



LMA INTERNATIONAL N.V.
Company Registration No. 80879

Financial Statements for the Third Quarter and Nine Months ended September 30, 2006

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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Net sales	\$22,096	\$20,963	\$66,915	\$63,041
Cost of sales	(6,266)	(5,513)	(18,718)	(15,432)
Gross profit	15,830	15,450	48,197	47,609
Operating expenses (Note (1))				
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)
	(9,982)	(9,021)	(29,672)	(26,559)
Total operating income	5,848	6,429	18,525	21,050
Interest income	198	191	462	274
Interest expense	-	(182)	(104)	(384)
Other, net (Note (2))	(82)	19	467	(615)
Other income / (expenses), net	116	28	825	(725)
Net income before income taxes, minority interests and share of net earnings of associate	5,964	6,457	19,350	20,325
Income tax expense	(602)	(571)	(1,940)	(1,954)
Minority interests (Note (6))	201	-	511	(25)
Share of net earnings of associate (Note (7))	48	-	216	-
Net income excluding non-recurring charges and stock compensation charge	\$5,611	\$5,886	\$18,137	\$18,346
<u>Non-recurring charges and stock compensation charge (Note (8)):</u>				
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	\$17,063	\$(8,953)

Notes:

(U.S. Dollars, in thousands)

(1) Included in operating expenses above are:

Depreciation and amortisation	564	466	1,519	1,430
Allowance for doubtful debts	(1)	57	71	157
Profit on sale of properties, plant and equipment	-	-	-	-

(2) Included in other income above are foreign exchange gains / (losses)

	9	6	631	(878)
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(3) Included in income tax expenses are adjustments for under or (over) provision of tax in respect of prior years

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(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 and nine months ended September 30, 2006.

(6) Minority interests relates to our joint venture interest in LMA Urology.

- (7) Share of net earnings of associate reflects our share of profits of LMA PacMed Pty Ltd. Under U.S. GAAP, we are required to make an adjustment to eliminate unrealised profit on our 30% share of our associate's inventory of laryngeal masks. This adjustment is netted off against share of net earnings of associate.
- (8)(i) Under the Company's Executive Share Option Plan, we issued share options to certain of our directors and employees during 2005. Under current U.S. GAAP, we are required to treat the fair value of these share awards as a compensation expense from 2006 onwards. The Company uses the Black-Scholes valuation model for calculating the fair value of these options and has determined that it will adopt the modified prospective method, as permitted under U.S. GAAP. The accounting treatment for these options has no impact on our cash flow, net assets or distributable reserves.
- (ii) Prior to the commencement of our offering in March 2005, we issued shares to certain of our directors, employees and associates, as well as issued shares to option holders and stockholders of LMA North America Inc. (LMANA) in connection with the LMANA reorganisation. Under U.S. GAAP, we are required to treat the fair market value of these share awards, together with such excess of fair market value over the exercise prices payable under that plan, as a compensation expense in the first quarter of the financial year ending December 31, 2005. This charge amounted to US\$24.2 million. Although this accounting treatment has no impact on our cash flow, net assets or distributable reserves, it caused us to record a net loss for the year ended December 31, 2005.
- (iii) Non-recurring loyalty bonus payable upon the Company's listing in the aggregate of US\$5.2 million (including employment taxes) was charged in the first quarter of 2005. This payment is deductible for tax purposes.

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)	September 30, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$24,758	\$25,693
Trade accounts receivable, less allowance for doubtful accounts	11,545	11,690
Related party receivables	1,615	1,920
Inventories	10,216	8,980
Deferred income taxes	615	574
Prepaid expenses	1,477	586
Other current assets	2,512	2,696
Total current assets	52,738	52,139
Deferred tax assets	167	89
Property, plant and equipment, net	9,826	5,552
Patents and other intangible assets, net	3,857	1,312
Investments	5,293	5,065
Goodwill	5,824	5,824
Other long-term assets	31	21
Total assets	\$77,736	\$70,002
Liabilities and shareholders' equity		
Current liabilities:		
Short-term bank borrowings	\$-	\$2,000
Trade accounts payable	1,567	1,145
Accounts payable to related parties	3,047	2,871
Other current liabilities	6,070	6,596
Total current liabilities	10,684	12,612
Long-term bank borrowings	-	8,000
Deferred income taxes	-	-
Other long-term liabilities	110	102
Total liabilities	10,794	20,714
Minority interests	(511)	-
Commitments and contingencies	-	-
Shareholders' equity		
Common shares: Issued: 580,946,581	58	58
Additional paid-in capital	46,059	44,985
	46,117	45,043
Retained earnings	20,610	3,547
Accumulated other comprehensive income	726	698
Total shareholders' equity	67,453	49,288
Total liabilities, minority interests and shareholders' equity	\$77,736	\$70,002

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

(U.S. Dollars, in thousands)	At September 30, 2006		At December 31, 2005	
	Secured	Unsecured	Secured	Unsecured
Repayable within one year	\$-	\$-	\$-	\$2,000
Repayable after one year	-	-	-	8,000

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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Cash flows from operating activities:				
Net income (loss)	\$5,255	\$5,886	\$17,063	\$(8,953)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortisation	564	466	1,519	1,430
Deferred taxes	(100)	22	(104)	(16)
Minority interest in net income of consolidated subsidiaries	(288)	-	(765)	25
Non-cash U.S. GAAP stock compensation charge	356	-	1,074	24,160
Changes in operating assets and liabilities:				
(Increase) / decrease in trade accounts receivables and related party receivables	1,331	1,408	375	4,916
(Increase) / decrease in inventories	(1,058)	(7)	(988)	(1,872)
(Increase) / decrease in other assets	1,182	408	(724)	(1,550)
(Decrease) / increase in trade accounts payable and accounts payable to related parties	462	(2,170)	340	(5,246)
Increase / (decrease) in other current liabilities	18	973	(571)	356
Net cash provided by operating activities	7,722	6,986	17,219	13,250
Cash flows from investing activities:				
Purchase of investment (Note (1))	-	-	-	(1,085)
Capital expenditures	(5,340)	(572)	(8,287)	(2,001)
Net cash used in investing activities	(5,340)	(572)	(8,287)	(3,086)
Cash flows from financing activities:				
Net proceeds from issue of common shares	-	-	-	16,070
Proceeds from exercise of stock options	-	-	-	65
Dividends paid	-	-	-	(3,452)
Repayment of advances from related parties	-	-	-	(17,576)
Proceeds from bank borrowings	-	-	-	20,000
Repayment of bank borrowings	-	-	(10,000)	(10,000)
Net cash (used in) provided by financing activities	-	-	(10,000)	5,107
Effect of exchange rates changes on cash	2	(50)	133	(122)
Net increase / (decrease) in cash and cash equivalents	2,384	6,364	(935)	15,149
Cash and cash equivalents at the beginning of the period	22,374	19,529	25,693	10,744
Cash and cash equivalents at the end of the period	\$24,758	\$25,893	\$24,758	\$25,893
Supplemental disclosure of cash flow information				
Cash paid during the period for:				
Interest	\$-	\$1	\$157	\$30
Income taxes	\$1,180	\$37	\$2,175	\$582

(1) An amount of \$1,913, disclosed under this heading in the First Quarter Financial Statement and Dividend Announcement for the three months ended March 31, 2006, has been reclassified to the "Capital expenditures" heading for the three months ended June 30, 2006.

- 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 stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total Shareholders' equity
At January 1, 2006	\$58	\$44,985	\$3,547	\$698	\$49,288
Net income for the period	-	-	11,808	-	11,808
Foreign currency translation adjustment	-	-	-	58	58
Total comprehensive income					11,866
Stock compensation charge	-	718	-	-	718
At June 30, 2006	58	45,703	15,355	756	61,872
Net income for the period	-	-	5,255	-	5,255
Foreign currency translation adjustment	-	-	-	(30)	(30)
Total comprehensive income					5,225
Stock compensation charge	-	356	-	-	356
At September 30, 2006	\$58	\$46,059	\$20,610	\$726	\$67,453

(U.S. Dollars, in thousands)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total Shareholders' equity
At January 1, 2005	\$6	\$1,340	\$6,085	\$775	\$8,206
Net loss for the period	-	-	(14,839)	-	(14,839)
Foreign currency translation adjustment	-	-	-	(89)	(89)
Total comprehensive income / (loss)					(14,928)
Stock options exercised	-	65	-	-	65
Acquisition of minority interest	-	3,138	-	-	3,138
Stock issued on public offering	52	16,018	-	-	16,070
Stock compensation charge	-	24,160	-	-	24,160
At June 30, 2005	58	44,721	(8,754)	686	36,711
Net income for the period	-	-	5,886	-	5,886
Foreign currency translation adjustment	-	-	-	(17)	(17)
Total comprehensive income					5,869
At September 30, 2005	\$58	\$44,721	\$(2,868)	\$669	\$42,580

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

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, 2005.

The Group's consolidated financial results 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.**

Under the Company's Executive Share Option Plan, we issued share options to certain of our directors and employees during 2005. Under current U.S. GAAP, we are required to treat the fair value of these share awards as a compensation expense from 2006 onwards. The Company uses the Black-Scholes valuation model for calculating the fair value of these options and has determined that it will adopt the modified prospective method, as permitted under U.S. GAAP. The accounting treatment for these options has no impact on our cash flow, net assets or distributable reserves.

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 September 30,		Nine months ended September 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 earnings per share before non recurring items (in U.S. cents)	0.966	1.013	3.122	3.158

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)	September 30, 2006	December 31, 2005
Net assets of the Group	\$67,453	\$49,288
Net assets per share (in U.S. cents)	11.611	8.484

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 Laryngeal Masks 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 products, together with global average revenue per unit for such devices:

	Three months ended September 30, 2006		2005		Nine months ended September 30, 2006		2005	
	US\$'000		US\$'000		US\$'000		US\$'000	
United States	14,077	64%	13,349	64%	41,234	62%	39,074	62%
Rest of the World	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%

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

Third quarter of 2006 (Q3 2006) compared to third quarter of 2005 (Q3 2005).

Group net sales for Q3 2006 at US\$22.1 million, increased by US\$1.2 million or 5% over Q3 2005. Q3 2006 unit sales of single-use devices increased to 1,229,495 or 37% up on Q3 2005 which was the main factor generating the overall sales increase.

Net sales in the United States at US\$14.1 million for Q3 2006 increased by 5.5% over sales of US\$13.3 million for Q3 2005. The increase was largely driven by sales of single-use devices, together with a positive contribution from the LMA CTrach™ when compared to the same period last year. Aggressive price-led competition continues to lead to more sales time spent on defending existing accounts which, together with a slowing of conversion of accounts from reusable to single-use devices, limited the sales growth in the quarter.

Net sales for the Rest of the World at US\$7.9 million for Q3 2006, increased by 4.5% over sales of US\$7.6 million for Q3 2005. The main contributory factor to sales growth in the Rest of the World was increased sales of single-use devices. Aggressive price competition continues to impact on single-use selling prices and, although we continue to maintain a significant price premium to our competitors, this reduces the benefit from increased unit sales. Sales in Germany for Q3 2006 were 19% higher than Q3 2005 despite little evidence of an acceleration of procedures following the ending of the surgeons' strike early in Q3 2006. Elsewhere sales in other major markets were mixed with strong sales in some balanced by slower sales in others.

During the quarter the Company won a major patent infringement action against Ambu in Germany which we enforced. Whilst Ambu have filed an appeal the judgement remains in force and Ambu is prohibited from marketing, selling and using the infringing masks. They have commenced the marketing of a variation of the device and the Company is evaluating potential infringements of our patents. As part of the judgement against them Ambu were held to be liable to the Company for all damages resulting from the patent infringement. The Company is collating its claim for compensation.

Although LMA CTrach™ generated net sales of US\$1.0 million for Q3 2006 this is the same level as Q2 2006. Sales were adversely impacted by supply problems during part of the quarter.

The first 10 units of the LMA Stonebreaker™ intra-corporeal lithotripsy device were shipped at the end of Q3 2006. A number of distributors have now been signed up to market this device.

Gross profit increased by US\$0.4 million, or 2.5%, to US\$15.8 million for Q3 2006 from US\$15.4 million for Q3 2005. The increase reflects higher unit sales of single-use devices, partially offset by lower gross margins. Gross margin at 71.9% for Q3 2006 was down from 73.7% for Q3 2005, due primarily to a change in the product sales mix, although this margin was broadly in line with Q2 2006 due to a higher proportion of Net Sales being in the U.S..

Selling, general and administrative expenses ("SG&A") increased by 13% to US\$9.6 million for Q3 2006 from US\$8.5 million in Q3 2005. This includes operating expenses incurred by our joint venture, LMA Urology, of US\$0.5 million. Excluding these expenses, SG&A increased by US\$0.6 million or 7%. Q3 2006 SG&A expenses (excluding LMA Urology) were 41% of net sales, in line with Q3 2005 and higher than the 38% in Q2 2006. Included in SG&A is US\$0.2 million of expenses related to the patent infringement case with Ambu for which we are seeking recovery.

Operating income (excluding LMA Urology expenses) at US\$6.3 million for Q3 2006 was 2% down on Q3 2005 due to the factors set out above.

Income tax expense remained flat at US\$0.6 million for Q3 2006 as compared to Q3 2005. The effective tax rate was 10% for Q3 2006, compared to 9% for Q3 2005. This increase in the effective tax rate was due to a higher proportion of profits generated in the United States.

Net income excluding the net effect of LMA Urology, non-recurring charges and stock compensation charge was broadly flat at US\$5.8 million for Q3 2006. Net income after these items was \$5.3 million. Net income margin was 24% for Q3 2006 compared to 28% for Q3 2005.

Net assets* amounted to US\$67.5 million at September 30, 2006, some US\$18.2 million higher than December 31, 2005.

Net cash provided by operating activities was US\$7.7 million for Q3 2006. 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 in Q3 2006 for US\$4.7 million.

First nine months of 2006 (YTD 2006) compared to first nine months of 2005 (YTD 2005).

Group net sales for YTD 2006 were US\$66.8 million, up US\$3.8 million or 6% on YTD 2005 due mainly to increased sales of single-use devices and the LMA CTrach™, partially offset by the impact of reducing single-use selling prices and the disruptive effects of various initiatives undertaken in Q1 2006 to improve longer term sales management. Geographically, the United States achieved an increase of 5.3% over YTD 2005, while the Rest of the World achieved an increase of 7% over the same period. As previously stated, the sales increases, and resulting **Gross profit** increases, were largely due to increases in sales of single-use products in both markets.

Selling, general and administrative expenses increased by 12% to US\$28.4 million for YTD 2006 from US\$25.5 million in YTD 2005. This increase was primarily due to a number of non-recurring costs incurred and reported in Q1 2006, as well as expenses incurred by LMA Urology. **Other income** increased by US\$1.1 million due to foreign exchange gains and a reduction in interest payments due to the repayment of the bank loan in Q1 2006. **Net income** excluding LMA Urology expenses, non-recurring charges and stock compensation charge increased by 2% to US\$18.1 million for YTD 2006.

* 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, only for the full year.

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 market is expected to continue to remain highly competitive for the rest of 2006 with aggressive price led competitor activities being the main feature. The Group remains positive and expects the operational improvement initiatives taken in Q1 and the successful launch of the LMA CTrach™ to have a positive impact on the Group's results for the full year. The Group continues to expect both Net Sales and Net Income for the full year, excluding the net effect of LMA Urology and stock compensation charges, to improve on results in 2005.

The LMA Supreme™ is expected to be manufactured by the end of Q4 2006 and will strengthen LMA's market position in single-use devices.

LMA Urology's StoneBreaker™ device was launched at the very end of Q3 2006. This product has so far received very high interest from Urologists.

11. Dividends.

Not applicable.

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

The Company does not intend to declare dividends in the foreseeable future and did not declare any dividends in the third quarter of either year in this statement.

13. Interested person transactions.

Details of interested party transactions for the three and nine months ended September 30, 2006 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the nine months ended September 30, 2006 (excluding transactions less than \$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 \$100,000)
Venner Trading Limited	-	\$3,885,000
Venner Trading Singapore Limited	-	\$13,259,000
Venner Capital	-	\$4,701,000
Shearman and Sterling	-	\$131,000

Name of interested person	Aggregate value of all interested person transactions during the three months ended September 30, 2006 (excluding transactions less than \$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 \$100,000)
Venner Trading Limited	-	\$1,559,000
Venner Trading Singapore Limited	-	\$4,923,000
Venner Capital	-	\$4,701,000

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 September 30, 2006 to be false or misleading.