

## 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")**

31<sup>st</sup> December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	16,112	31,297
1.2 Payments for		
(a) research and development	-	(50)
(b) product manufacturing and operating costs	(3,958)	(10,624)
(c) advertising and marketing	(1,241)	(4,532)
(d) leased assets	-	-
(e) staff costs	(5,949)	(12,913)
(f) administration and corporate costs	(3,285)	(6,989)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	31
1.5 Interest and other costs of finance paid	(34)	(68)
1.6 Income taxes paid	(193)	(457)
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>1,460</b>	<b>(4,305)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(129)	(464)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
(d) intellectual property, licence and access rights	-	(32)
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	31	31
(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>	-	(48)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(98)</b>	<b>(513)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
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	(47)	(180)
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>(47)</b>	<b>(180)</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	7,012	13,383
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,460	(4,305)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(98)	(513)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(47)	(180)
4.5	Effect of movement in exchange rates on cash held	186	128
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>8,513</b>	<b>8,513</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	7,246	5,521
5.2	Call deposits	1,267	1,491
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>8,513</b>	<b>7,012</b>

**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**

85

-

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. <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	5,000	-
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.		

Unsecured working capital facility of \$5 million provided to SomnoMed Limited by Dottie Investments Pty Ltd. No amount had been drawn under the facility as at 31st December 2018. The interest rate payable under the facility until 30th June 2019 is 10% per annum.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(200)
9.2 Product manufacturing and operating costs	(6,000)
9.3 Advertising and marketing	(1,200)
9.4 Leased assets	-
9.5 Staff costs	(6,000)
9.6 Administration and corporate costs	(2,000)
9.7 Other* (provide details if material)	(2,000)
<b>9.8 Total estimated cash outflows</b>	<b>(17,400)</b>

\* cash outflows relating to closure of Renew Sleep Solutions business

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

## Core revenue growth up 13% in Q2

SomnoMed Limited announced today that its core revenues grew by 13% in the second quarter compared to the prior year, reaching \$15.675 million for the three months period. All regions within the core business generated increased revenue, with the US recording revenue growth of 10% for the quarter. Total group revenues decreased by 3% for the quarter, due to Renew Sleep Solutions (“RSS”) business revenues declining by 52% in its final quarter of operations.

The North American core business revenue growth of 10% confirms the view that this region will continue to recover and grow again in the wake of the RSS closure. We remain optimistic that new sales and marketing approaches will see this growth continue as new sales opportunities and channels are explored and confidence is rebuilt in that market.

“This quarter has been very disruptive due to the decisions made during the latter part of 2018,” said Mr Neil Verdal-Austin, Global CEO of SomnoMed. “The group results must be seen against this set of circumstances, where the decision was taken to close the RSS business,” Mr Verdal-Austin added. “We are pleased with the core business growth and overall direction, which will show half year revenues of \$28.8 million (unaudited) and a 15% growth over prior year.”

In Europe our business continues to be very strong, with a 14% revenue growth for Q2. This was slightly below our expectations due to the December month being softer than anticipated. The political disruptions in France caused some logistical upheavals and there were some delays in recognising some Swedish revenues due to technical laboratory issues, which have since been corrected. The volume growth of Finland, Spain and the UK were very encouraging and the outlook for Europe remains very positive into the second half.

APAC experienced revenue growth of 22% in the second quarter, with strong results from Australia leading the way.

RSS has now closed its business in the US and all centres treated their last patients to 31<sup>st</sup> December 2018. RSS will continue to wind down over the next 6 months as we negotiate to exit or sublease the contracted premises leases across all centres. “While this has not been an easy decision to make, we have been conscious of the patient’s needs during this time, as well as those of our customers and staff. We will uphold our commitments to all parties as we work through this exercise,” commented Mr Verdal-Austin. “We will update the market more fully as to our progress against the plan, when we release the half year results in February,” he added.

SomnoMed’s core business generated an unaudited EBITDA of \$1.3 million for the first half, after absorbing an allocation of the one-off group corporate overheads of \$300k relating to the severance payment to the former CEO. This underlying unaudited EBITDA is up 60% over prior year. For the same period, RSS generated EBITDA losses of \$7 million (unaudited), resulting in SomnoMed group’s net EBITDA loss being \$5.65 million (unaudited).

“While the negative contribution of RSS in Q2 was always foreshadowed, we are pleased with the underlying core EBITDA result for the first half, and as such we confirm the current SomnoMed core business guidance for both revenues and EBITDA,” added Mr Verdal-Austin.

During the second quarter of the financial year SomnoMed generated \$1.5 million in operating cash. Of this, the core business generated \$2.7 million while the RSS cash losses totalled \$1.2 million for the quarter. The cash position at the end of December 2018 was \$8.5 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:.....

Date: 29<sup>th</sup> January 2019

Company Secretary

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.