

**Appendix 4C**  
*Quarterly report*  
*for entities admitted*  
*on the basis of commitments*

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

**SomnoMed Limited**

ABN

**35 003 255 221**

Quarter ended ("current quarter")

**31<sup>th</sup> December 2015**

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from customers	10,785	20,817
1.2 Payments for		
(a) staff costs	(4,054)	(7,850)
(b) advertising and marketing	(731)	(1,167)
(c) research and development	(6)	(10)
(d) leased assets		
(e) other working capital	(5,116)	(10,728)
(f) business development	(30)	(72)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	34
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid	(123)	(151)
1.7 Other income- net grants/R&D concessions		
<b>Net operating cash flows</b>	<b>739</b>	<b>869</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	<b>739</b>	<b>869</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(477)	(1,098)
(b) equity investment associate		
(c) intellectual property	(64)	(71)
(d) physical non-current assets	(570)	(925)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) net cash from a previous associate company now a controlled entity	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loan to associated entity	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(1,111)</b>	<b>(2,094)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(372)</b>	<b>(1,225)</b>
<b>Cash flows related to financing activities</b>		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	204	204
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings		
1.19 Dividends paid	-	-
1.20 Other (provide details if material)		
<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>(168)</b>	<b>(1,021)</b>
1.21 Cash at beginning of quarter/year to date	<b>7,806</b>	<b>8,306</b>
1.22 Exchange rate adjustments to item 1.21	(214)	139
1.23 <b>Cash at end of quarter</b>	<b>7,424</b>	<b>7,424</b>

+ See chapter 19 for defined terms.

## **SOMNOMED RECORDS 30% GROWTH IN DIRECT SALES REVENUES OF SOMNODENT DEVICES IN 1<sup>ST</sup> HALF OF 2015/16**

Total revenues generated from the sale of SomnoDent® devices for the first six months of the financial year 2015/16 increased by 30.3%, compared to the previous year, to \$18.05 million (unaudited). Strong direct sales for Q2 in the US and Europe resulted in quarterly MAS device revenues of \$9.8 million (unaudited), which were 27.2% higher than in the previous year.

Non device revenues including managed dental service fees, cleaning tablets and repair service fees amounted to \$3.29 million, bringing total revenues for the half year to December to \$21.3 million (+27%).

The main features of the first half of the financial year were the excellent performance of US direct sales, solid growth in the European markets and growing acceptance for all our new products.

Global direct sales of SomnoDent® devices in Q2 recorded a growth of 21.3%. Including licensees sales, a total of 16,151 SomnoDent® devices were sold globally in Q2, 19% above the same quarter in the previous year and bringing the total number of devices sold during the first half year period to 28,997 (+17%). Sales to North American licensees stabilised during Q2, with a drop of 2.5% compared to the 83% drop recorded in Q1.

Strong growth in direct sales seen in the US during the course of 2015 continued in the last quarter of the calendar year. Direct sales were up by 22.1% in the quarter year on year and it is expected the third quarter should reflect a continuation of this trend, based on the strong start experienced in 2016. Each of the market segments of dental and medical sales performed well during the whole of the half year period to the end of December.

Europe continued to perform excellently during the quarter, where sales accelerated in Q2 and sales volume grew by 23.4% (Q1 +18.3%). For the first half of the financial year 2015/16 Europe recorded a growth in sales volume of 21.2%. A number of countries in Western and Central Europe recorded growth rates in excess of 25% in Q2 year on year. Core markets are continuing to grow and new markets are showing very positive trends.

APAC sales grew 11.1% during the first half and a modest 8.7% for Q2. Good growth was recorded in both Japan and Korea but was offset by lower growth generated in Australia.

Europe's share of SomnoMed's global business in Q2 grew to 36.9%, North America accounted for 54.5% and APAC for 8.6%.

US direct sales were driven by the success of SomnoMed's new products. The transition to the new signature line device, SomnoDent® Fusion, is continuing to progress well in all regions, and the new mid-price products are performing excellently in the US market. New products introduced in late 2014 accounted for 36.1% of US sales in the half year period to December 2015. Whilst licensee sales in the US and Canada stabilised in the second quarter, overall they still reduced by 42% for the half year, due to the significant reduction previously reported in Q1.

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“We are very pleased with the development of SomnoMed’s business in Q2 and the first half of the year,” said Dr. Peter Neustadt, Executive Chairman of SomnoMed. “The strong growth rate of 23.8% recorded in our direct global sales during the first half year period is very pleasing, especially given that shipment and production delays were experienced in December leading to over 400 manufactured devices, 70% of which were destined for the US market, only arriving after the close of business on the 31 December. This indicates a real growth rate of our global direct sales of around 25.6% for the half year which is an excellent result. We expect the third quarter to continue on this growth path, based on the trends we have seen during the first half.”

“As previously advised, we see licensee sales continuing to reduce in the second half of the financial year. The share of sales of our North American licensees halved from 18.8% in the first half of the financial year 2014/15 to 9.4% during the first half of this year and, given the rapid growth in our own direct sales, this share is likely to fall further during the second half. We expect that these sales through our licensees will only account for around 5% of our global sales in 2015/16.” commented Dr. Neustadt

The acquisition of Strong Dental, which was completed in November 2015, will start contributing to our Canadian sales in the second half of the year. We also see potential for Strong Dental’s SUAD devices in other markets,” said Dr. Neustadt.

The cash position at the 31 December 2015 was \$7.4 million.

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**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	168
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments made during the quarter include directors' fees

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	5,687	4,920
4.2 Deposits at call	1,737	2,886
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>7,424</b>	<b>7,806</b>

### Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Strong Dental	N/A
5.2 Place of incorporation or registration	Canada	
5.3 Consideration for acquisition or disposal	A\$478,000	
5.4 Total net assets	A\$196,000	
5.5 Nature of business	Manufacturer and supplier of oral appliance devices for the treatment of obstructive sleep apnoea	

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
 (Company Secretary)

Date: 19<sup>th</sup> January 2015

Print name: T A Flitcroft

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## 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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