



LMA International NV

For Immediate Release

LMA REPORTS US\$17.1 MILLION NET PROFIT FOR FIRST NINE MONTHS OF FY2006

Highlights

- Net sales for Q3 rose 5.4% and 6.1% over the first nine months of FY2006
- Gross profit increased 2.5% in Q3 and 1.2% over the first nine months of FY2006
- Net profit excluding non-recurring charges, stock compensation charge and urology expenses for Q3 was marginally down on Q3 FY2005 but was up 1.6% for the first nine months of FY2006

Singapore, 2 November 2006 – Mainboard-listed LMA International N.V. (“LMA” or the “Group”), a global leader in the development and marketing of the LMA™ laryngeal mask airway range of supraglottic airway management devices, has announced its unaudited results for the third quarter (“Q3”) and the first nine months of the financial year ending December 31, 2006 (“FY2006”).

Summary

(US\$'000)	Three months ended Sept 30,			Nine months ended Sept 30,		
	2006	2005	Change (%)	2006	2005	Change (%)
Net sales	22,096	20,963	5.4	66,915	63,041	6.1
Gross profit	15,830	15,450	2.5	48,197	47,609	1.2
Operating expenses:						
Selling, general and administrative	(9,570)	(8,501)		(28,438)	(25,482)	
Research and development	(403)	(520)		(1,197)	(1,065)	
Amortisation of intangible assets	(9)	-		(37)	(12)	
Total operating income	5,848	6,429	(9.0)	18,525	21,050	(12.0)
Net income before income tax, minority interests and share of net earnings of associate	5,964	6,457	(7.6)	19,350	20,325	(4.8)
Income tax expense	(602)	(571)		(1,940)	(1,954)	
Minority interests	201	-		511	(25)	
Share of net earnings of associate	48	-		216	-	
Net income excluding non-recurring charges and stock compensation charge	5,611	5,886	(4.7)	18,137	18,346	(1.1)
Non-recurring charges and stock compensation charge:						
Stock compensation charge	(356)	-		(1,074)	-	
Non-recurring stock compensation charge	-	-		-	(24,160)	
One-off loyalty bonus (net of tax credit)	-	-		-	(3,139)	
Net income/ (loss)	5,255	5,886	(10.7)	17,063	(8,953)	nm

Net Assets per Share

(US dollars, except per share amounts)	Sept 30, 2006	Dec 31, 2005
Net assets of the Group	\$67,453	\$49,288
Net assets per share (in U.S. cents)	11.611	8.484

Earnings per Share (EPS)

(US dollars, except share and per share amounts)	Three months ended Sept 30,		Nine months ended Sept 30,	
	2006	2005	2006	2005
Net Income attributable to shareholders excluding one-off charges and stock compensation charge	\$5,611	\$5,886	\$18,137	\$18,346
Number of shares	580,946,581	580,946,581	580,946,581	580,946,581
Basic and diluted EPS before non recurring items (in U.S. cents)	0.966	1.013	3.122	3.158

Segmental Review – Geographic and Product Sales (percentage)

US\$'000	Three months ended Sept 30,				Nine months ended Sept 30,			
	2006		2005		2006		2005	
United States	14,077	64%	13,349	64%	41,234	62%	39,074	62%
Rest of the World ("ROW")	7,953	36%	7,614	36%	25,615	38%	23,967	38%
Total net sales	22,030	100%	20,963	100%	66,849	100%	63,041	100%
Reusable devices	9,993	45%	11,127	53%	31,733	47%	34,969	55%
Single-use devices	10,956	50%	9,434	45%	31,883	48%	26,809	43%
Other	1,081	5%	402	2%	3,233	5%	1,263	2%
Total	22,030	100%	20,963	100%	66,849	100%	63,041	100%

Segmental Review – Product Sales (by number of units) and Unit Cost

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2006	2005	2006	2005
Reusable units sold	58,322	65,175	183,660	198,072
Single-use units sold	1,229,495	896,790	3,518,317	2,547,468
Total units sold	1,287,817	961,965	3,701,977	2,745,540
Average revenue per unit of reusable units (US\$)	171.34	170.72	172.78	176.55
Average revenue per unit of single-use units (US\$)	8.91	10.52	9.06	10.52

Financial Highlights

Group net sales for Q3 FY2006 increased by 5% over Q3 FY2005, due mainly to a 37% increase in sales of single-use devices over Q3 FY2005. Sales of LMA CTrach™ generated US\$1.0 million in Q3 FY2006.

Net sales in the United States increased by 5.5% in Q3 FY2006 over Q3 FY2005, largely driven by sales of single-use devices and the LMA CTrach™. Continued aggressive price-led competitive operating environment during the quarter resulted in more sales time spent on defending existing accounts which, together with a slowing of conversion of accounts from reusable to single-use devices, generated limited sales growth.

Net sales for ROW increased by 4.5% in Q3 FY2006 over sales in Q3 FY2005 due mainly to increased sales of single-use devices. Aggressive price competition continued to adversely affect single-use selling prices. During the quarter, although LMA continued to successfully maintain a significant price premium to our competitors, the decline in single-use selling prices partially offset the revenue achieved from the increase in unit sales. Sales in Germany for Q3 FY2006 were 19% higher than Q3 FY2005 despite little evidence of a resumption in surgical procedures following the end of the

nationwide surgeons' strike in Q3 FY2006. Elsewhere, sales in other major markets were mixed with strong sales in some balanced by slower sales in others.

For the nine months ended 30 September 2006, net sales rose 6% over the corresponding period in FY2005 due mainly to increased sales of single-use devices and the LMA CTrach™. However, the overall increase in net sales achieved was partially offset by the reduction of single-use selling prices and the disruptive effects of various initiatives undertaken in Q1 FY2006 to improve longer term sales capability. Geographically, the United States achieved an increase in net sales of 5.3% over the nine months ended 30 September 2005 and ROW achieved an increase of 7% over the same period driven by increased sales of single-use products in both markets.

Gross profit increased by only 2.5% to US\$15.8 million for Q3 FY2006 from US\$15.4 million for Q3 FY2005, reflecting higher unit sales of single-use devices. Gross margin at 71.9% for Q3 FY2006 declined marginally from 73.7% in Q3 FY2005 due primarily to a change in the product sales mix, although this margin was broadly in line with gross margin recorded in the second quarter of FY2006.

For Q3 FY2006, selling, general and administrative expenses ("SG&A") increased by 13% to US\$9.6 million from US\$8.5 million in Q3 FY2005, including US\$0.5 million in operating expenses incurred by LMA Urology. Excluding these expenses, SG&A increased by US\$0.6 million or 7% and comprised 41% of net sales, similar to SG&A expenses reported for Q3 FY2005 but higher than the 38% reported for the second quarter of FY2006. Also included in SG&A expenses for the past quarter is US\$0.2 million relating to the patent infringement case with Ambu, of which the Group is currently seeking recovery.

For the first nine months of FY2006, SG&A expenses increased by 12% to US\$28.4 million from US\$25.5 million over the corresponding period in FY2005, primarily due to one-off costs relating to initiatives taken to strengthen the Group's sales management and distribution infrastructure in certain key ROW markets reported in the first quarter of FY2006, as well as operating expenses by LMA Urology.

Net income excluding non-recurring charges, stock compensation charge and urology expenses at US\$5.8 million for Q3 FY2006 was marginally down on Q3 FY2005 but up for the first nine months of FY2006.

LMA continued to generate consistent cash flow over the quarter recording net cash provided by operating activities of US\$7.7 million. Net cash used in investing activities totalled US\$5.3 million for the same period, being primarily the purchase of the LMA Supreme™ from Venner Capital SA for US\$4.7 million.

Other Developments

During the last quarter, the Group won a significant patent infringement action against Ambu in Germany, which has been enforced. Whilst Ambu proceeded to file an appeal, the judgement remains in force and Ambu continues to be prohibited from marketing, selling and using the infringing masks in Germany. They have commenced the marketing of a variation of the infringing device and LMA is evaluating potential infringements of its other patents. As part of the judgement against them, Ambu is liable to LMA for all damages resulting from the patent infringement. LMA is collating its claim for compensation.

The first 10 units of the LMA StoneBreaker™ intra-corporeal lithotripsy device were shipped at the end of Q3 FY2006 and a number of distributors have been identified to market this device in several key markets.

Said LMA Group President, Mr John Lim, "Although the Group's performance over the nine months has shown a small overall improvement year on year, it reflects the continued aggressive competition and price pressures across our markets.

While we expect competition to remain for the rest of this year, we believe the operational improvements taken in the first quarter and sales from our new product LMA CTrach™ will contribute positively to our results for the full year."

Looking Ahead

The LMA Supreme™, the latest generation single-use laryngeal mask airway, scheduled to be manufactured by the end of Q4 FY2006, is expected to strengthen LMA's market position in single-use products. The LMA StoneBreaker™ device was launched at the end of Q3 2006 and continues to receive keen interest from urologists.

Barring unforeseen circumstances, the Group expects sales and profits in FY2006, excluding the net effect of LMA Urology and stock compensation charges, to exceed those for FY2005.

- Ends -

For media queries, please contact:

Sharon Seetho, Gavin Anderson & Company Singapore, Tel: +65 6339 9110

About LMA

Incorporated in the Netherlands Antilles in 1998, LMA was listed on the Singapore Exchange in March 2005. LMA designs, develops, markets and distributes medical equipment, principally the LMA™ laryngeal mask airway range of supraglottic airway management devices. These devices are used by physicians to allow respiration, provide ventilation to, and support the airway of patients undergoing surgical procedures and life-saving interventions. Since its first product, the LMA-Classic™, was approved by the FDA for use in the United States in 1991, LMA's growth has been driven by the development of innovative products, geographic expansion, and increased customer awareness of the LMA™ laryngeal mask airway as an alternative airway management device. LMA has established a leading position in this growing market.

LMA has an office in Jersey, Channel Islands, and subsidiaries in Singapore, Bonn, Germany and San Diego, California. Through its 50 percent joint venture in LMA Urology Limited, the Group has a subsidiary in Switzerland to design, manufacture and distribute the LMA StoneBreaker™. DBS Bank and Credit Suisse were the Joint Global Coordinators and Joint Bookrunners for the Initial Public Offering of shares in LMA.