

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 2016

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	10,996	10,996
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,094)	(4,094)
(c) advertising and marketing	(1,864)	(1,864)
(d) leased assets	-	-
(e) staff costs	(4,362)	(4,362)
(f) administration and corporate costs	(1,748)	(1,748)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	30
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	(594)	(594)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,637)	(1,637)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(216)	(216)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property, licence and access rights	(207)	(207)
(e) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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)	-	-
2.6 Net cash from / (used in) investing activities	(423)	(423)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	585	585
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	453	453
3.4 Transaction costs related to issues of shares, convertible notes or options	(29)	(29)
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	1,009	1,009

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	17,632	17,632
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,637)	(1,637)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(423)	(423)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,009	1,009
4.5 Effect of movement in exchange rates on cash held	(246)	(246)
4.6 Cash and cash equivalents at end of quarter	16,335	16,335

Sales growth accelerating as Northern half returns from Summer holidays

SomnoMed Limited announced today record breaking September sales (+23.8% year on year) compensated for the usually soft Northern summer months of July and August (+13.0% year on year) resulting in growth rates in unit sales of 16.9% for the first quarter of the financial year 2016/17. Total revenues were \$10.94 million for the quarter, up by 13.4%.

North American unit sales followed the same seasonal pattern. Whilst July/August sales grew by 13.6%, September sales showed excellent growth of 35.3%, lifting growth for the quarter in the North America region to 20.5%. Canadian sales contributed about 5% of total North American sales. Sales through licensees were stronger than expected, contributing 16.5% of total regional sales, reflecting purchases to replace diminishing stocks.

Sales of new SomnoDent[®] devices dominated North American sales accounting for 56% of total direct sales. All new devices – Signature and Standard – showed strong growth. Signature Fusion device sales grew by over 45% during the first quarter, and newly introduced SUAD[™] devices conquered 3% of total direct sales. In the new Standard line of products Herbst Advance grew by 31% during the quarter and Air device sales were accelerating, growing by 44.7%.

Despite the long summer holidays in Europe device sales grew by 19.4% during the first quarter year on year. September delivered record sales and lifted Europe's share of direct global sales in that month to 42.7%. Excellent growth, exceeding 25%, was achieved in a number of core and new markets.

During the quarter the French government announced new regulations coming 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 lead to significant growth in sales of oral appliances in France over the next few years.

APAC sales were soft throughout the quarter representing 10.1% of global sales in Q1 but only 8.9% of all direct sales in September. Growth in APAC countries is limited due to the total lack of reimbursement and the dominance of surgery, which has largely disappeared in most Western countries, still seen in several countries in Asia.

Newly appointed global CEO Mr. Derek Smith commenced his employment on 1st of September with a hand over process taking place in the US and Europe during the same month.

The leadership team of our new entity - Sleep Centers America, Inc. - has been appointed during the quarter with an experienced Chief Operating Officer and National Marketing Manager joining SCA's CEO Jim Evanger. Planning and preparation for the opening of the first outlet of SCA at the beginning of 2017 are underway.

During the quarter FDA 510k approval was received for SomnoDent[®] Alpha, the new instant fit test device. Use of Alpha in selected hospitals is expected to start during the second quarter to test the impact of COAT[™], primarily on patients diagnosed with severe OSA conditions, before a permanent device is fitted.

SomnoMed held \$16.3m in cash at 30 September 2016. Cash outflows during the quarter included start-up and recruitment costs relating to newly formed SCA entity, overseas tax payments and other expenses incurred in the previous quarter.

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	9,962	13,686
5.2 Call deposits	6,373	3,946
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)	16,335	17,632

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	169
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	Current quarter \$A'000
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. 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	(50)
9.2 Product manufacturing and operating costs	(5,000)
9.3 Advertising and marketing*	(2,000)
9.4 Leased assets	-
9.5 Staff costs*	(4,700)
9.6 Administration and corporate costs	(1,750)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(13,500)

* = includes investment and start-up costs of SCA

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

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:



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Company secretary

Date: 18th October 2016

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.