



LMA INTERNATIONAL N.V.

Company Registration No. 80879

Financial Statements for the Three Months ended March 31, 2008 (In accordance with U.S. Generally Accepted Accounting Principles)

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS.

- 1 (a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group Consolidated Statement of Operations:

| (U.S. Dollars, in thousands) | Three months ended March 31, | |
|--|------------------------------|----------------|
| | 2008 | 2007 |
| Net sales | \$24,469 | \$23,570 |
| Cost of sales | (8,670) | (7,947) |
| Gross profit | 15,799 | 15,623 |
| Operating expenses (Note (1)) | | |
| Selling, general and administrative | (13,243) | (11,230) |
| Research and development | (344) | (215) |
| Amortisation of intangible assets | (218) | (59) |
| | (13,805) | (11,504) |
| Total operating income | 1,994 | 4,119 |
| Interest income | 249 | 252 |
| Interest expense | (121) | (15) |
| Other, net (Note (2)) | 499 | 44 |
| Other income / (expenses), net | 627 | 281 |
| Net income before income taxes, minority interests and share of net earnings of associate | 2,621 | 4,400 |
| Income tax expense | 32 | (567) |
| Minority interests (Note (6)) | 248 | 91 |
| Net income excluding non-cash stock compensation charge | \$2,901 | \$3,924 |
| Non-cash stock compensation charge (Note (7)) | (347) | (435) |
| Net income | \$2,554 | \$3,489 |

Notes:

- (U.S. Dollars, in thousands)
- | | | |
|--|-----|-----|
| (1) Included in operating expenses above are: | | |
| Depreciation and amortisation | 867 | 669 |
| Allowance for doubtful debts | - | - |
| Profit on sale of properties, plant and equipment | - | - |
| (2) Included in other income above are foreign exchange gains / (losses) | 380 | 16 |
| (3) Included in income tax expenses are adjustments for under or (over) provision of tax in respect of prior years | - | - |
- (4) No bad debts were written off, neither were there any write-offs for stock obsolescence.
- (5) There was no impairment in value of investments during the three months ended March 31, 2008.
- (6) Minority interests relates to our joint venture interest in LMA Urology and 20% of LMA PacMed Pty Ltd ("LMA PacMed").
- (7) Share options under the Company's Executive Share Option and Shadow Share Option Plans are issued to certain of our directors and employees. Under accounting rules, we are required to treat the fair value of these share awards as a compensation expense. The Company uses the Black-Scholes valuation model for calculating the fair value of these options. The accounting treatment for these options has no impact on our cash flow, net assets or distributable reserves.

1 (b)(i) A balance sheet for the group, together with a comparative statement as at the end of the immediately preceding financial year (under U.S. GAAP, the Company does not present a balance sheet)

| (U.S. Dollars, in thousands) | March 31, 2008 | December 31, 2007 |
|---|-------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$26,450 | \$30,627 |
| Trade accounts receivable, less allowance for doubtful debts | 16,083 | 17,408 |
| Amounts due from related parties | 1,835 | 1,124 |
| Inventories | 18,877 | 16,879 |
| Deferred tax assets | 1,096 | 1,233 |
| Prepaid expenses | 938 | 1,054 |
| Other current assets | 2,196 | 3,142 |
| Total current assets | 67,475 | 71,467 |
| Non-current assets: | | |
| Deferred tax assets | 1,186 | 1,142 |
| Property, plant and equipment, net | 6,717 | 6,607 |
| Goodwill (Note (8)) | 21,739 | 15,750 |
| Other intangible assets | 12,214 | 11,993 |
| Other long-term assets | 3 | 9 |
| Total assets | \$109,334 | \$106,968 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$3,093 | \$3,133 |
| Accounts due to related parties | 2,023 | 1,825 |
| Other current liabilities | 11,600 | 11,177 |
| Total current liabilities | 16,716 | 16,135 |
| Non-current liabilities: | | |
| Deferred tax liabilities | - | 458 |
| Deferred revenue | 397 | 397 |
| Other long-term liabilities | 79 | 87 |
| Total liabilities | 17,192 | 17,077 |
| Minority interests (Note (6)) | (510) | (262) |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Common shares: Issued: 587,774,941 | 59 | 59 |
| Additional paid-in capital | 52,096 | 51,749 |
| Treasury shares: 8,149,000 (2007: 5,005,000) | (1,991) | (1,461) |
| | 50,164 | 50,347 |
| Retained earnings | 41,354 | 38,800 |
| Accumulated other comprehensive income | 1,134 | 1,006 |
| Total shareholders' equity | 92,652 | 90,153 |
| Total liabilities, minority interests and shareholders' equity | \$109,334 | \$106,968 |

(8) The consolidated financial position as at March 31, 2008 includes the assets of Breg Inc. ("Breg"). The net assets of the Group are subject to restatement once the fair-value exercise on the assets of Breg is completed. Therefore, the goodwill recorded on the acquisition of Breg is computed on a provisional basis and may be subject to adjustment once the initial accounting is completed. The Group do not believe that this will result in any material restatement.

1 (b)(ii) Aggregate amount of group's borrowings and debt securities.

None.

1 (c) **A cash flow statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| (U.S. Dollars, in thousands) | Three months ended March 31, | |
|--|---------------------------------|----------------|
| | 2008 | 2007 |
| Cash flows from operating activities: | | |
| Net income | \$2,554 | \$3,489 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortisation | 867 | 669 |
| Deferred taxes | (321) | (93) |
| Minority interest in net income of consolidated subsidiaries | (248) | (91) |
| Non-cash stock compensation charge | 347 | 435 |
| Changes in operating assets and liabilities: | | |
| Decrease in trade accounts receivables and amounts due from related parties | 676 | 542 |
| (Increase) / decrease in inventories | (1,067) | 35 |
| Decrease in other assets | 853 | 156 |
| (Decrease) in trade accounts payable and accounts due to related parties | (155) | (729) |
| (Decrease) in other current liabilities | (659) | (1,223) |
| Net cash provided by operating activities | 2,847 | 3,190 |
| Cash flows from investing activities: | | |
| Purchase of investment | - | (4,905) |
| Purchase of business | (6,030) | - |
| Capital expenditures | (405) | (733) |
| Acquisition of intangible assets | (225) | - |
| Net cash used in investing activities | (6,660) | (5,638) |
| Cash flows from financing activities: | | |
| Payment of LMA PacMed pre-acquisition dividends to minority interest | - | (1,232) |
| Purchase of Treasury Shares | (529) | - |
| Net cash used in financing activities | (529) | (1,232) |
| Effect of exchange rates changes on cash and cash equivalents | 165 | 14 |
| Net (decrease) / increase in cash and cash equivalents | (4,177) | (3,666) |
| Cash and cash equivalents at the beginning of the period | 30,627 | 28,153 |
| Cash and cash equivalents at the end of the period | \$26,450 | \$24,487 |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the period for: | | |
| Interest | \$35 | \$29 |
| Income taxes | \$817 | \$164 |
| Supplemental schedule of non-cash investing and financing activities | | |
| In 2008, the Company purchased Breg, Inc for an initial consideration of \$6.0 million. A further \$1.0 million is payable on the achievement of a revenue benchmark in the first six months post acquisition. | | |
| In 2007, the Company purchased an additional 50% of LMA PacMed for a total consideration of \$8.3 million (using the share price at the date of acquisition). | | |
| In conjunction with the acquisitions, full liabilities assumed on acquisition and consolidated were as follows: | | |
| Fair value of assets acquired (including intangible asset) | \$6,030 | \$6,031 |
| Existing investment | - | (4,759) |
| Cash paid for the acquisition | (6,030) | (5,874) |
| Liabilities assumed | \$- | \$(4,602) |

- 1 (d)(i) A statement for the group showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (under U.S. GAAP, the Company does not present a statement of changes in equity).

| (U.S. Dollars, in thousands) | Common shares | Treasury shares | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income | Total Shareholders' equity |
|---|---------------|-----------------|----------------------------|-------------------|--|----------------------------|
| At January 1, 2008 | \$59 | (1,461) | \$51,749 | \$38,800 | \$1,006 | \$90,153 |
| Net income for the period | - | - | - | 2,554 | - | 2,554 |
| Foreign currency translation adjustment | - | - | - | - | 128 | 128 |
| Total comprehensive income | | | | | | 2,682 |
| Common shares acquired for treasury | - | (530) | - | - | - | (530) |
| Non-cash stock compensation charge | - | - | 347 | - | - | |
| At March 31, 2008 | \$59 | \$(1,991) | \$52,096 | \$41,354 | \$1,134 | \$92,652 |

| (U.S. Dollars, in thousands) | Common shares | Treasury shares | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income | Total Shareholders' equity |
|---|---------------|-----------------|----------------------------|-------------------|--|----------------------------|
| At January 1, 2007 | \$58 | \$- | \$46,502 | \$26,084 | \$791 | \$73,435 |
| Net income for the period | - | - | - | 3,489 | - | 3,489 |
| Foreign currency translation adjustment | - | - | - | - | 30 | 30 |
| Total comprehensive income | | | | | | 3,519 |
| Non-cash stock compensation charge | - | - | 435 | - | - | 435 |
| At March 31, 2007 | \$58 | \$- | \$46,937 | \$29,573 | \$821 | \$77,389 |

- 1 (d)(ii) Details of any changes in the company's share capital.

Pursuant to the Share Purchase Mandate approved by the Shareholders, the Company purchased 3,144,000 of its common shares by way of on-market purchases in Q1 2008 at a weighted average share price of S\$0.234. The Company holds the shares bought back as treasury shares at cost.

- 1 (d)(iii) Number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | March 31, 2008 | December 31, 2007 |
|--|--------------------|--------------------|
| Number of issued shares | 587,774,941 | 587,774,941 |
| Less: number of treasury shares | (8,149,000) | (5,005,000) |
| Number of issued shares excluding treasury shares | 579,625,941 | 582,769,941 |

- 1 (d)(iv) Statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

None.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year with those adopted for the financial year ended December 31, 2007.

The Group's annual consolidated financial statements have been prepared in accordance with U.S. GAAP.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Effective January 1, 2008, the Company adopted SFAS 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value and establishes a framework for measuring fair value in accordance with generally accepted accounting principles. SFAS 157 also applies to other accounting pronouncements that require or permit a fair value measure. As defined by SFAS 157, the fair value of an asset or liability would be based on an "exit price" basis rather than an "entry price" basis. Additionally, the fair value should be market-based and not an entity-based measurement. The adoption of SFAS 157 did not have a material impact on the Company's financial position, results of operations and cash flows.

Effective January 1, 2008, the Company adopted SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. An entity shall report unrealised gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The adoption of SFAS 159 did not have a material impact on the Company's financial position, results of operations and cash flows.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

| (U.S. Dollars, in thousands, except share and per share amounts) | Three months ended March 31, | |
|--|------------------------------|--------------|
| | 2008 | 2007 |
| Net income attributable to shareholders excluding non-cash stock compensation charge | \$2,901 | \$3,924 |
| Weighted average number of shares | 582,315,326 | 580,946,581 |
| Earnings per share before non-cash stock compensation charge (in U.S. cents) | 0.498 | 0.675 |

7. **Net asset value for the group per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

| (U.S. Dollars, in thousands, except per share amounts) | March 31, 2008 | December 31, 2007 |
|--|----------------|-------------------|
| Net assets of the Group | \$92,652 | \$90,153 |
| Number of shares net of treasury shares | 579,625,941 | 582,769,941 |
| Net assets per share (in U.S. cents) | 15.985 | 15.470 |

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The LMA International N.V. Group designs, develops, markets and distributes medical equipment, principally the LMA™ laryngeal mask airway line of supraglottic airway device products. We market and distribute our products in over 100 countries through a combination of our direct sales force in the United States, Germany and Singapore and a network of 68 independent distributors.

The following tables set forth, for the periods indicated, our sales of Anaesthesia Products for each of our two geographic markets, expressed in U.S. dollars and as a percentage of total net sales, as well as total sales by units, of reusable and of single-use Laryngeal Masks products, together with global average revenue per unit for such devices:

| | Three months ended March 31, | | | |
|------------------------|------------------------------|-------------|---------------|-------------|
| | 2008 | | 2007 | |
| | US\$'000 | | US\$'000 | |
| United States | 14,116 | 59% | 14,008 | 60% |
| International | 9,966 | 41% | 9,213 | 40% |
| Total net sales | 24,082 | 100% | 23,221 | 100% |
| Reusable devices | 8,762 | 36% | 10,146 | 44% |
| Single-use devices | 12,485 | 52% | 11,040 | 47% |
| Other | 2,835 | 12% | 2,035 | 9% |
| Total | 24,082 | 100% | 23,221 | 100% |

| Laryngeal Masks | Three months ended March 31, | |
|---|------------------------------|------------------|
| | 2008 | 2007 |
| Reusable units sold | 43,660 | 50,654 |
| Single-use units sold | 1,318,985 | 1,187,979 |
| Total units sold | 1,362,645 | 1,238,633 |
| Average revenue per unit of reusable units (US\$) | 200.69 | 200.30 |
| Average revenue per unit of single-use units (US\$) | 9.47 | 9.29 |

First quarter of 2008 (Q1 2008) compared to first quarter of 2007 (Q1 2007).

Group Net Sales for Q1 2008 at US\$24.5 million, increased by US\$0.9 million or 4% over Q1 2007. Sales of anaesthesia products amounted to US\$24.1 million, with the balance of US\$0.4 million being sales of the LMA StoneBreaker™ device.

Net sales of anaesthesia products in the United States at US\$14.1 million for Q1 2008 increased by 1% over sales of US\$14.0 million for Q1 2007. Competitor pricing and sampling has been particularly intense in the quarter causing increased selling time being spent on defending existing accounts.

Net sales of anaesthesia products for International at US\$10.0 million for Q1 2008 increased by 8% over sales of US\$9.2 million for Q1 2007. Sales growth was experienced in all of the main divisions: International West (comprising Europe, Middle East, Africa and Latin America), International East (ASEAN countries), LMA PacMed (Australia and New Zealand) and in Germany. The performance of the International West Division was particularly encouraging given the pricing and ordering issues encountered in Q3 and Q4 last year.

Over 80,000 units of LMA Supreme™ were sold across the Group during the quarter generating more than 5% of net sales.

Gross profit from anaesthesia products at US\$15.5 million for Q1 2008 increased by US\$0.1 million or 1% over Q1 2007. Gross margin at 65% for Q1 2008 was down from 66% for Q1 2007. The main factor in the decline is the continued switch to single-use devices from reusable devices and a higher percentage of non-LMA products distributed on behalf of third parties, such as laryngoscopes, in the total product mix, although this was partly offset by the benefit of margins on the LMA Supreme™.

Selling, general and administrative expenses (SG&A) at US\$13.2 million for Q1 2008 increased by US\$2.0 million or 18% from US\$11.2 million for Q1 2007. Excluding expenses for the LMA Urology joint venture, SG&A increased by US\$1.7 million or 16% over Q1 2007. This increase in operating expenses mainly reflects higher legal costs related to Intellectual Property protection in the United States, which was announced in Q4 2007, as well as increased expenditure in sales and marketing, including a stronger

participation at the World Congress of Anaesthesia in March 2008. For Q1 2008, SG&A expenses (excluding LMA Urology) were 51% of net sales, 5 percentage points higher than in Q1 2007 as a result of the above increases in expenses.

Operating income (excluding LMA Urology operating losses) at US\$2.6 million for Q1 2008 was 40% down on Q1 2007 as a result of the increased SG&A expenditure.

There was very little **Income tax expense** for Q1 2008 due to lower profit in the United States as a result of the intellectual property litigation costs and a prior year tax credit in the International group. This compares to a US\$0.6 million charge for Q1 2007.

Net income excluding non-cash stock compensation charge decreased by 26% to US\$2.9 million for Q1 2008 from US\$3.9 million for Q1 2007 as a result of the factors outlined above.

Net assets* amounted to US\$92.7 million at March 31, 2008, some US\$2.5 million higher than December 31, 2007 due primarily to cash generated in the quarter.

Net cash provided by operating activities was US\$2.8 million for Q1 2008. Net cash used in investing activities totalled US\$6.7 million for the quarter being primarily due to the acquisition of Breg, Inc.

* Net Assets are measured as Total Assets less Total Liabilities less minority interest.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made for the quarter.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the Group remains positive despite an expected continuation of the current ongoing aggressive price competition. The recent availability of the full range of adult sizes for LMA Supreme™ and the addition of the LMA PerfecTemp™ patient warming device and the Pain Care® range of ambulatory infusion pumps are all expected to contribute positively to the Group's future growth.

In FY2008, the Group expects to increase efforts and resources on research and development to improve and expand its existing range of products. The Group also intends to continue to strengthen its distribution capabilities and to leverage on its competitive strengths to stay ahead.

Additionally, the Group continues to seek to acquire further new and innovative medical devices, complemented by exclusive distribution of third party products through its direct sales operations.

These opportunities, together with the ongoing strengthening of Group management and overall sales capability, are expected to provide higher sales in 2008.

SG&A expenses are expected to remain at about the current ratio of sales as a result of the continuation of the on-going patent infringement litigation against Ambu in Germany and in the United States.

11. Dividends.

The Company has not declared a dividend.

12. If no dividend has been declared (recommended), a statement to that effect.

The Company did not declare any dividends in the first quarter of either year in this statement.

13. Interested person transactions.

Details of interested party transactions for the three months ended March 31, 2008 are as follows:

| Name of interested person | Aggregate value of all interested person transactions during the three months ended March 31, 2008 (excluding transactions less than S\$100,000 and transactions conducted under shareholders mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) |
|------------------------------|--|---|
| Forefront Medical Technology | - | \$4,427,000 |
| Arrow Medical | - | \$398,000 |
| Chelle Medical | - | \$477,000 |
| Shearman & Sterling | - | \$435,000 |

14. Confirmation by the Board pursuant to Rule 705(4) of the Listing Manual.

The Board of Directors confirms that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results for the period ended March 31, 2008 to be false or misleading.