

# 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")

**31st December 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	3,413	5,736
1.2 Payments for		
(a) staff costs	(1,036)	(2,057)
(b) advertising and marketing	(542)	(930)
(c) research and development	(9)	(89)
(d) leased assets	-	-
(e) other working capital	(1,483)	(3,133)
(f) business development	(138)	(227)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	52
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other income- net grants/R&D concessions	-	107
<b>Net operating cash flows</b>	<b>230</b>	<b>(541)</b>

+ See chapter 19 for defined terms.

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	<b>230</b>	<b>(541)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investment associate	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(64)	(146)
(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)	-	-
	<b>(64)</b>	<b>(146)</b>
<b>Net investing cash flows</b>		
<b>1.14 Total operating and investing cash flows</b>	<b>166</b>	<b>(687)</b>
<b>Cash flows related to financing activities</b>		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	-	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)	-	-
	-	<b>229</b>
<b>Net financing cash flows</b>		
<b>Net increase (decrease) in cash held</b>	<b>166</b>	<b>(458)</b>
1.21 Cash at beginning of quarter/year to date	<b>3,617</b>	<b>4,295</b>
1.22 Exchange rate adjustments to item 1.20	(34)	(88)
1.23 <b>Cash at end of quarter</b>	<b>3,749</b>	<b>3,749</b>

+ See chapter 19 for defined terms.

## Commentary

### SomnoMed delivers record quarter

SomnoMed Limited (ASX: SOM) announced today it had achieved record quarterly unit sales during the second quarter to December 2010. Unit sales increased by 23% over the same period last year and by 18% over the previous quarter achieving an all time high of 6,196 units sold during the three months period to December. Total revenue grew by 10% in the second quarter over the first quarter, despite the exchange rate effects of the Australian dollar against both the US\$ and Euro during this period.

Volume and revenue growth continued to be driven by strong results posted by SomnoMed's European subsidiary. In comparison to the same period last year volume growth in Europe was over 102% for the December quarter and SomnoDent<sup>®</sup> MAS revenues grew by over 120%. In the US during the second quarter of FY 2010/11 new record unit sales were recorded with the month of December marking the highest volume sales ever achieved in the US. This comes despite the delayed Medicare announcement still causing uncertainty about the level of reimbursement which Medicare patients will be entitled to receive for the treatment of sleep apnea with an oral appliance.

Total revenues for SomnoMed's second quarter were \$3.1 million, compared to \$2.6 million in the same period last year and resulted in the company to generating positive cash flow and profits for the quarter.

SomnoMed's CEO Mr. Ralf Barschow commented, "We are quite content with the results achieved in the second quarter of FY 2010/11, particularly with the sales growth and new records achieved in the month of November in Europe and in December in the USA."

The company's investment in manufacturing, logistics and operations has allowed SomnoMed to better control manufacturing costs and therefore the gross margin of the business. SomnoMed's group gross margin has improved from 63% in the first quarter to 65% in the second. This is significantly up on the 61% posted in the same period last year and has contributed to the quarter's positive cash flow and a profitable first half of the year, for both the company as a whole and each geographic area.

"From a global perspective SomnoMed controls direct operations in three global regions, with Japan still at the development stage. Our global strategy is clear and we are now able to develop and secure our presence in all markets in which we trade. We continue to concentrate our resources on markets, which can achieve good sales for us within a period of up to three years. Other markets will develop and will also become significant in time but might have to be approached with different business models to maximize returns on resources deployed," Mr. Barschow said.

"At the end of 2010 we can look back and conclude that SomnoMed has successfully built the foundation for a strong growth business, especially in highly developed countries around the globe. But like most other medical device businesses, the level of growth and product acceptance will depend on government regulations, reimbursement and the preparedness of medical practitioners, in our case sleep specialists, to embrace alternative treatment methods for sleep disordered breathing problems and achieve improved compliance and better results for their patients. Where the preconditions are not fulfilled the adaption and growth of oral appliance therapy is slow, whereas in markets where these preconditions are fulfilled the adaption and uptake is quite rapid, as we have seen in some markets," said Mr. Barschow.

SomnoMed generated \$230,000 in net operating cash during the second quarter and finished the calendar year with \$3.75 million in cash available. There are currently no plans for the raising of additional capital.

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+ 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	55
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

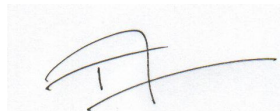
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,106	1,656
4.2 Deposits at call	1,643	1,961
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>3,749</b>	<b>3,617</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	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: 27th January 2011

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.