

# SOMNOMED LIMITED

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## Appendix 4D and Half-Year Financial Report

31 December 2023

This half-year report is for the six months ended 31 December 2023. The previous corresponding period is the half-year ended 31 December 2022.

The information in this report should be read in conjunction with the most recent annual financial report.

### Results for announcement to the market

Revenues from sale of goods and services, net of discounts	up	5,153,531 12.9%	to	45,114,567
Revenues from ordinary activities	up	5,159,438 12.9%	to	45,120,919
Operating profit before corporate and business development expenses, non-cash items and income tax	down	(788,111) (12.0%)	to	5,753,239
Loss from ordinary activities after tax attributable to members	down	(2,602,222) (69.5%)	to	(6,347,116)
Net Loss for the period attributable to members	down	(2,602,222) (69.5%)	to	(6,347,116)
<b>Dividends</b>		Amount per security		Franked amount per security
Final dividend		- ¢		- ¢
Interim dividend		- ¢		- ¢
Record date for determining entitlements to the dividend		Not applicable		
Brief explanation of any of the figures reported above:				
Refer to comments in the attached Directors' Report.				
<b>NTA Backing</b>		31 December 2023		31 December 2022
Net tangible asset backing per share		8.84 cents		5.7 cents

## **DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated entity consisting of SomnoMed Limited and the entities it controlled ('the consolidated entity') for the half-year ended 31 December 2023.

### **Directors**

The names of directors who held office during or since the end of the half-year:

Guy Russo  
Neil Verdal-Austin (resigned 22<sup>nd</sup> February 2024)  
Amrita Blickstead  
Karen Borg  
Hilton Brett (resigned 12<sup>th</sup> October 2023)  
Hamish Corlett  
Michael Gordon

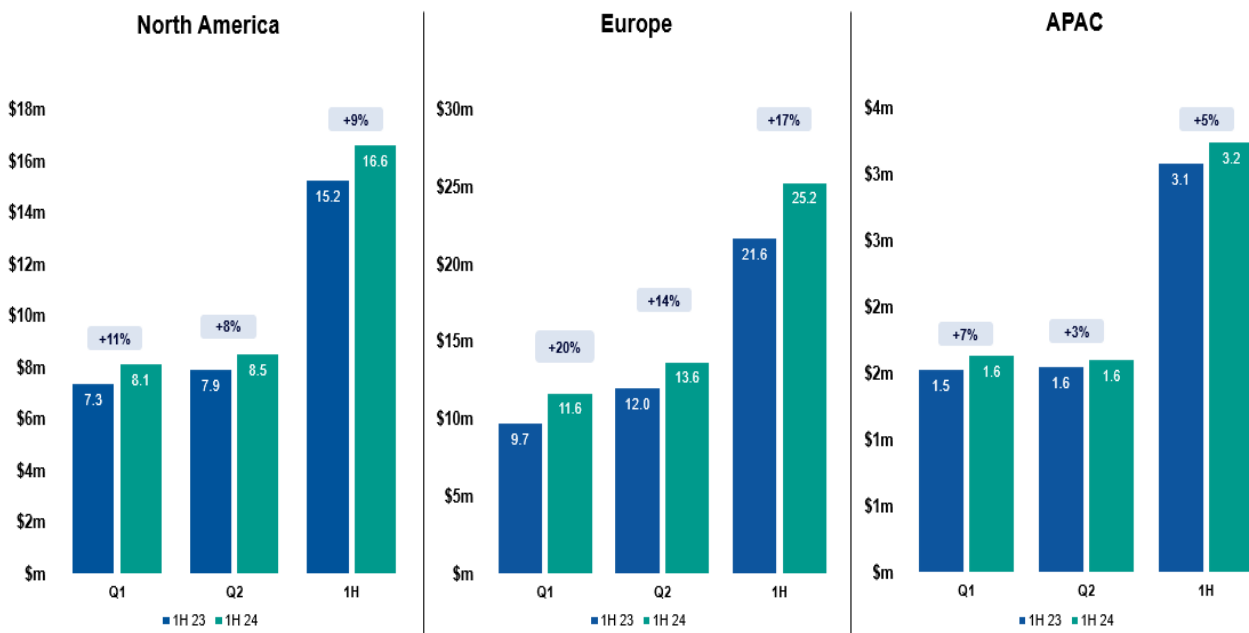
On 23<sup>rd</sup> February 2024 Ms Amrita Blickstead and Ms Karen Borg were appointed as Joint Chief Executive Officers (Co-CEOs) and Executive Directors of SomnoMed. They succeed Mr Neil Verdal-Austin who resigned on 22<sup>nd</sup> February 2024.

### **Financial Review**

- Revenue of \$45.1 million for 1H FY24 (1H FY23: \$40.0 million), +13% (+6.7% in constant currency) versus the previous corresponding period (pcp).
- SomnoMed's core business was interrupted during the 2Q FY24 with unplanned and unexpected milling machine downtime. This reduced the growth run rate from 15% in 1Q to 11% in 2Q.
- Product (MAS) gross margin of 70.9% (1H FY23: 71.6%).
- EBITDA<sup>1</sup> decreased to \$(1.1) million (1H FY23: \$0.8 million) due to the interruptions to manufacturing, as well as investment in sales and marketing resources globally, and continued investment to support the launch of the connected-device technology Rest Assure<sup>®</sup>.
- A cost reduction program, announced at the AGM held in November, is now underway to strengthen margins and profitability. This program will eliminate significant costs in the second half to 30 June 2024 and strengthen margins and improve profitability in 2H and FY25.
- Net operating cash outflow for the period of \$4.6 million (1H FY23: net operating cash outflow of \$3.4 million)
  - Net operating cash outflow in Q2 was \$0.3 million and is a substantial improvement from a net operating cash outflow in Q1 of \$4.3 million
- SomnoMed successfully completed a capital raising of \$14.6 million (net of equity raising costs) in September 2023. Cash of \$12.8 million as at 31 December 2023 and total drawn debt of \$12.7 million after a partial repayment of \$5 million in September 2023, leading to a net cash position of \$0.1 million.

<sup>1</sup> EBITDA does not include share/option expenses, unrealised forex gain/(loss) and discontinued operations

## Total Regional Revenues by Quarter



## Operational Review

SomnoMed's retains a strong position within the global OSA market. There remains significant potential for the Company to make further market share gains by providing an alternative to the traditional default CPAP recommendations by sleep physicians.

SomnoMed remains "treatment focused" in its approach and continues to provide a best in class, superior comfort, "fit right first time" and durable oral appliance for the treatment of OSA. The Company continues to enjoy tremendous customer and medical sector engagement, which in turn has helped to drive growth and further acceptance of COAT™.

SomnoMed began to implement its cost reduction plan to protect and grow profitability. SomnoMed has implemented significant cost reduction measures in the core business, which are expected to take real effect in the six months from January to June 2024 and improve profitability in FY25.

Revenue (A\$000's)	H1 FY24	H1 FY23	% Change	% Change
	(A\$000's)	(A\$000's)	Actual	Constant Currency
Europe	25,239	21,636	+16.7%	+7.1%
North America	16,636	15,244	+9.1%	+6.6%
APAC	3,239	3,082	+5.1%	+5.2%
<b>Total regional revenue</b>	<b>45,115</b>	<b>39,961</b>	<b>+12.9%</b>	<b>+6.7%</b>

## Europe

European revenues totalled \$25.2 million and rose +17% (+7% in constant currency) in the first half of FY24 versus pcp. Ongoing positive reimbursement trends in Europe facilitate and help to drive a growing acceptance of the benefits of improved compliance with the SomnoDent® devices for mild and moderate OSA patients. The growth results were supported by strong performances again from France, Sweden, Netherlands and Switzerland.

## **North America**

Revenue for the half was \$16.6 million, up +9% versus pcp (+7% in constant currency terms). The results in Q2 were heavily impacted by the lagged delivery of finished goods due to interrupted manufacturing capacity because of milling machine downtime. Planned sales were lost to our competitors during this final quarter of the insurance year. At the same time the SomnoDent Avant® sales continue to be impacted by the awaited Medicare reimbursement coding. A new submission was made to PDAC during the quarter, which included new additional information requested.

SomnoMed remains confident that patients and physicians are looking at OAT as an alternate treatment path for mild and moderate OSA patients.

## **Asia Pacific**

Asia Pacific revenue of \$3.2 million increased +5% (+5% in constant currency) versus pcp.

SomnoMed's results were behind expectations for this region, exacerbated by the tightening economy in a non-reimbursed market which is impacting dentists' business model and the ability of patients to purchase oral appliances.

## **Outlook**

The Company remains optimistic about trading activity levels and the outlook for the second half of FY24. SomnoMed is committed to its technological transformation and its FY24 guidance:

- Revenue growth of at least 12%
- EBITDA of at least \$3 million
- Capital Expenditure of \$5 million, of which technology innovation spend is expected to be c.\$3 million

## **Rest Assure® Update**

- Rest Assure® is an in-built technology-enabled oral appliance for the treatment of sleep-related breathing disorders and obstructive sleep apnea. Rest Assure® is expected to drive prescriptions, increase reimbursement, and ultimately greater share of treatment prescriptions for COAT™ versus CPAP
- The 510k FDA regulatory filing for the Rest Assure® technology in the United States was completed and submitted in October 2023. The submission has been accepted for review and has now progressed to substantive review phase

## **Principal Activity**

There were no significant changes in the nature of the Consolidated Entity's principal activities during the half year.

## **Operating Results**

The net loss after income tax expense for the half year ended 31 December 2023 from continuing operations was (\$6,347,116) (December 2022: \$3,704,031). The loss from discontinued operation of Renew Sleep Solutions (RSS) was \$Nil (December 2022: loss \$40,863).

## **Dividends Paid or Recommended**

There is no dividend paid, declared or recommended.

**Significant Changes in State of Affairs**

Other than as stated above and in the accompanying financial report, there were no significant changes in the state of affairs of the Consolidated Entity during the reporting period.

**After Reporting Date Events**

The directors are not aware of any matter or circumstance that has arisen since the end of the half year to the date of this report that has significantly affected or may affect,

- (i) The operations of the company and the entities that it controls,
- (ii) The results of those operations,
- (iii) The state of affairs of the Consolidated Entity in subsequent years.

**Future Developments**

The Consolidated Entity will continue to produce and sell devices for the oral treatment of sleep related disorders in Australia and overseas.

### **Auditor's Independence Declaration**

The auditor's independence declaration for the half year ended 31<sup>st</sup> December 2023 is set out on page 23 of these half yearly accounts.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Guy Russo', written in a cursive style.

Guy Russo (Chairman)

Dated this 28<sup>th</sup> February 2024

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## General information

The financial report covers SomnoMed Limited as a consolidated entity consisting of SomnoMed Limited and the entities it controlled during the period. The financial report is presented in Australian dollars, which is SomnoMed Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

SomnoMed Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 3  
20 Clarke Street  
Crows Nest NSW 2065

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28<sup>th</sup> February 2024.

**SomnoMed Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 31 December 2023**

	Note	31.12.23 \$	31.12.22 \$
<b>Continuing operations</b>			
Revenue from sale of goods and services, net of discounts	2	45,114,567	39,961,036
Cost of sales		(17,049,069)	(14,793,525)
Gross margin		28,065,498	25,167,511
Sales and marketing expenses		(13,699,474)	(11,973,242)
Administrative expenses		(8,612,785)	(6,652,919)
Operating profit before corporate, research and business development expenses, other items of income and expenses and income tax		5,753,239	6,541,350
Corporate, research and business development expenses		(6,845,314)	(5,738,912)
Depreciation and amortisation	3	(2,902,794)	(2,360,412)
Share-based payments		(524,767)	(517,675)
Interest income	2	6,352	445
Interest expense		(1,493,407)	(505,566)
Unrealised foreign exchange gain/(loss)		460,607	(300,070)
<b>Loss before income tax</b>		<b>(5,546,084)</b>	<b>(2,880,840)</b>
Income tax expense attributable to operating loss		(801,032)	(823,191)
<b>Loss after income tax for the half-year from continuing operations</b>		<b>(6,347,116)</b>	<b>(3,704,031)</b>
<b>Discontinued operation</b>			
Loss from discontinued operation	5	-	(40,863)
<b>Net Loss for the Group</b>		<b>(6,347,116)</b>	<b>(3,744,894)</b>
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation difference for foreign operations		(1,253,326)	454,272
Other comprehensive (loss)/profit for the half-year, net of tax		(1,253,326)	454,272
Total comprehensive loss for the half-year attributable to the owners of SomnoMed Limited		<b>(7,600,442)</b>	<b>(3,290,622)</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)		(6.79)	(4.77)
Diluted earnings per share (cents)		(6.79)	(4.53)
<b>Earnings per share – continuing operations</b>			
Basic earnings per share (cents)		(6.79)	(4.71)
Diluted earnings per share (cents)		(6.79)	(4.48)
<b>Earnings per share – discontinued operation</b>			
Basic earnings per share (cents)		-	(0.05)
Diluted earnings per share (cents)		-	(0.05)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



**SomnoMed Limited**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2023**

	Note	31.12.23 \$	30.06.23 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		12,837,537	11,956,406
Trade and other receivables		12,242,673	11,123,766
Inventories		4,827,067	4,100,122
Lease receivables		315,379	315,379
<b>Total Current Assets</b>		<u>30,222,656</u>	<u>27,495,673</u>
<b>Non-Current Assets</b>			
Trade and other receivables		37,183	39,910
Property, plant and equipment		5,811,369	6,230,260
Intangible assets	6	18,752,249	18,974,198
Deferred tax assets		2,865,116	3,251,745
Right-of-use assets	8	6,228,697	6,499,653
<b>Total Non-Current Assets</b>		<u>33,694,614</u>	<u>34,995,766</u>
<b>Total Assets</b>		<u>63,917,270</u>	<u>62,491,439</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		11,312,917	12,229,597
Borrowings	7	309,270	313,034
Lease liabilities	9	2,541,571	2,256,307
Provisions		2,979,019	3,102,426
Current tax liabilities		316,386	458,279
<b>Total Current Liabilities</b>		<u>17,459,163</u>	<u>18,359,643</u>
<b>Non-Current Liabilities</b>			
Borrowings	7	11,645,805	16,356,185
Lease liabilities	9	4,040,981	4,585,201
Provisions		870,203	787,036
<b>Total Non-Current Liabilities</b>		<u>16,556,989</u>	<u>21,728,422</u>
<b>Total Liabilities</b>		<u>34,016,152</u>	<u>40,088,065</u>
<b>Net Assets</b>		<u>29,901,118</u>	<u>22,403,374</u>
<b>EQUITY</b>			
Issued capital	4	88,844,837	74,271,419
Reserves		9,698,330	10,426,889
Accumulated losses		(68,642,049)	(62,294,933)
<b>Total Equity</b>		<u>29,901,118</u>	<u>22,403,375</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**SomnoMed Limited**  
**Consolidated Statement of Changes in Equity**  
**For the half-year ended 31 December 2023**

	Issued Capital	Reserves	Accumulated Losses	Owners of Parent	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2023	74,271,419	10,426,889	(62,294,933)	22,403,375	22,403,375
Loss after income tax for the half-year	-	-	(6,347,116)	(6,347,116)	(6,347,116)
Other comprehensive income for the half-year, net of tax	-	(1,253,326)	-	(1,253,326)	(1,253,326)
Total comprehensive Loss for the half-year	-	(1,253,326)	(6,347,116)	(7,600,442)	(7,600,442)
<i>Transactions with owners in their capacity as owners:</i>					
Share option reserve on recognition of remuneration options	-	524,767	-	524,767	524,767
Shares issued during the period net of transaction costs	14,573,418	-	-	14,573,418	14,573,418
Balance at 31 December 2023	88,844,837	9,698,330	(68,642,049)	29,901,118	29,901,118

	Issued Capital	Reserves	Accumulated Losses	Owners of Parent	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	74,271,419	7,812,707	(54,295,891)	27,788,235	27,788,235
Loss after income tax for the half-year	-	-	(3,744,894)	(3,744,894)	(3,744,894)
Other comprehensive income for the half-year, net of tax	-	454,272	-	454,272	454,272
Total comprehensive Loss for the half-year	-	454,272	(3,744,894)	(3,290,622)	(3,290,622)
<i>Transactions with owners in their capacity as owners:</i>					
Share option reserve on recognition of remuneration options	-	517,675	-	517,675	517,675
Shares issued during the period net of transaction costs	-	-	-	-	-
Balance at 31 December 2022	74,271,419	8,784,654	(58,040,785)	25,015,288	25,015,288

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**SomnoMed Limited**  
**Consolidated Statement of Cash Flows**  
**For the half-year ended 31 December 2023**

	<b>31.12.23</b>	<b>31.12.22</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	43,821,693	39,643,592
Payments to suppliers and employees (inclusive of GST)	(46,641,566)	(41,357,989)
Interest received	6,352	5,791
Interest paid	(1,108,547)	(493,799)
Income tax paid	(652,192)	(1,200,743)
Net cash outflow from operating activities	<u>(4,574,260)</u>	<u>(3,403,148)</u>
<b>Cash flows from investing activities</b>		
Payments for intangible assets	(1,682,641)	(2,252,664)
Payments for property, plant and equipment	(524,604)	(1,848,867)
Net cash outflow from investing activities	<u>(2,207,245)</u>	<u>(4,101,531)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	15,122,646
Repayment of borrowings	(5,084,241)	(5,345,000)
Payment of finance lease	(1,248,304)	(1,227,914)
Proceeds from issue of shares net of transaction costs	14,573,418	-
Net cash inflow from financing activities	<u>8,240,874</u>	<u>8,549,732</u>
<b>Net increase in cash and cash equivalents</b>	1,459,369	1,045,053
Cash at beginning of period	11,956,406	15,644,331
Effects of exchange rate adjustment on cash and cash equivalents	(578,238)	185,213
<b>Cash at end of period</b>	<b><u>12,837,537</u></b>	<b><u>16,874,597</u></b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**SomnoMed Limited**  
**Notes to the financial statements**  
**31 December 2023**

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

	<b>Consolidated</b>	
	<b>31.12.23</b>	<b>31.12.22</b>
	<b>\$</b>	<b>\$</b>
<b>Note 2. Revenue and other income</b>		
Operating activities		
Revenue from sale of goods and services, net of discounts	45,114,567	39,961,036
Interest income	6,352	445
<b>Total revenue and other income</b>	45,120,919	39,961,481

	<b>31.12.23</b>	<b>31.12.22</b>
	<b>\$</b>	<b>\$</b>
<b>Note 3. Loss before income tax for the year</b>		
Profit before income tax includes the following specific expenses:		
Operating lease rentals (short term leases and low value leases)	11,592	15,849
Employee benefits expense	24,250,779	19,040,645
Research and development expenditure	581,438	359,042
Depreciation – Property, plant and equipment	864,553	669,035
Amortisation of intellectual property	777,938	554,807
Amortisation – AASB16	1,260,303	1,136,570
Subtotal depreciation and amortisation	2,902,794	2,360,412

**SomnoMed Limited**  
**Notes to the financial statements**  
**31 December 2023**

<b>Note 4. Share capital</b>	<b>31.12.23</b>	<b>30.06.23</b>
	<b>\$</b>	<b>\$</b>
Issued and fully paid ordinary shares 108,591,396 (30 June 2023: 82,759,315) ordinary shares		
Balance of issued capital at the beginning of period	84,002,809	84,002,809
25,832,081 Shares issued at \$0.60 during period	15,499,249	-
Less issue costs	(925,831)	-
Balance of issued capital at end of period	<u>98,576,227</u>	<u>84,002,809</u>
Less shares issued but nil recorded in accounts:		
- 1,830,000 shares (2023: 1,830,000) issued at \$1.17	(2,141,100)	(2,141,100)
- 150,000 shares (2023: 150,000) issued at \$1.18	(177,000)	(177,000)
- 20,000 shares (2023: 20,000) re-issued at \$1.64	(32,800)	(32,800)
- 200,000 shares (2023: 200,000) issued at \$1.67	(334,000)	(334,000)
- 20,000 shares (2023: 20,000) re-issued at \$1.79	(35,800)	(35,800)
- 456,000 shares (2023: 456,000) re-issued at \$1.87	(852,720)	(852,720)
- 350,000 shares (2023: 350,000) issued at \$2.09	(731,500)	(731,500)
- 664,000 shares (2023: 664,000) re-issued at \$2.184	(1,450,176)	(1,450,176)
- 493,000 shares (2023: 493,000) issued at \$2.40	(1,183,200)	(1,183,200)
- 12,500 shares (2023: 12,500) issued at \$3.44	(43,000)	(43,000)
- 3,000 shares (2023: 3,000) issued at \$3.61	(10,830)	(10,830)
Total advances to executives to acquire shares in the Company	<u>(6,992,126)</u>	<u>(6,992,126)</u>
Cancellation and re-issue of units within Employee Share Trust*	<u>(2,739,264)</u>	<u>(2,739,264)</u>
Issued share capital recorded in the Company accounts	<b><u>88,844,837</u></b>	<b><u>74,271,419</u></b>

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

At 31 December 2023 there were 8,795,500 (30 June 2023: 8,795,500) unissued ordinary shares for which options were outstanding (including 4,198,500 issued ordinary shares are treated as options in these accounts (30 June 2023: 4,198,500)).

\* In prior years ordinary shares were issued to the Company's Employee Share Trust on behalf of management of the Company at issue prices up to \$3.61 per share. These shares were financed by non-recourse loans and have been treated as options in the Company's accounts. In June 2020 share units issued by the EST in 2016 at \$3.44 and in 2017 at \$3.61 to existing employees were cancelled and an identical number of units were reissued at \$1.17 to those employees with extended vesting conditions. The amount payable by the EST to the Company as non-recourse loans relating to those prior issues at \$3.44 and \$3.61 per share was recorded as being non recoverable and a new loan at the lesser amount of \$1.17 per share is reflected in these accounts. The additional share option expense incurred in relation to the issue of units at \$1.17 will be brought to account over the revised vesting periods and no further share option expense will be brought to account for the issues at \$3.44 and \$3.61 per share.

**Note 5. Segment Operation**

**Primary Reporting – Business Segments**

The Consolidated Entity produces and sells devices for the oral treatment of sleep related disorders primarily in the Asia Pacific region, North America and Europe.

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Consolidated Entity is managed primarily on the basis of geographical segments and the operating segments are therefore determined on the same basis. SomnoMed's operations during the period related to the production and sale of products treating sleep disordered breathing, which is the only business segment.

**Basis of accounting for purposes of reporting by operating segments**

*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Consolidated Entity.

*Unallocated items*

The following items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives and foreign exchange gains and losses; and
- corporate, research and business development expenses;

Information about reportable segments

<b>Geographical location:</b>	<b>North America</b>	<b>Europe</b>	<b>Asia Pacific</b>	<b>CORE</b>	<b>RSS</b>	<b>GROUP</b>
<b>2023</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total sales/billing revenue	16,671,852	25,795,058	10,402,433	52,869,343	-	52,869,343
Intersegment eliminations	(35,352)	(556,362)	(7,163,062)	(7,754,776)	-	(7,754,776)
<b>External sales revenue</b>	<b>16,636,500</b>	<b>25,238,696</b>	<b>3,239,371</b>	<b>45,114,567</b>	<b>-</b>	<b>45,114,567</b>
<b>Segment net profit before tax</b>	<b>1,789,736</b>	<b>3,783,333</b>	<b>640,778</b>	<b>6,213,847</b>	<b>-</b>	<b>6,213,847</b>
Corporate Expenses	-	-	(7,619,325)	(7,619,325)	-	(7,619,325)
Depreciation and amortisation	(345,911)	(913,467)	(1,643,416)	(2,902,794)	-	(2,902,794)
Other income	-	-	-	-	-	-
Interest income	-	2,089	4,263	6,352	-	6,352
Interest expense	(43,972)	(79,768)	(1,120,424)	(1,244,164)	-	(1,244,164)
<b>(Loss)/profit before tax</b>	<b>1,399,853</b>	<b>2,792,187</b>	<b>(9,738,124)</b>	<b>(5,546,084)</b>	<b>-</b>	<b>(5,546,084)</b>
Income tax expense	(342,624)	(380,439)	(77,969)	(801,032)	-	(801,032)
<b>(Loss)/profit after tax</b>	<b>1,057,229</b>	<b>2,411,748</b>	<b>(9,816,093)</b>	<b>(6,347,116)</b>	<b>-</b>	<b>(6,347,116)</b>

<b>Total Assets</b>	<b>10,031,781</b>	<b>25,243,143</b>	<b>28,326,966</b>	<b>63,601,890</b>	<b>315,380</b>	<b>63,917,270</b>
<b>Total Liabilities</b>	<b>3,864,618</b>	<b>11,980,896</b>	<b>17,730,837</b>	<b>33,576,351</b>	<b>439,801</b>	<b>34,016,152</b>

Note 5. Segment Operation (continued)

Geographical location: 2022	North America \$	Europe \$	Asia Pacific \$	CORE \$	RSS \$	GROUP \$
Total sales/billing revenue	15,278,017	22,399,208	8,961,834	46,639,059	-	46,639,059
Intersegment eliminations	(34,456)	(763,568)	(5,879,999)	(6,678,023)	-	(6,678,023)
<b>External sales revenue</b>	<b>15,243,561</b>	<b>21,635,640</b>	<b>3,081,835</b>	<b>39,961,036</b>	-	<b>39,961,036</b>
<b>Segment net profit before tax</b>	<b>1,790,391</b>	<b>3,924,777</b>	<b>526,113</b>	<b>6,241,281</b>	-	<b>6,241,281</b>
Unallocated expense items	-	-	(6,256,588)	(6,256,588)	(43,964)	(6,300,552)
Depreciation and amortisation	(339,416)	(767,441)	(1,253,555)	(2,360,412)	-	(2,360,412)
Other income	-	-	-	-	-	-
Interest income	-	284	161	445	5,351	5,796
Interest expense	(54,116)	(72,479)	(378,971)	(505,566)	(2,010)	(507,576)
<b>(Loss)/profit before tax</b>	<b>1,396,859</b>	<b>3,085,141</b>	<b>(7,362,840)</b>	<b>(2,880,840)</b>	<b>(40,623)</b>	<b>(2,921,463)</b>
Income tax expense	(362,674)	(394,394)	(66,123)	(823,191)	(240)	(823,431)
<b>(Loss)/profit after tax</b>	<b>1,034,185</b>	<b>2,690,747</b>	<b>(7,428,963)</b>	<b>(3,704,031)</b>	<b>(40,863)</b>	<b>(3,744,894)</b>
<b>Total Assets</b>	<b>10,933,107</b>	<b>23,508,121</b>	<b>29,815,016</b>	<b>64,256,244</b>	<b>393,245</b>	<b>64,649,489</b>
<b>Total Liabilities</b>	<b>4,748,142</b>	<b>11,696,630</b>	<b>22,720,631</b>	<b>39,165,403</b>	<b>468,797</b>	<b>39,634,200</b>

31.12.23  
\$

30.06.23  
\$

Note 6. Intangible assets

Patents and trademarks – at cost	1,958,891	1,975,327
Accumulated amortisation	(1,580,331)	(1,534,614)
	<u>378,560</u>	<u>440,713</u>
Product development expenditure capitalised	10,828,139	10,540,488
Accumulated amortisation	(996,953)	(872,037)
	<u>9,831,186</u>	<u>9,668,451</u>
Software	5,361,041	5,072,918
Accumulated amortisation	(3,280,978)	(2,698,732)
	<u>2,080,063</u>	<u>2,374,186</u>
Goodwill	6,462,440	6,490,848
	<u><b>18,752,249</b></u>	<u><b>18,974,198</b></u>

**Note 6. Intangible assets (continued)**

	<b>31.12.23</b>	<b>30.06.23</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in patents and trademarks</b>		
Balance at beginning of reporting period	440,713	460,824
Additions	-	89,843
Amortisation expense	(54,727)	(123,509)
FX impact	(7,426)	13,555
Balance at end of reporting period	<u>378,560</u>	<u>440,713</u>
<b>Movements in product development expenditure capitalised</b>		
Balance at beginning of reporting period	9,668,451	6,619,953
Additions	287,652	3,223,426
Amortisation expense	(124,917)	(174,928)
Balance at end of reporting period	<u>9,831,186</u>	<u>9,668,451</u>
<b>Movements in software</b>		
Balance at beginning of reporting period	2,374,186	2,328,765
Additions	304,801	1,009,349
Amortisation expense	(598,294)	(969,469)
FX impact	(630)	5,541
Balance at end of reporting period	<u>2,080,063</u>	<u>2,374,186</u>
<b>Movements in goodwill</b>		
Balance at beginning of reporting period	6,490,848	6,037,974
Additions	-	-
FX impact	(28,408)	452,874
Balance at end of reporting period	<u>6,462,440</u>	<u>6,490,848</u>

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expenses per the consolidated statement of profit or loss and other comprehensive income. Goodwill has an indefinite useful life.

Goodwill is allocated to cash generating units, which are the separate legal entities.



**SomnoMed Limited**  
**Notes to the financial statements**  
**31 December 2023**

	<b>31.12.23</b>	<b>30.06.23</b>
	<b>\$</b>	<b>\$</b>
<b>Note 7. Borrowings</b>		
Current borrowings	309,270	313,034
Non-current borrowings	11,645,805	16,356,185
	<u>11,955,075</u>	<u>16,669,219</u>

*Unsecured loan facilities (Government Borrowings)*

- In May 2020, SomnoMed France SAS (France) secured a EUR 0.515 million (A\$0.816 million) Government-backed unsecured loan facility with Société Générale. The interest payable is at 0.5% per annum in the first year (after a grace period of 12 months. Maturity of 5 years). This loan expires on 20 May 2026.
- In June 2020, SomnoMed Germany GmbH (Germany) secured a EUR 0.5 million (A\$0.792 million) Government-backed unsecured loan facility with Commerzbank (maturity of up to 6 years). The interest payable is 3% per annum. This loan expires on 30 June 2030.

*Epsilon Direct Lending loan facility (Commercial Borrowing)*

- On 25 July 2022, SomnoMed Limited entered into a A\$16 million debt facility with Epsilon Debt Lending. The facility, which is supported by a first ranking general security interest, is for a term of 3 years, with no amortisation payments.
- SomnoMed repaid \$5m of the debt in September 2023 and now has fully drawn A\$11.4 million under the facility. Interest payable is calculated quarterly at BBSW, plus a 10% margin.
- Epsilon Direct Lending (EDL) has agreed to suspend the existing gross leverage and interest cover covenants for FY24, which have been replaced by a minimum quarterly EBITDA covenant. EDL's approval to amend the covenants is also contingent on maintenance of a minimum cash balance of \$5m. The financial covenants specified in the facility agreement were complied with at 31 December 2023.

**SomnoMed Limited**  
**Notes to the financial statements**  
**31 December 2023**

<b>Note 8. Right-of-use assets</b>	<b>31.12.23</b>	<b>30.06.23</b>
	<b>\$</b>	<b>\$</b>
Right-of-use assets - non-current	6,228,697	6,499,653
	<u>6,228,697</u>	<u>6,499,653</u>
Land and buildings - right-of-use	11,517,918	11,135,376
Lease modifications*	129,819	261,541
Less: Accumulated depreciation	(6,720,319)	(5,733,136)
	<u>4,927,419</u>	<u>5,663,781</u>
Plant and equipment - right-of-use	194,121	184,190
Lease modifications*	(8,583)	-
Less: Accumulated depreciation	(152,142)	(140,104)
	<u>33,396</u>	<u>44,086</u>
Vehicles - right-of-use	2,876,274	2,153,255
Lease modifications*	55,679	41,519
Less: Accumulated depreciation	(1,664,071)	(1,402,988)
	<u>1,267,881</u>	<u>791,786</u>

'Land and buildings' include offices utilised as administration offices, laboratories and also the lease for the global manufacturing site. 'Plant and equipment' are comprised mostly of leased printers and, to a smaller extent, intra-oral scanners. 'Vehicles' relate to leased cars to sales and administration staff.

\*Lease modifications for surrender of leases, early terminations and changes to lease terms.

Balance at the beginning of the period	6,499,653	4,675,691
Additions	812,431	3,870,035
Lease modifications*	176,916	303,060
Depreciation expense	(1,260,303)	(2,349,133)
Balance at end of the period	<u>6,228,697</u>	<u>6,499,653</u>
Depreciation expense - land and buildings	(987,183)	(1,856,521)
Depreciation expense - plant and equipment	(12,037)	(29,942)
Depreciation expense - vehicles	(261,083)	(462,670)
Total amortisation expense	<u>(1,260,303)</u>	<u>(2,349,133)</u>

The consolidated entity leases land and buildings for its offices and laboratories under agreements of between one to eleven years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity leases office equipment under agreements of three and five years and property under agreements of one and nine years whilst vehicle lease agreements have a duration between one and five years.

\* Lease modifications for surrender of leases, early terminations, and changes to lease terms

**SomnoMed Limited**  
**Notes to the financial statements**  
**31 December 2023**

<b>Note 9. Lease liabilities</b>	<b>31.12.23</b>	<b>30.06.23</b>
	\$	\$
Lease liability - current	2,541,571	2,256,307
Lease liability - non-current	4,040,981	4,585,201
	<u>6,582,552</u>	<u>6,841,508</u>

**Note 10. Subsequent Events**

The directors are not aware of any matter or circumstance that has arisen since the end of the half year to the date of this report that has significantly affected or may affect,

- (i) The operations of the company and the entities that it controls,
- (ii) The results of those operations,
- (iii) The state of affairs of the Consolidated Entity in subsequent years.

**Note 11. Dividends**

No dividends were paid during or subsequent to the half-year ended 31<sup>st</sup> December 2023.

**Note 12. Property, plant and equipment**

**Plant and equipment**

Plant and equipment - at cost	14,205,036	13,963,615
Accumulated depreciation	(8,885,815)	(8,234,506)
	<u>5,319,221</u>	<u>5,729,109</u>

**Leasehold Improvements**

Lease hold improvement - at cost	1,142,848	1,122,735
Accumulated amortisation	(650,700)	(621,584)
	<u>492,148</u>	<u>501,151</u>
<b>Total property, plant and equipment</b>	<u>5,811,369</u>	<u>6,230,260</u>

**SomnoMed Limited**  
**Declaration by Directors**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Guy Russo', written in a cursive style.

Guy Russo  
Chairman

28<sup>th</sup> February 2024  
Sydney

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SomnoMed Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of SomnoMed Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit Pty Ltd**

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper', written over a horizontal line.

Ian Hooper  
Director

Sydney, 28 February 2024

## DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF SOMNOMED LIMITED

As lead auditor for the review of SomnoMed Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of SomnoMed Limited and the entities it controlled during the period.



Ian Hooper  
Director

**BDO Audit Pty Ltd**

Sydney, 28 February 2024