

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 Mar 2013

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	3,734	12,469
1.2 Payments for		
(a) staff costs	(1,989)	(5,442)
(b) advertising and marketing	(730)	(1,484)
(c) research and development	(30)	(70)
(d) leased assets	-	-
(e) other working capital	(1,453)	(5,767)
(f) business development	(134)	(436)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	22	73
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other income- net grants/R&D concessions	-	-
Net operating cash flows	(580)	(657)

+ 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)	(580)	(657)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(148)	(521)
(b) equity investment associate	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(75)	(162)
(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)	-	-
	(223)	(683)
Net investing cash flows		
1.14 Total operating and investing cash flows	(803)	(1,340)
Cash flows related to financing activities		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	-	541
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)	-	-
	-	541
Net financing cash flows		
Net increase (decrease) in cash held	(803)	(799)
1.21 Cash at beginning of quarter/year to date	3,535	3,538
1.22 Exchange rate adjustments to item 1.20	(48)	(55)
1.23 Cash at end of quarter	2,684	2,684

+ See chapter 19 for defined terms.

STRONG GROWTH IN EUROPE AND A NEW US MANAGEMENT TEAM NOW IN PLACE

The March 2013 quarter saw SomnoMed complete the restructuring and expansion of its US management team, with the aim of strengthening the dental team, as well as building the medical capabilities of SomnoMed within the US and Canada. Considerable effort went into the establishment of an experienced and very well credentialed management team capable of taking SomnoMed to the next level in the development of our business in the US. It is envisaged that the expansion into the mainstream medical device market will allow SomnoMed to participate in the vast market of treating SDB patients by providing an alternative to CPAP and will also elevate and differentiate SomnoMed from a range of smaller, dental laboratory focused competitors.

During the first quarter a new VP Dental was appointed reporting to the recently appointed new president of SomnoMed North America, Dr. Kien Nguyen. Under their leadership SomnoMed will continue to build the SomnoMed Dental Network, now consisting of over 2,500 educated dentists in the US, but at the same time, working in an integrated fashion with the newly created medical departments, it will connect and integrate our network dentists into the medical market.

The recruitment of key positions in our new medical departments was completed during the last quarter. Our new US medical team, headed by a Chief Medical Officer, new VP National Marketing & Sales and VP Managed Care will be focusing in a dedicated approach to increase the acceptance of oral appliance therapy, positioning SomnoDent® as the product of choice (now being used by over 130,000 patients worldwide) and increasing referrals to our specialist dentists.

The new US medical team has commenced the development of education and sales programs for the US market. The introduction of the team and their programs will officially kick off at the upcoming annual convention of the American Association of Sleep Medicine in Baltimore in June. The development of our medical educational and sales programs will shape SomnoMed's business in the US in 2013/14 and beyond. The recently published three year MASPAP research (American Journal of Respiratory Critical Care Medicine) headed by Professor Peter Cistulli and Professor Ron Grunstein confirming the comparable effectiveness of SomnoDent® and CPAP will contribute to the growing acceptance of SomnoDent® as an alternative treatment method for the majority of obstructive sleep apnea patients.

Total sales revenues for the year to date are \$13.3 million, up by 25% compared to the previous year after third quarterly revenues of \$4.33 million, up 13% compared to the same period in the previous year.

Q3 produced varying sales results in SomnoMed's three global regions. Whilst European unit sales grew by 35% compared to the same quarter in the previous year, North America's sales growth was still lagging due to the changes taking place in our US organisation. APAC numbers were marginally down on the previous strong quarter. Total unit sales for the first nine months of the financial year 2012/13 were 25,764 up by 15.2% compared to the same period in the previous year. Total global sales for the quarter grew by 8.3% to 8,582 MAS units.

Executive Chairman Dr. Peter Neustadt commented, "Europe is growing very fast across our four regions – Nordic, Benelux, German speaking and France. Every region is expanding but has totally different market configurations, maturities and key factors for success. Sales forces in all regions been expanded during the third quarter and are expected to produce ongoing growth. New market entries in France, Belgium and Norway produced promising and accelerating sales."

North American sales have been affected by the expansion, upgrade and corrective actions taken by our new management team and staff which commenced in the first half of the financial year. In essence, we have a new and stronger team running SomnoMed North America's dental business today and, at the same time, have added a number of new medical departments. Changes on the dental side were needed in the light of changing market conditions and our aim to be the leading sales and service organisation in the US oral appliance market. Adaptation of our new G2 device is going well but promotional programs to strengthen sales and services of our complete product line are taking longer than expected to achieve the desired results. Application for FDA approval for a new product to serve the middle-lower price segment targeted to Medicare patients was lodged at the end of February. The new product is expected to be launched into the market during Q4.

+ See chapter 19 for defined terms.

APAC sales, dominated by Australian sales, were lower than the previous quarter but sales in Japan, albeit still small, are growing fast and will continue to develop within the constraints of a non-reimbursed market for SomnoDent® vis a vis CPAP.

Whilst Europe will continue to produce high growth in Q4, it is taking longer than first envisaged for our new management team to adjust our operations and for our programs to gain momentum in North America. The impact of our medical expansion will only be seen in the next financial year. We currently expect our overall growth in the second half of 2012/13 to be affected, resulting in total unit sales of around 35,000 units for the year, approximately 8 to 10% below our stated targets. Notwithstanding that, we have the fullest confidence in our most capable and experienced new team in the US, probably the strongest team in our industry, to position SomnoMed successfully in the mainstream medical treatment market for sleep disordered breathing patients in the US and generate the expected growth in the years ahead.

Cash use for the quarter was \$851,000 and in line with our expectations. The use was dominated by the increase in the investment in the US management team generally and the establishment of our medical departments, the acquisition of our Swedish distributor and service partner MAS Nordic on the 1 January 2013, the funding of recently acquired French company Orthosom S.A. (now SomnoMed France S.A.) on 1 December 2012 and increased accounts receivable in Europe and the US. Cash available at the end of the quarter was \$2.68 million.

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	70
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

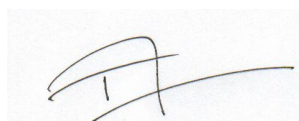
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,074	2,595
4.2 Deposits at call	610	940
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
Total: cash at end of quarter (item 1.22)	2,684	3,535

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	MAS Nordic	N/A
5.2 Place of incorporation or registration	Sweden	
5.3 Consideration for acquisition or disposal	\$430,000	
5.4 Total net assets	-	
5.5 Nature of business	Distributor and manufacturer	

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: 12th April 2013

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.

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