



# LMA INTERNATIONAL N.V.

Company Registration No. 80879

## Financial Statements for the Second Quarter and Six Months ended June 30, 2009

### 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 June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
<b>Net sales</b>	<b>\$27,371</b>	<b>\$28,585</b>	<b>\$51,606</b>	<b>\$53,054</b>
Cost of sales (Note (4))	(9,733)	(9,954)	(18,531)	(18,624)
<b>Gross profit</b>	<b>17,638</b>	<b>18,631</b>	<b>33,075</b>	<b>34,430</b>
Operating expenses (Note (1))				
Selling, general and administrative	(12,775)	(13,840)	(25,886)	(27,083)
Research and development	(690)	(345)	(1,033)	(689)
Amortisation of intangible assets	(411)	(218)	(719)	(436)
	(13,876)	(14,403)	(27,638)	(28,208)
<b>Total operating income</b>	<b>3,762</b>	<b>4,228</b>	<b>5,437</b>	<b>6,222</b>
Interest income	15	109	27	358
Interest expense	(16)	(7)	(40)	(128)
Other, net (Note (2))	106	586	(11)	1,085
<b>Other income / (expenses), net</b>	<b>105</b>	<b>688</b>	<b>(24)</b>	<b>1,315</b>
<b>Net income before income taxes</b>	<b>3,867</b>	<b>4,916</b>	<b>5,413</b>	<b>7,537</b>
Income tax expense (Note (3))	(363)	(455)	(406)	(423)
<b>Net income</b>	<b>\$3,504</b>	<b>\$4,461</b>	<b>\$5,007</b>	<b>\$7,114</b>
Net (profits) / losses attributable to non-controlling interests (Note(6))	(26)	139	272	387
<b>Net income (excluding non-cash stock compensation charge) attributable to LMA International N.V.</b>	<b>3,478</b>	<b>4,600</b>	<b>5,279</b>	<b>7,501</b>
Non-cash stock compensation write-back / (charge) (Note (7))	<b>159</b>	<b>(328)</b>	<b>(144)</b>	<b>(675)</b>
<b>Net income attributable to LMA International N.V.</b>	<b>\$3,637</b>	<b>\$4,272</b>	<b>\$5,135</b>	<b>\$6,826</b>

**Notes:**

(U.S. Dollars, in thousands)

(1) Included in operating expenses above are:				
Depreciation and amortisation	1,020	868	2,035	1,735
Allowance for doubtful debts (no bad debts were written off)	-	85	21	86
(2) Included in other income above are foreign exchange gains/ (losses)	130	539	(139)	919
(3) Included in income tax expenses are adjustments for under or (over) provision of tax in respect of prior years	-	-	-	232
(4) Included in cost of sales is a provision for component stock (no write-offs for stock obsolescence)	200	250	200	500

(5) There was no impairment in value of investments during the three and six months ended June 30, 2009.

(6) Non-controlling interests relates to 37.5% of LMA Urology and 20% of LMA PacMed Pty Ltd ("LMA PacMed"). With the adoption of SFAS 160, the presentation of this, in both the Income Statement and Balance Sheet, has been updated. This change in reporting format has no impact on the reported results of the Company.

(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. Additionally, the Company has granted long-term incentive plans to its senior executives

whose options under the Executive and Shadow Share Option Plans have now been cancelled. These long-term incentive plans include conditional share awards which will vest on the Company's share price attaining certain pre-set levels. The Company uses a simulation valuation model for calculating the fair market value of these awards. The credit in the quarter reflects the net adjustment for these awards and the cancellation of the related share options.

**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)	June 30, 2009	December 31, 2008
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$38,921	\$35,635
Trade accounts receivable, less allowance for doubtful debts	16,131	16,640
Amounts due from related parties	8	107
Inventories	11,597	13,887
Deferred tax assets	1,292	1,177
Prepaid expenses	2,287	639
Other current assets	1,851	1,545
<b>Total current assets</b>	<b>72,087</b>	<b>69,630</b>
<b>Non-current assets:</b>		
Deferred tax assets	2,686	2,607
Property, plant and equipment, net	6,764	7,258
Goodwill	19,496	19,496
Other intangible assets	16,757	17,327
Other long-term assets	1	1
<b>Total assets</b>	<b>\$117,791</b>	<b>\$116,319</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Trade accounts payable	\$1,971	\$2,095
Accounts due to related parties	1,882	3,506
Other current liabilities	13,578	14,490
<b>Total current liabilities</b>	<b>17,431</b>	<b>20,091</b>
<b>Non-current liabilities:</b>		
Deferred tax liabilities	305	305
Deferred revenue	298	298
Other long-term liabilities	30	51
<b>Total liabilities</b>	<b>18,064</b>	<b>20,745</b>
Commitments and contingencies	-	-
<b>Equity</b>		
<b>LMA International N.V. shareholders' equity:</b>		
Common shares: Issued: 587,774,941	59	59
Additional paid-in capital	53,208	53,064
Treasury shares: 43,190,000 (2008: 39,674,000)	(6,640)	(6,274)
Retained earnings	52,368	47,646
Accumulated other comprehensive income	(255)	(851)
<b>Total LMA International N.V. shareholders' equity</b>	<b>98,740</b>	<b>93,644</b>
<b>Non-controlling interests</b> (Note (6))	<b>987</b>	<b>1,930</b>
<b>Total equity</b>	<b>99,727</b>	<b>95,574</b>
<b>Total liabilities and equity</b>	<b>\$117,791</b>	<b>\$116,319</b>

**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 June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
<b>Cash flows from operating activities:</b>				
<b>Net income</b>	\$3,637	\$4,272	\$5,135	\$6,826
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Depreciation and amortisation	1,020	868	2,035	1,735
Deferred taxes	(190)	190	(179)	(131)
Non-controlling interest in net (income)/losses of consolidated subsidiaries	26	(139)	(272)	(387)
Non-cash stock compensation charge	(159)	328	144	675
<b>Changes in operating assets and liabilities:</b>				
Decrease / (increase) in trade accounts receivables and amounts due from related parties	193	(1,037)	386	(361)
Decrease / (increase) in inventories	2,019	(246)	2,475	(1,313)
(Increase) / decrease in other assets	(1,094)	313	(1,937)	1,166
(Decrease) / increase in trade accounts payable and amounts due to related parties	(478)	(492)	342	(647)
Increase / (decrease) in other current liabilities	634	(213)	(1,310)	(872)
<b>Net cash provided by operating activities</b>	<b>5,608</b>	<b>3,844</b>	<b>6,819</b>	<b>6,691</b>
<b>Cash flows from investing activities:</b>				
Purchase of business	-	(75)	-	(6,105)
Purchase of subsidiary shares from non-controlling interest	(1,084)	-	(1,084)	-
Capital expenditures	(370)	(173)	(841)	(578)
Proceeds from sale of equipment	4	9	42	9
Acquisition of other intangible assets	(121)	(1,494)	(1,876)	(1,719)
<b>Net cash used in investing activities</b>	<b>(1,571)</b>	<b>(1,733)</b>	<b>(3,759)</b>	<b>(8,393)</b>
<b>Cash flows from financing activities:</b>				
Purchase of Treasury Shares	(263)	(1,486)	(366)	(2,015)
<b>Net cash used in financing activities</b>	<b>(263)</b>	<b>(1,486)</b>	<b>(366)</b>	<b>(2,015)</b>
Effect of exchange rates changes on cash and cash equivalents	757	420	592	585
Net increase in cash and cash equivalents	4,531	1,045	3,286	(3,132)
Cash and cash equivalents at the beginning of the period	34,390	26,450	35,635	30,627
Cash and cash equivalents at the end of the period	\$38,921	\$27,495	\$38,921	\$27,495
<b>Supplemental disclosure of cash flow information</b>				
Cash paid during the period for:				
Interest	\$-	\$7	\$-	\$42
Income taxes	\$634	\$448	\$1,370	\$1,265
<b>Supplemental schedule of non-cash investing and financing activities</b>				
In 2008, the Company purchased the Pain Care business of Breg, Inc for a total consideration of \$6.1 million.				
In conjunction with this acquisition, full liabilities assumed on acquisition and consolidation were as follows:				
Fair value of assets acquired (including intangible asset)	\$-	\$75	\$-	\$6,105
Existing investment	-	-	-	-
Cash paid for the acquisition	-	(75)	-	(6,105)
Liabilities assumed	\$-	\$-	\$-	\$-

**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).**

LMA International N.V. Shareholders							
(U.S. Dollars, in thousands)	Common shares	Treasury shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non-controlling interest	Total equity
<b>At January 1, 2009</b>	\$59	\$(6,274)	\$53,064	\$47,646	\$(851)	\$1,930	\$95,574
Net income for the period	-	-	-	1,498	-	(298)	1,200
Foreign currency translation adjustment	-	-	-	-	(576)	-	(576)
Total comprehensive income	-	-	-	-	-	-	624
Common shares acquired for treasury	-	(103)	-	-	-	-	(103)
Non-cash stock compensation charge	-	-	303	-	-	-	303
<b>At March 31, 2009</b>	59	(6,377)	53,367	49,144	(1,427)	1,632	96,398
Net income for the period	-	-	-	3,637	-	26	3,663
Foreign currency translation adjustment	-	-	-	-	1,172	-	1,172
Total comprehensive income	-	-	-	-	-	-	4,835
Common shares acquired for treasury	-	(263)	-	-	-	-	(263)
Non-cash stock compensation charge	-	-	(159)	-	-	-	(159)
Transfer from retained earnings for purchase of subsidiary shares from non-controlling interest	-	-	-	(413)	-	413	-
Purchase of subsidiary shares from non-controlling interest	-	-	-	-	-	(1,084)	(1,084)
<b>At June 30, 2009</b>	\$59	\$(6,640)	\$53,208	\$52,368	\$(255)	\$987	\$99,727

LMA International N.V. Shareholders							
(U.S. Dollars, in thousands)	Common shares	Treasury shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non-controlling interest	Total equity
<b>At January 1, 2008</b>	\$59	\$(1,461)	\$51,749	\$38,800	\$1,006	\$3,609	\$93,762
Net income for the period	-	-	-	2,554	-	(248)	2,306
Foreign currency translation adjustment	-	-	-	-	128	-	128
Total comprehensive income	-	-	-	-	-	-	2,434
Common shares acquired for treasury	-	(530)	-	-	-	-	(530)
Non-cash stock compensation charge	-	-	347	-	-	-	347
<b>At March 31, 2008</b>	59	(1,991)	52,096	41,354	1,134	3,361	96,013
Net income for the period	-	-	-	4,272	-	(139)	4,133
Foreign currency translation adjustment	-	-	-	-	258	-	258
Total comprehensive income	-	-	-	-	-	-	4,391
Common shares acquired for treasury	-	(1,485)	-	-	-	-	(1,485)
Non-cash stock compensation charge	-	-	328	-	-	-	328
<b>At June 30, 2008</b>	\$59	\$(3,476)	\$52,424	\$45,626	\$1,392	\$3,222	\$99,247

**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 2,216,000 of its Common Shares by way of on-market purchases in Q2 2009 at a share price ranging from S\$0.16 to S\$0.185. The Company holds the shares bought back as treasury shares at cost. A total of 43,190,000 shares are held as at June 30, 2009.

**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.**

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Number of issued shares	587,774,941	587,774,941
Less: number of treasury shares	(43,190,000)	(39,674,000)
<b>Number of issued shares excluding treasury shares</b>	<b>544,584,941</b>	<b>548,100,941</b>

**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, 2008.

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, 2009, the Company adopted SFAS 141(R), "Business Combinations (revised)" ("SFAS 141(R)"). SFAS 141(R) replaces SFAS 141 "Business Combinations" ("SFAS 141") and retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (the "purchase method") be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) applies to all transactions or other events in which an entity obtains control of one or more businesses. SFAS 141(R) requires an acquirer to recognise the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. SFAS 141(R) replaces SFAS 141's cost-allocation process, which requires the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. SFAS 141(R) requires the acquisition-related costs to be recognised separately from the acquisition. The adoption of SFAS 141(R) did not have a material impact on the Company's financial position, results of operations and cash flows as the Company had no acquisitions in the first half of 2009.

Effective January 1, 2009, the Company adopted SFAS 160, "Non-controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin 51 "Consolidated Financial Statements" ("ARB 51") to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also changes the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. The adoption of SFAS 160 did not have a material impact on the Company's financial position, results of operations and cash flows. Presentation of non-controlling interests has been changed to reflect the new standard as explained in Note (6) under 1(a).

Effective January 1, 2009, the Company adopted SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of SFAS 133" ("SFAS 161"). SFAS 161 requires entities to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" and its related interpretations, and how derivative instruments and related hedged items

affect an entity's financial position, financial performance and cash flows. The adoption of SFAS 161 did not have a material impact on the Company's financial position, results of operations and cash flows. The Company will reflect required disclosures in its Financial Statements for the year.

**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 June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Net income attributable to LMA International N.V. shareholders excluding non-cash stock compensation charge	\$3,478	\$4,600	\$5,279	\$7,501
Weighted average number of shares	546,351,468	577,301,600	546,934,079	579,808,463
<b>Basic and diluted earnings per share before non-cash stock compensation charge (in U.S. cents)</b>	<b>0.637</b>	<b>0.797</b>	<b>0.965</b>	<b>1.294</b>

**7. Net asset value for the group per ordinary share based on the total number of issued shares excluding treasury shares 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)	June 30, 2009	December 31, 2008
Net assets of the Group	\$98,740	\$93,644
Number of shares net of treasury shares	544,584,941	548,100,941
<b>Net assets per share (in U.S. cents)</b>	<b>18.131</b>	<b>17.085</b>

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, Australia, New Zealand and Singapore and a global network of independent distributors.

Group Net Sales	Three months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Anaesthesia Products	26,226	27,172	49,634	51,254
Other Products	618	1,082	1,346	1,082
Urology	527	331	626	718
<b>Total Group Net Sales</b>	<b>27,371</b>	<b>28,585</b>	<b>51,606</b>	<b>53,054</b>

Anaesthesia Product Sales								
	Three months ended June 30,				Six Months ended June 30,			
	2009		2008		2009		2008	
	US\$'000		US\$'000		US\$'000		US\$'000	
United States	15,114	58%	15,310	56%	29,420	59%	29,426	57%
International	11,112	42%	11,862	44%	20,214	41%	21,828	43%
<b>Total Net Sales</b>	<b>26,226</b>	<b>100%</b>	<b>27,172</b>	<b>100%</b>	<b>49,634</b>	<b>100%</b>	<b>51,254</b>	<b>100%</b>
Reusable devices	7,548	29%	9,438	35%	14,502	29%	18,200	36%
Single-use devices	15,521	59%	14,168	52%	29,400	59%	26,653	52%
Other	3,157	12%	3,566	13%	5,732	12%	6,401	12%
<b>Total</b>	<b>26,226</b>	<b>100%</b>	<b>27,172</b>	<b>100%</b>	<b>49,634</b>	<b>100%</b>	<b>51,254</b>	<b>100%</b>

Laryngeal Masks	Three months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Reusable units sold	40,552	45,305	78,208	88,965
Single-use units sold	1,641,720	1,461,489	3,150,810	2,780,474
<b>Total units sold</b>	<b>1,682,272</b>	<b>1,506,794</b>	<b>3,229,018</b>	<b>2,869,439</b>
Average revenue per unit of reusable units (US\$)	186.13	208.32	185.43	204.57
Average revenue per unit of single-use units (US\$)	9.45	9.69	9.33	9.59

**Second quarter of 2009 (Q2 2009) compared to second quarter 2008 (Q2 2008)**

The general financial and economic environment continues to adversely impact the medical device market: elective surgeries are down, capital equipment budgets have been curtailed and distributors are minimising stock holdings to manage cash flows. Despite this environment, **Group Net Sales** for Q2 2009, when measured at 2008 exchange rates, were in line with last year. The effects of currency translation year on year (primarily the Australian Dollar) reduced sales by US\$1.1 million.

Sales of anaesthesia products, which include the LMA PerfecTemp™ patient warming device, amounted to US\$26.2 million (the same as Q2 2008 at 2008 exchange rates), with the balance of US\$1.1 million being other product sales including the LMA StoneBreaker™ and the Pain Care® range of ambulatory infusion pumps.

Net sales of anaesthesia products in the United States at US\$15.1 million for Q2 2009 decreased by 1% over sales of US\$15.3 million for Q2 2008. The U.S. market continues to be highly price competitive.

Net sales of anaesthesia products for International at US\$11.1 million for Q2 2009 decreased by 6% over sales of US\$11.9 million for Q2 2008.

For the Group, total sales of single-use devices for Q2 2009 increased 9.5% in revenue terms and 12% in unit terms, compared to Q2 2008. A significant portion of this increase was generated by the LMA Supreme™. The trend towards single-use products continues in all major markets.

Sales of LMA StoneBreaker™ were US\$0.5 million in the quarter as the first orders under the Cook distribution deal were processed.

**Gross profit** for the Group for Q2 2009 was US\$18.7 million at 2008 exchange rates. This is in line with the prior year. However, the effect of foreign currency translation of sales adversely impacted Gross profit for Q2 2009 by US\$1.1 million. Gross profit from anaesthesia products as reported at US\$17.0 million for Q2 2009 decreased by US\$0.6 million or 3.5% over Q2 2008. Gross margin at 64% for Q2 2009 was down from 65% for Q2 2008 due to a higher mix of third party distributor devices and the exchange impact of sales in non-U.S. dollars.

Group **Selling, general and administrative expenses** ("SG&A") at US\$12.8 million for Q2 2009 decreased by US\$1.1 million or 8% from US\$13.8 million for Q2 2008. At 2008 exchange rates, SG&A was the same as the previous year. The Company continues with its efforts to reduce operating expenses, whilst maintaining its competitiveness in a tough market place. In Q2 2009, these efforts led to a year-on-year reduction in anaesthesia SG&A of US\$0.5 million. Although the Company has considered more drastic measures to reduce expenses, LMA believes it must retain and motivate key resources to support its long-term market leadership position. In the meantime all expense lines remain under tight scrutiny.

For Q2 2009, SG&A expenses (excluding LMA Urology and Pain Care®) were 45% of net sales, in line with Q2 2008.

As part of maintaining LMA's market competitiveness it continues to vigorously pursue patent infringements by competitors. During the quarter, the judge in our case against Ambu in the United States made a partial non-infringement order. We have submitted our appeal against this judgement. Whilst expenditure on this case in Q2 2009 continued to be high due to the level of activity in this quarter, we have reached agreement on a formula to cap legal fees in the United States over the rest of the year. On April 28, 2009, the German Federal Patent Court upheld the validity of the Company's patent – Utility Model DE 299 24738 – following an appeal by Ambu against the earlier decision of the German Patent Office confirming its validity. This decision by the German Court has allowed the Company to pursue its damages claim against Ambu for infringing this patent.

Research and development expenditure ("R&D") for Q2 2009 (and H1 2009) is higher than the prior year as LMA is increasing its focus on R&D. The expenditure in Q2 2009 primarily related to design and manufacturing cost improvements to the LMA PerfectTemp™ device.

As a result largely of the impact of exchange differences, **Operating income** (excluding LMA Urology operating losses) at US\$3.8 million for Q2 2009 was 25% down on Q2 2008.

**Net income** excluding non-cash stock compensation charge decreased by 24% to US\$3.5 million for Q2 2009 from US\$4.6 million for Q2 2008 as a result of the factors outlined above.

The Company continues to have a strong balance sheet with cash balances of US\$38.9 million and no debt at the end of the quarter. **Net assets\*** amounted to US\$98.7 million at June 30, 2009, some US\$3.9 million higher than March 31, 2009 due primarily to cash generated in the quarter.

**Net cash provided by operating activities** was US\$5.6 million for Q2 2009. Net cash used in investing activities totalled US\$1.6 million for the quarter being primarily due to the exercise of an option to acquire a further 12.5% of LMA Urology Limited. During the quarter, US\$0.3 million was spent on acquiring 2,216,000 treasury shares bringing the total cash outlay on treasury shares, since the buyback programme first commenced, to US\$6.6 million.

#### **First six months of 2009 (H1 2009) compared to first six months of 2008 (H1 2008).**

**Group Net Sales** for H1 2009 at US\$51.6 million, decreased by US\$1.5 million or 3% from H1 2008. However, when measured at 2008 exchange rates, Group Net Sales grew by US\$0.7 million or 1%. For anaesthesia products, sales in the United States at US\$29.4 million for H1 2009 remained the same as H1 2008. International sales at US\$20.2 million for H1 2009 decreased by 7% over sales of US\$21.8 million for H1 2008, although it was 2.5% higher at constant exchange rates.

Gross margin at 64% for H1 2009 was down from 65% for H1 2008 due to a higher mix of third party distributor devices and the exchange impact of sales in non-U.S. dollars.

Urology sales in H1 2009 were boosted by the commencement of orders under the Cook distribution agreement in Q2 2009.

**Selling, general and administrative expenses**, excluding operating expenses of LMA Urology and Pain Care®, decreased by US\$1.0 million or 4% over the corresponding period in 2008. The decrease in anaesthesia operating expenses was due to general savings.

**Net income**, excluding the net effect of LMA Urology and the non-cash stock compensation charge was US\$5.5 million for H1 2009 compared to US\$8.2 million for H1 2008.

**Net assets\*** amounted to US\$98.7 million at June 30, 2009, some US\$5.0 million higher than December 31, 2008 due primarily to cash generated in the quarter.

\* Net Assets are measured as Total Assets less Total Liabilities less Non-controlling interests.

**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.**

LMA anticipates that the general financial and economic environments, which have impacted our performance to date, will continue to impact the medical device market through 2009 and potentially beyond. Reported results from various healthcare and medical device companies have indicated that these factors have adversely impacted their performance.

The LMA Supreme™ continues to be well received by clinicians and future sales are expected to increase significantly. Steps have been taken to increase manufacturing capacity accordingly over the next 18 months. Additionally, LMA has also decided to invest in its own manufacturing facility for certain key products. This decision will enable LMA to have dual source of supply, have lower cost of goods and reduce dependence on external contract manufacturers.

As indicated above, increased R&D investment is being made to reduce manufacturing costs of our LMA PerfecTemp™ device, the results of which are expected to be realised at the end of the current year.

The Cook distribution arrangement is expected to significantly improve the performance of the Urology division.

**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 during either year in this statement.

**13. Interested person transactions**

Details of interested party transactions for the six and three months ended June 30, 2009 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the <b>six months ended June 30, 2009</b> (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	-	US\$7,925,000
Arrow Medical	-	US\$260,000
Chelle Medical	-	US\$894,000
Venner Medical Suisse	US\$106,000	-

Name of interested person	Aggregate value of all interested person transactions during the <b>three months ended June 30, 2009</b> (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	-	US\$3,926,000
Arrow Medical	-	US\$135,000
Chelle Medical	-	US\$412,000
Venner Medical Suisse	US\$106,000	-

**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 June 30, 2009 to be false or misleading.