

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 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date \$A
1.1 Receipts from customers	2,545,201	4,919,914
1.2 Payments for		
(a) staff costs	(772,166)	(1,581,229)
(b) advertising and marketing	(238,736)	(452,579)
(c) research and development	(23,441)	(43,757)
(d) leased assets	-	-
(e) other working capital	(1,437,364)	(2,895,272)
(f) business development	(158,991)	(244,291)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21,001	47,537
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	(94,496)	(249,677)

+ See chapter 19 for defined terms.

	Current quarter \$A	Year to date \$A
1.8 Net operating cash flows (carried forward)	(94,496)	(249,677)
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	(401,310)	(401,310)
(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)	-	-
	-	-
Net investing cash flows		
1.14 Total operating and investing cash flows	(495,806)	(650,987)
Cash flows related to financing activities		
1.15 Net Proceeds/Costs from issues of shares, options, etc.	-	-
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)	-	-
	-	-
Net financing cash flows		
Net increase (decrease) in cash held	(495,806)	(650,987)
1.21 Cash at beginning of quarter/year to date	3,806,367	4,008,934
1.22 Exchange rate adjustments to item 1.20	(12,866)	(60,252)
1.23 Cash at end of quarter	3,297,695	3,297,695

+ See chapter 19 for defined terms.

Commentary

SomnoMed accelerates Growth beyond forecasts

SomnoMed Limited finished the first half of fiscal 2009/10 by setting new records in units sold and contribution generated and will report better than expected results in the half yearly report due in late February.

SomnoMed's CEO Ralf Barschow commented, "We finished 2009 very strongly. Whilst we are still waiting for the formal sign off from our auditors, we can state that we are proud to have generated, not only a positive EBITDA for the six months to December but, for the first time, our company generated profits before tax. We are expecting a final EBITDA figure for the first half in the order of \$250,000 and a profit before tax in excess of \$100,000."

These better than forecast results are coming on the back of accelerating global growth in sales of the SomnoDent® device for treating sleep disordered breathing. Units sold in the six months to December 2009 amounted to 9,140, 66.9% more than in the same period in the previous year. Sales growth is accelerating, as the December quarter recorded sales of over 5,000 units, compared to 4,082 units in the first quarter of the current fiscal year. Total revenues generated in the December half were \$4.99 million (unaudited), up by 56.9% compared to the same period in the previous year.

"Strong volume growth is a reflection of the increasing demand we now see on a global basis for our SomnoDent® MAS from practitioners and patients looking for an alternative to CPAP to treat their sleep disordered breathing problems, in particular sleep apnea. More and more patients either look for a first line treatment, which is less invasive and more lifestyle sympathetic than the use of a breathing machine or they have tried CPAP, are rejecting it and need an alternative treatment of their chronic condition," said Mr. Barschow.

SomnoMed's global sales are still dominated by North America, with almost 70% of all units sold during the half year to December. Europe and APAC are sharing the balance equally. However, growth in Europe is highest and all indications are that this region of the world will emerge as the second most important sales region during the second half of fiscal year 2009/10.

"Our growth in volume sold in North America came in at an excellent rate of 75.9% for the six months to December 2009, compared to the previous year. Continuous strong demand has been recorded across the US and Canada coming from the SomnoMed sleep dentist network, increasingly driven by growing acceptance and demand from medical practitioners," commented Mr. Barschow.

"During the same period, Europe grew its sales by 130%, albeit from a smaller base. We see very good movement in Scandinavia, where the SomnoDent® MAS is gaining more and more acceptance from practitioners as being the best oral appliance available. We also believe that Holland will contribute significantly to our European sales in 2010, after a change of regulations came into effect on 1 January this year, allowing fully reimbursed treatment of obstructive sleep apnea with oral appliances," said Mr. Barschow.

SomnoMed's business in Australia and Asia also recorded good growth in the first half of fiscal year 2009/10 and future prospects are positive as Japan started selling the SomnoDent® MAS after all regulatory approvals were finally received in October 2009.

Cash use for the December 2009 quarter was \$496,000, with an investment of \$401,000 in equipment and fit out cost expanding the capacity of SomnoMed's network of manufacturing and fulfillment facilities.

"Expansion of our production, quality control and fulfillment infrastructure around the world is not just in response to growing volume but it aims to allow us to extract from larger scale operations steadily improving gross margins. We can see the benefits already and expect this will continue into the future," said Mr. Barschow.

At the end of December 2009 SomnoMed had a cash balance of \$3.3 million available.

+ 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
1.24	Aggregate amount of payments to the parties included in item 1.2	48,147
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
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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	Amount used \$A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

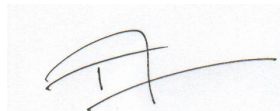
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A	Previous quarter \$A
4.1 Cash on hand and at bank	1,540,682	1,358,143
4.2 Deposits at call	1,757,013	2,448,224
4.3 Bank overdraft	-	-
4.4 Other (provide details) Bank Bills	-	-
Total: cash at end of quarter (item 1.22)	3,297,695	3,806,367

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 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.