

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 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	7,340	12,260
1.2 Payments for		
(a) staff costs	(2,497)	(4,813)
(b) advertising and marketing	(472)	(885)
(c) research and development	(6)	(19)
(d) leased assets	-	-
(e) other working capital	(3,688)	(6,884)
(f) business development	(65)	(115)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(1)	(3)
1.7 Other income- net grants/R&D concessions	-	-
Net operating cash flows	620	(446)

+ 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)	620	(446)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	(75)	(225)
(b) equity investment associate	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(42)	(95)
(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	-	353
(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)	-	-
	(117)	33
Net investing cash flows		
1.14 Total operating and investing cash flows	503	(413)
Cash flows related to financing activities		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	4	4
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)	-	-
	4	4
Net financing cash flows		
Net increase (decrease) in cash held	507	(409)
1.21 Cash at beginning of quarter/year to date	3,293	4,221
1.22 Exchange rate adjustments to item 1.21	164	152
1.23 Cash at end of quarter	3,964	3,964

+ See chapter 19 for defined terms.

SomnoMed accelerates growth in Q2

SomnoMed booked record sales of 4,134 units in the month of December, 38.2% more than in the same month in 2012. All regions performed well during the month; compared to the previous year unit sales in the APAC region were up by 25%, North America grew by 31% and Europe by 55%.

New records were also set for the second quarter across all regions allowing SomnoMed to show accelerated growth during the second three months period of the financial year 2013/14. For the first time over 11,000 MAS units were sold (11,146) in a quarter, 23.6% more than in the same quarter in the previous year.

During the quarter APAC unit sales grew by 13% and Europe by an impressive 52% compared to the same quarter in the previous year. After a slow start to the quarter, US sales picked up well in the months of November (+23%) and December (+31%), allowing it to book a quarterly increase in sales of 10%.

SomnoMed generated revenues of \$6.89 million during Q2, 41.4% more than in the same quarter in the previous year. Revenues for the six months period were \$12.55 million, up by 39.1%.

“We are very pleased with the results achieved in Q2. Europe’s performance continues to be outstanding but we also see good acceleration in the APAC region. We are particularly pleased to see our North American sales growing strongly, especially in November and December of last year. This was primarily driven by our direct sales (SomnoMed customers v licensees), which grew by 43% in November and by 37% in December,” said Dr. Peter Neustadt, Executive Chairman of SomnoMed.

“Given the sales of 11,146 units generated in the second quarter of the financial year 13/14, our guidance of 43,000 units for 13/14, announced at the beginning of the financial year, can be reconfirmed. The revenue guidance of \$23 million for the year 2013/14 is now most likely to be exceeded,” said Dr. Neustadt.

Cash at the end of December was \$3.96 million and increase of 20% from the cash position at the end of Q1.

+ 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	90
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	3,461	2,796
4.2 Deposits at call	503	497
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
Total: cash at end of quarter (item 1.22)	3,964	3,293

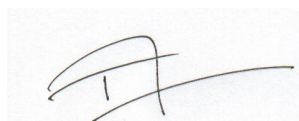
Acquisitions and disposals of business entities

	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		

SMH Biomaterial AG, which was previously an associate entity of SomnoMed Limited, will be treated as a controlled entity from July 2013, as a result of the acquisition of Orthosleep19 GmbH. This company had cash reserves of \$353,000 at the date it became a controlled entity.

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: 16th January 2014

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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