

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")

31st March 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 15,889 | 47,186 |
| 1.2 Payments for | | |
| (a) research and development | (21) | (71) |
| (b) product manufacturing and operating costs | (5,307) | (15,931) |
| (c) advertising and marketing | (1,416) | (5,948) |
| (d) leased assets | - | - |
| (e) staff costs | (6,091) | (19,004) |
| (f) administration and corporate costs | (3,463) | (10,452) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 9 | 40 |
| 1.5 Interest and other costs of finance paid | (39) | (107) |
| 1.6 Income taxes paid | (271) | (728) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) * | (2,001) | (2,001) |
| 1.9 Net cash from / (used in) operating activities | (2,711) | (7,016) |

* Cash outflows relating to closure of Renew Sleep Solutions business.

| | | |
|--|-------|-------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (431) | (895) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|------------------------------------|--|
| (d) intellectual property, licence and access rights | - | (32) |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | 44 | 75 |
| (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) | - | (48) |
| 2.6 Net cash from / (used in) investing activities | (387) | (900) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | - |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | 12 | 12 |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 Proceeds from borrowings | 2,000 | 2,000 |
| 3.6 Repayment of borrowings | (152) | (332) |
| 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 | 1,860 | 1,680 |

| | | |
|---|---------|---------|
| 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 | 8,513 | 13,383 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (2,711) | (7,016) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (387) | (900) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 1,860 | 1,680 |
| 4.5 | Effect of movement in exchange rates on cash held | (212) | (84) |
| 4.6 | Cash and cash equivalents at end of quarter | 7,063 | 7,063 |

| 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 | 6,688 | 7,246 |
| 5.2 | Call deposits | 375 | 1,267 |
| 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) | 7,063 | 8,513 |

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. 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 | 5,000 | 2,000 |
| 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. \$2 million had been drawn under the facility as at 31st March 2019. The interest rate payable under the facility until 30th June 2019 is 10% per annum.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|-----------------|
| 9.1 Research and development | (100) |
| 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 | (3,000) |
| 9.7 Other* (provide details if material) | (1,000) |
| 9.8 Total estimated cash outflows | (17,300) |

* Cash outflows relating to closure of Renew Sleep Solutions business.

| 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 |

Core revenue growth up 9% in Q3

SomnoMed Limited announced today that its core revenues grew by 9% in the third quarter compared to the prior year, reaching \$14.3 million for the three month period. APAC delivered a revenue growth of 21%, while both North America and Europe had experienced lower growth rates for the quarter. Total group revenues decreased by 6% for the quarter, following the closure of the Renew Sleep Solutions (“RSS”) business as at 31st December 2018.

The North American core business revenue third quarter growth was 3%. The results were affected by the closure of the Simple Sleep Services (“S3”) during the quarter. The Company remains optimistic that new sales and marketing approaches will result in an increased growth rate by focusing on these opportunities and channels and customers return to SomnoMed following the closure of RSS.

In Europe, our business experienced capacity limits in some hospitals in both Holland and Sweden, resulting in a softer revenue growth of 10% for Q3. This is being addressed by working with the affected hospitals and focusing on facilitating the patient pathway to COAT™ treatment. The volume growth rates of Finland, Spain, Switzerland, Germany and the UK were once again strong in Q3 and the outlook for Europe’s Q4 looks encouraging.

“The US results for the quarter have to be seen against the disruption caused by the closure of the RSS business at 31st December 2018 and the closure of S3 during the quarter,” said Mr Neil Verdal-Austin, Global CEO of SomnoMed. “We have re-aligned all teams to focus on the two critical sales channels (dentists and sleep physicians), where we aim to treat a growing proportion of patients who suffer from Obstructive Sleep Apnea (“OSA”) with a more comfortable alternative to CPAP and look forward to the future with confidence,” Mr Verdal-Austin added.

APAC experienced a revenue growth of 21% in the third quarter, continuing the growth experienced in the second quarter. Again, Australia led the way with impressive revenue growth followed by South Korea and Japan.

“Development of the digital manufacturing platform is now well underway, with a new product, submitted for approval by the FDA, to be launched in the new fiscal year,” added Mr Verdal-Austin. “This will enable our company to bring a new design together with a new level of patient comfort to the market with preliminary clinical follow-up results indicating improved efficacy over previous products.”

It is expected the company will finish the fiscal year 2019 in line with revenue and EBITDA guidance as adjusted for the S3 write down as disclosed in March 2019.

The cash position at the end of March 2019 was \$7 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: 29th April 2019

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.