



LMA INTERNATIONAL N.V.

Company Registration No. 80879

Financial Statements for the Second Quarter and Six Months ended June 30, 2008

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,	
	2008	2007	2008	2007
Net sales	\$28,585	\$27,846	\$53,054	\$51,416
Cost of sales (Note (4))	(9,954)	(8,708)	(18,624)	(16,655)
Gross profit	18,631	19,138	34,430	34,761
Operating expenses (Note (1))				
Selling, general and administrative	(13,840)	(11,925)	(27,083)	(23,155)
Research and development	(345)	(388)	(689)	(603)
Amortisation of intangible assets	(218)	(161)	(436)	(220)
	(14,403)	(12,474)	(28,208)	(23,978)
Total operating income	4,228	6,664	6,222	10,783
Interest income	109	257	358	509
Interest expense	(7)	(14)	(128)	(29)
Other, net (Note (2))	586	27	1,085	71
Other income / (expenses), net	688	270	1,315	551
Net income before income taxes and minority interest	4,916	6,934	7,537	11,334
Income tax expense (Note (3))	(455)	(770)	(423)	(1,337)
Minority interests (Note (6))	139	(231)	387	(140)
Net income excluding non-cash stock compensation charge	\$4,600	\$5,933	\$7,501	\$9,857
Non-cash stock compensation charge (Note (7))	(328)	(444)	(675)	(879)
Net income	\$4,272	\$5,489	\$6,826	\$8,978

Notes:

(U.S. Dollars, in thousands)

- | | | | | |
|--|-----|------|-------|-------|
| (1) Included in operating expenses above are: | | | | |
| Depreciation and amortisation | 868 | 827 | 1,735 | 1,496 |
| Allowance for doubtful debts (no bad debts were written off) | 85 | (43) | 86 | (43) |
| (2) Included in other income above are foreign exchange gains / (losses) | 539 | (11) | 919 | 5 |
| (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) | 250 | - | 500 | - |
| (5) There was no impairment in value of investments during the three months and six months ended June 30, 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)	June 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$27,495	\$30,627
Trade accounts receivable, less allowance for doubtful debts	17,890	17,408
Amounts due from related parties	1,227	1,124
Inventories	19,370	16,879
Deferred tax assets	1,084	1,233
Prepaid expenses	794	1,054
Other current assets	2,019	3,142
Total current assets	69,879	71,467
Non-current assets:		
Deferred tax assets	1,477	1,142
Property, plant and equipment, net	6,243	6,607
Goodwill (Note (8))	20,895	15,750
Other intangible assets	12,237	11,993
Other long-term assets	1	9
Total assets	\$110,732	\$106,968
Liabilities and shareholders' equity		
Current liabilities:		
Trade accounts payable	\$2,840	\$3,133
Amounts due to related parties	2,074	1,825
Other current liabilities	9,513	11,177
Total current liabilities	14,427	16,135
Non-current liabilities:		
Deferred tax liabilities	458	458
Deferred revenue	397	397
Other long-term liabilities	74	87
Total liabilities	15,356	17,077
Minority interests (Note (6))	(649)	(262)
Commitments and contingencies		
Shareholders' equity		
Common shares: Issued: 587,774,941	59	59
Additional paid-in capital	52,424	51,749
Treasury shares: 17,421,000 (2007: 5,005,000)	(3,476)	(1,461)
	49,007	50,347
Retained earnings	45,626	38,800
Accumulated other comprehensive income	1,392	1,006
Total shareholders' equity	96,025	90,153
Total liabilities, minority interests and shareholders' equity	\$110,732	\$106,968

(8) The consolidated financial position as at June 30, 2008 includes the assets of the Pain Care® business acquired from Breg Inc. ("Pain Care®"). The net assets of the Group are subject to restatement once the fair-value exercise on the assets of Pain Care® is completed. Therefore, the goodwill recorded on the acquisition of Pain Care® is computed on a provisional basis and may be subject to adjustment once the purchase price allocation is completed. The Group does 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.**

	Three months ended June 30,		Six Months ended June 30,	
(U.S. Dollars, in thousands)	2008	2007	2008	2007
Cash flows from operating activities:				
Net income	\$4,272	\$5,489	\$6,826	\$8,978
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortisation	868	827	1,735	1,496
Deferred taxes	190	4	(131)	(89)
Minority interest in net income of consolidated subsidiaries	(139)	231	(387)	140
Non-cash stock compensation charge	328	444	675	879
Changes in operating assets and liabilities:				
(Increase) in trade accounts receivables and amounts due from related parties	(1,037)	(1,639)	(361)	(1,097)
(Increase) / decrease in inventories	(246)	1,226	(1,313)	1,261
Decrease in other assets	313	57	1,166	213
(Decrease) / increase in trade accounts payable and amounts due to related parties	(492)	606	(647)	(123)
(Decrease) / increase in other current liabilities	(213)	780	(872)	(443)
Net cash provided by operating activities	3,844	8,025	6,691	11,215
Cash flows from investing activities:				
Purchase of investment	-	-	-	(4,905)
Purchase of business	(75)	-	(6,105)	-
Capital expenditures	(173)	(495)	(578)	(1,228)
Proceeds from sale of equipment	9	-	9	-
Acquisition of intangible assets	(1,494)	(257)	(1,719)	(257)
Net cash used in investing activities	(1,733)	(752)	(8,393)	(6,390)
Cash flows from financing activities:				
Payment of LMA PacMed pre-acquisition dividends to minority interest	-	-	-	(1,232)
Purchase of Treasury Shares	(1,486)	-	(2,015)	-
Net cash used in financing activities	(1,486)	-	(2,015)	(1,232)
Effect of exchange rates changes on cash and cash equivalents	420	62	585	76
Net (decrease) / increase in cash and cash equivalents	1,045	7,335	(3,132)	3,669
Cash and cash equivalents at the beginning of the period	26,450	24,487	30,627	28,153
Cash and cash equivalents at the end of the period	\$27,495	\$31,822	\$27,495	\$31,822

Supplemental disclosure of cash flow information

Cash paid during the period for:

Interest	\$7	\$23	\$42	\$52
Income taxes	\$448	\$683	\$1,265	\$847

Supplemental schedule of non-cash investing and financing activities

In 2008, the Company purchased the Pain Care business of 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 consolidation were as follows:

Fair value of assets acquired (including intangible asset)	\$75	\$-	\$6,105	\$6,031
Existing investment	-	-	-	(4,759)

Cash paid for the acquisition	(75)	-	(6,105)	(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	-	-	347
At March 31, 2008	59	(1,991)	52,096	41,354	1,134	92,652
Net income for the period	-	-	-	4,272	-	4,272
Foreign currency translation adjustment	-	-	-	-	258	258
Total comprehensive income						4,530
Common shares acquired for treasury	-	(1,485)	-	-	-	(1,485)
Non-cash stock compensation charge	-	-	328	-	-	328
At June 30, 2008	\$59	\$(3,476)	\$52,424	\$45,626	\$1,392	\$96,025

(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
Net income for the period	-	-	-	5,489	-	5,489
Foreign currency translation adjustment	-	-	-	-	205	205
Total comprehensive income						5,694
Non-cash stock compensation charge	-	-	444	-	-	444
At June 30, 2007	\$58	\$-	\$47,381	\$35,062	\$1,026	\$83,527

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 9,272,000 of its Common Shares by way of on-market purchases in Q2 2008 at a share price ranging from S\$0.195 to S\$0.240. 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.

	June 30, 2008	December 31, 2007
Number of issued shares	587,774,941	587,774,941
Less: number of treasury shares	(17,421,000)	(5,005,000)
Number of issued shares excluding treasury shares	570,353,941	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.

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements" ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007. 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 Company does not expect the adoption of SFAS 157 to have a material impact on its financial position, results of operations and cash flows.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" ("SFAS 159"), which is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. 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 Company does not expect the adoption of SFAS 159 to have a material impact on its 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 June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net income attributable to shareholders excluding non-cash stock compensation charge	\$4,600	\$5,933	\$7,501	\$9,857
Weighted average number of shares	577,301,600	580,946,581	579,808,463	580,946,581
Basic and diluted earnings per share before non-cash stock compensation charge (in U.S. cents)	0.797	1.021	1.294	1.697

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, 2008	December 31, 2007
Net assets of the Group	\$96,025	\$90,153
Number of shares net of treasury shares	570,353,941	582,769,941
Net assets per share (in U.S. cents)	16.836	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, Australia, New Zealand and Singapore and a global network of independent distributors.

Group Net Sales for Q2 2008 at US\$28.6 million, increased by US\$0.7 million or 3% over Q2 2007. Sales of anaesthesia products amounted to US\$27.2 million, with the balance of US\$1.4 million, being other product sales including LMA StoneBreaker™ and the Pain Care® range of ambulatory infusion pumps.

Group Net Sales	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Anaesthesia Products	27,172	26,804	51,254	50,025
Urology and Other Products	1,413	1,042	1,800	1,391
Total Group Net Sales	28,585	27,846	53,054	51,416

Anaesthesia Product Sales	Three months ended June 30,				Six months ended June 30,			
	2008		2007		2008		2007	
	US\$'000		US\$'000		US\$'000		US\$'000	
United States	15,310	56%	15,211	57%	29,426	57%	29,219	58%
International	11,862	44%	11,593	43%	21,828	43%	20,806	42%
Total Net Sales	27,172	100%	26,804	100%	51,254	100%	50,025	100%
Reusable devices	9,438	35%	11,202	42%	18,200	36%	21,348	42%
Single-use devices	14,168	52%	12,605	47%	26,653	52%	23,645	47%
Other	3,566	13%	2,997	11%	6,401	12%	5,032	11%
Total	27,172	100%	26,804	100%	51,254	100%	50,025	100%

Laryngeal Masks	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Reusable units sold	45,305	60,005	88,965	110,659
Single-use units sold	1,461,489	1,387,892	2,780,474	2,575,871
Total units sold	1,506,794	1,447,897	2,869,439	2,686,530
Average revenue per unit of reusable units (US\$)	208.32	186.67	204.57	192.91
Average revenue per unit of single-use units (US\$)	9.69	9.08	9.59	9.18

Second quarter of 2008 (Q2 2008) compared to second quarter of 2007 (Q2 2007)

Net sales of anaesthesia products in the United States at US\$15.3 million for Q2 2008 increased by 1% over sales of US\$15.2 million for Q2 2007. Competitor pricing and sampling has been particularly intense in the quarter but we have managed to maintain our dominant market position.

Net sales of anaesthesia products for International at US\$11.9 million for Q2 2008 increased by 2% over sales of US\$11.6 million for Q2 2007. This was a creditable performance given that Q2 2007 benefited from increased sales arising from distributor ordering patterns that led to the issues encountered in Q3 and Q4 2007 as announced in October 2007.

Sales of the LMA Supreme™ continued to increase across the Group during the quarter and accounted for more than 8% of net sales.

Pain Care® also made a positive contribution to sales and profit for the quarter.

Gross profit for the Group was US\$18.6 million in Q2 2008 slightly down on Q2 2007. Gross profit from anaesthesia products at US\$17.6 million for Q2 2008 decreased by US\$0.7 million or 4% over Q2 2007. Gross margin at 65% for Q2 2008 was down from 68% for Q2 2007. The main factor in the decline is the continued change in product mix towards lower margin (higher volume) products and third party distributor devices.

Group **Selling, general and administrative expenses** ("SG&A") at US\$13.8 million for Q2 2008 increased by US\$1.9 million or 16% from US\$11.9 million for Q2 2007. Excluding expenses for the LMA Urology joint venture and Pain Care®, SG&A increased by US\$1.1 million or 10% over Q2 2007. This increase in operating expenses mainly reflects the high legal costs related to Intellectual Property protection both in the United States and Germany, as well as increased expenditure in sales and marketing. For Q2 2008, SG&A expenses (excluding LMA Urology) were 47% of net sales, 5 percentage points higher than in Q2 2007 as a result of the above increases in expenses.

Operating income (excluding LMA Urology operating losses) at US\$5.0 million for Q2 2008 was 23% down on Q2 2007 as a result of the increased SG&A expenditure.

Income tax expense was US\$0.5 million for Q2 2008 compared to US\$0.8 million for Q2 2007.

Net income excluding non-cash stock compensation charge decreased by 22.5% to US\$4.6 million for Q2 2008 from US\$5.9 million for Q2 2007 as a result of the factors outlined above.

Net assets* amounted to US\$96.0 million at June 30, 2008, some US\$3.3 million higher than March 31, 2007.

Net cash provided by operating activities was US\$3.8 million for Q2 2008. Net cash used in investing activities totalled US\$1.7 million for the quarter mainly due to the final milestone payment for the purchase of our 50% interest in LMA Urology Ltd. During the quarter, US\$1.5 million was spent on acquiring 9,272,000 treasury shares bringing the total cash outlay on treasury shares, since the buyback programme first commenced, to US\$3.5 million.

First six months of 2008 (H1 2008) compared to first six months of 2007 (H1 2007).

Group Net Sales for H1 2008 at US\$53.1 million, increased by US\$1.6 or 3% over H1 2007. Sales in the United States were boosted by sales of the Pain Care® range of ambulatory infusion pumps. International sales at US\$21.8 million for H1 2008 increased by 5% over sales of US\$20.8 million for H1 2007.

The mix of sales by product followed the ongoing pattern from prior years i.e. the switch from reusable to single-use devices and an increasing proportion of sales of non-LMA owned products. This mix change caused the gross margin from anaesthesia products for the half year to fall from 67% in H1 2007 to 65% in H1 2008.

Urology sales to distributors in H1 2008 were low as sales efforts continued to focus on supporting previously appointed distributors with demonstrations and training to promote increased end-user sales to Urologists.

Selling, general and administrative expenses, excluding operating expenses of LMA Urology and Pain Care® increased by US\$2.8 million or 13% over the corresponding half in 2007 reflecting increased intellectual property litigation costs due to the action initiated against Ambu in the United States as well as increased expenditure in sales and marketing, including a stronger participation at the World Congress of Anaesthesia in Q1.

Other income increased by US\$0.8 million as a result of foreign exchange gains. **Net income** excluding the net effect of LMA Urology and non-cash stock compensation charge was US\$8.2 million for H1 2008.

Net assets* amounted to US\$96.0 million at June 30, 2008, some US\$5.9 million higher than December 31, 2007. The increase in inventories of US\$2.5 million was due to additional holdings of non-LMA owned products and the Pain Care® range.

* 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 the expected continuation of the current aggressive competitor pricing. The recent availability of the full range of adult sizes for LMA Supreme™, the Pain Care® range of ambulatory infusion pumps and the launch of the LMA PerfecTemp™ in H2 2008 are all expected to contribute positively to the Group's sales growth in the second half.

The Group continues 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 continue to provide higher sales in FY2008.

SG&A expenses are expected to remain at about the current ratio of sales as a result 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 second quarter of either year in this statement.

13. Interested person transactions.

Details of interested party transactions for the six and three months ended June 30, 2008 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the six months ended June 30, 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	-	US\$9,604,000
Arrow Medical	-	US\$622,000
Chelle Medical	-	US\$987,000
Shearman and Sterling	-	US\$888,000
CB Holdings	US\$270,000	-

Name of interested person	Aggregate value of all interested person transactions during the three months ended June 30, 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	-	US\$5,177,000
Arrow Medical	-	US\$224,000
Chelle Medical	-	US\$487,000
Shearman and Sterling	-	US\$453,000

CB Holdings	US\$137,000	-
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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, 2008 to be false or misleading.