

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 March 2014

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	6,041	18,301
1.2 Payments for		
(a) staff costs	(2,552)	(7,365)
(b) advertising and marketing	(361)	(1,246)
(c) research and development	(9)	(28)
(d) leased assets	-	-
(e) other working capital	(3,641)	(10,525)
(f) business development	(45)	(160)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	20
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(202)	(205)
1.7 Other income- net grants/R&D concessions	-	-
Net operating cash flows	(762)	(1,208)

+ See chapter 19 for defined terms.

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	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	(762)	(1,208)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	(225)
(b) equity investment associate	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(92)	(187)
(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)	-	-
	(92)	(59)
Net investing cash flows		
1.14 Total operating and investing cash flows	(854)	(1,267)
Cash flows related to financing activities		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	-	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
Net financing cash flows		
Net increase (decrease) in cash held	(854)	(1,263)
1.21 Cash at beginning of quarter/year to date	3,964	4,221
1.22 Exchange rate adjustments to item 1.21	(112)	40
1.23 Cash at end of quarter	2,998	2,998

+ See chapter 19 for defined terms.

SomnoMed achieves 28% volume growth in Q3

SomnoMed Limited announced today that it increased the sales volume by 28.3% in Q3, compared to the same quarter in the previous year. Total units sold for the three months to the end of March 2014 were 11,010. After growth of 13.1% in Q1 and 23.6% in Q2, the growth of 28.3% achieved in Q3 confirms the trend of SomnoMed's accelerating sales volumes achieved in its global operation. Total units sold for the nine months were 31,465 units, with growth of 21.8% over the same period in the previous year.

Total revenues generated during the third quarter amounted to \$6.5m and 50% more than in the previous year (30% on constant exchange rates), bringing the year to date revenues to a total of \$19m and is 43% up on last year.

"This is the highest volume growth achieved in a March quarter for the last 3 years," said Executive Chairman Dr. Peter Neustadt. "We were able to see significant improvements in our US sales. Whilst the year on year growth in Q1 was only 2.8%, Q2 growth improved to 10.1%, whereas Q3 has now produced a growth of 22.8%. Volume achieved in the March quarter in the US has set a new sales record. This is due to a number of programs in the dental and medical markets in the US, which were initiated during 2013 and are now show encouraging results. The launch of our SomnoDent® Herbst, a high quality and differentiated Medicare product, has been successful and is likely to continue to show growing acceptance," Dr. Neustadt commented.

"Europe continues to generate strong growth in all the four European regions in which we are directly distributing our SomnoDent® products. Pleasing results were achieved in APAC, where growth in Q3 came in at 17.3%, the highest growth achieved for several years. This is due to marketing initiatives in Australia and New Zealand, good growth in Japan and the results of our Korean operation, which is now under our own control," said Dr. Neustadt.

SomnoMed's MAS gross margin remained at 67%, allowing the company to generate strong growth in operating income after cost of goods sold. Net cash used in Q3 was mainly due to unusually longer payment terms linked to the European insurers and the expenses relating to the activities linked to the reported medical initiative in the US.

SomnoMed's balance sheet remains strong with cash of \$3 million at 31 March 2014, with no debt.

+ 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	150
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	2490	3,461
4.2 Deposits at call	508	503
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
Total: cash at end of quarter (item 1.22)	2,998	3,964

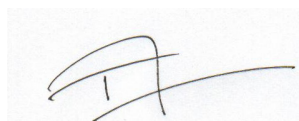
Acquisitions and disposals of business entities

	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: 10th April 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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