6%. July and August were challenging months, followed by a slower than expected September. This was due in part to higher patient deductibles in the US private health insurance market, which have caused patients to defer their elective medical treatments as reported by leading SomnoMed practitioners and across the health industry. September hurricanes also affected sales in three States. Licensee volumes, which rose unexpectedly last financial year and against the trend of the previous years, as a result of the move of some practitioners away from working with SomnoMed directly and procuring their SomnoDent® devices from our licensees, fell by two-thirds during the quarter. October orders and completed sales indicate that direct sales in the US will grow well in the second quarter, whereas sales through licensees will return to their previous lower levels and become less and less important compared to last financial year.

Australia and New Zealand sales rebounded in the quarter with much stronger results in September, where a growth of 7% was posted and it is believed that this positive growth should be maintained for the remainder of the year.

Global CEO, Mr Derek Smith commented, "We are pleased that our traditionally softest quarter of the year is behind us. All focus is now on the next quarter and we are excited about the rest of the financial year where we expect Europe to accelerate in its revenue growth, North America to continue to positively grow direct sales, APAC to remain on the current trajectory and RSS to generate significant increases in revenues. Given the growth of RSS enquiries experienced over recent months, the opening of three additional RSS centres in the first quarter of the new financial year and the significance of RSS on the company's overall results, we will comment further on the full year's expected results once the first half of the financial year is completed."

SomnoMed held \$9.7m in cash at 30 September 2017. The operational cash flow for quarter one was affected by investment of \$2.4 million in RSS start-up expenses and opening costs of three new RSS centres.

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: 26th October 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.