

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")

30th September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from customers	2,323	2,323
1.2 Payments for		
(a) staff costs	(1,021)	(1,021)
(b) advertising and marketing	(388)	(388)
(c) research and development	(80)	(80)
(d) leased assets	-	-
(e) other working capital	(1,650)	(1,650)
(f) business development	(89)	(89)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	27	27
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other income- net grants/R&D concessions	107	107
Net operating cash flows	(771)	(771)

+ See chapter 19 for defined terms.

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	(771)	(771)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investment associate	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(82)	(82)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(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)	-	-
	(82)	(82)
Net investing cash flows		
1.14 Total operating and investing cash flows	(853)	(853)
Cash flows related to financing activities		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	229	229
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)	-	-
	229	229
Net financing cash flows		
Net increase (decrease) in cash held	(624)	(624)
1.21 Cash at beginning of quarter/year to date	4,295	4,295
1.22 Exchange rate adjustments to item 1.20	(54)	(54)
1.23 Cash at end of quarter	3,617	3,617

+ See chapter 19 for defined terms.

Commentary

SomnoMed reports solid growth and stronger profits

SomnoMed Limited has announced today that in the month of September worldwide sales of SomnoDent® sleep apnea appliance had for the first time in SomnoMed's history exceeded 2,000 units. This comes after seasonally affected lower sales in the northern summer months of July and August.

SomnoMed generated an unaudited operating profit before corporate and business development expenses (\$723K), which exceeded budget and was approximately 70% ahead of the same number for the prior year. The company again had a positive unaudited EBITDA (\$118K), which was ahead of budget and the prior year EBITDA (\$41K).

In the September quarter, revenues increased by 36% over the same quarter in the previous year, with total sales revenues of \$2.8m. Unit sales for the first quarter 2010 grew 29% over 2009 unit sales for the corresponding period. Europe's units growth was very pleasing, increasing over 150% in quarter one 2010, as compared with the same quarter in 2009. North American units sold increased 17% compared to the same quarter in the previous year.

The Gross Margin continued to improve through manufacturing efficiencies and is now at a level of 60%, compared with 56% shown in FY 2010.

Mr. Ralf Barschow, SomnoMed's CEO commented, "The result is driven by the ongoing strong volumes seen in most markets and more noticeably from Europe this quarter. The demand for the SomnoMed products in the treatment of sleep disordered breathing continues to grow. This is reflected in the profitability of our company and demonstrates our commitment to the market in providing a clinically proven treatment alternative in the sleep disordered breathing sector."

"Strategic alliances, ongoing product developments and further product innovations will allow SomnoMed to continue this trend," added Mr Barschow. "We continue to work on the further acceptance of the SomnoDent® Sleep Apnea treatment solution within the medical market, with Sleep Physicians referring more and more patients to a SomnoDent® treatment as a means to alleviating Obstructive Sleep Apnea. We are very pleased with this trend and reached now over 50,000 patients worldwide having received or are in treatment with a SomnoDent® sleep apnea appliance."

Cash usage in the September quarter was \$624 000 relating mainly to the investments made to expand the Manila production facility capacity, year end related payments, as well as further working capital requirements.

The cash balance at the end of September 2010 was \$3.6m.

+ See chapter 19 for defined terms.

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	48
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	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

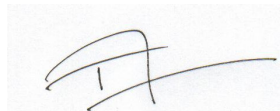
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,656	2,403
4.2 Deposits at call	1,961	1,892
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
Total: cash at end of quarter (item 1.22)	3,617	4,295

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	N/A	N/A
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

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: 28th October 2010

Print name: T A Flitcroft

+ See chapter 19 for defined terms.

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.