



LMA INTERNATIONAL N.V.

Company Registration No. 80879

Financial Statements for the Second Quarter and Half Year ended June 30, 2005 (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 June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Net sales	\$21,501	\$19,080	\$42,078	\$37,019
Cost of sales	(5,176)	(4,466)	(9,919)	(8,135)
Gross profit	16,325	14,614	32,159	28,884
Operating expenses (Note (1))				
Selling, general and administrative	(8,485)	(8,341)	(16,981)	(16,485)
Research and development	(334)	(122)	(545)	(420)
Amortisation of intangible assets	(3)	-	(12)	-
	(8,822)	(8,463)	(17,538)	(16,905)
Total operating income	7,503	6,151	14,621	11,979
Interest income	47	7	83	11
Interest expense	(139)	(59)	(202)	(122)
Other, net (Note (2))	(403)	(4)	(634)	228
Other (expenses) / income, net	(495)	(56)	(753)	117
Net income before income taxes and minority interests	7,008	6,095	13,868	12,096
Income tax expense	(711)	(350)	(1,383)	(561)
Minority interests	-	(133)	(25)	(137)
Net income excluding non-recurring charges	\$6,297	\$5,612	\$12,460	\$11,398
<u>Non-recurring charges (Note (6)):</u>				
Stock compensation charge	-	-	(24,160)	-
One-off loyalty bonus (net of tax credit)	-	-	(3,139)	-
Net income (loss)	\$6,297	\$5,612	\$(14,839)	\$11,398

Notes:

(U.S. Dollars, in thousands)				
(1)	Included in operating expenses above are:			
	Depreciation and amortisation	478	271	945
	Allowance for doubtful debts	100	-	100
	Profit on sale of properties, plant and equipment	-	-	-
(2)	Included in other income above are foreign exchange (losses) / gains	(634)	43	(884)
(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 and six months ended June 30, 2005.

(6)(i) 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 has caused us to record a net loss for the six months ended June 30, 2005 and may cause us to record a net loss for the financial year ending December 31, 2005.

(ii) 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.

(iii) Under the Company's Executive Share Option Plan, we issued share options to certain of our directors in March 2005. Under current U.S. GAAP, we are not required to make any charges in 2005 but we will be required to treat the fair value of these share awards as a compensation expense from 2006 onwards. The Company is currently evaluating option valuation methodologies for calculating the fair value of these options and has yet to determine which of the adoption methods, as permitted under U.S. GAAP, it will use. The accounting treatment for these options will have 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, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$19,529	\$10,744
Trade accounts receivable, less allowance for doubtful accounts	9,330	11,575
Related party receivables	2,438	3,584
Advances to related parties	-	1,404
Inventories	8,578	6,980
Deferred income taxes	602	723
Prepaid expenses	1,075	621
Other current assets	2,508	1,182
Total current assets	44,060	36,813
Deferred tax assets	11	21
Property, plant and equipment, net	6,218	5,911
Patents and other intangible assets, net	1,097	897
Investments	1,086	-
Goodwill	5,824	3,031
Other long-term assets	4	4
Total assets	\$58,300	\$46,677
Liabilities and shareholders' equity		
Current liabilities:		
Trade accounts payable	\$1,050	\$977
Accounts payable to related parties	4,676	7,993
Subordinated note payable to Venner Capital SA	-	3,500
Advances from related parties	-	15,480
Dividends payable	-	3,452
Other current liabilities	5,762	6,694
Total current liabilities	11,488	38,096
Long-term bank borrowings	10,000	-
Deferred income taxes	-	34
Other long-term liabilities	101	4
Total liabilities	21,589	38,134
Minority interests		
Commitments and contingencies	-	-
Shareholders' equity		
Common shares: 2005 – US\$0.0001 par value (2004 - US\$1.00)		
Issued: 2005 - 580,946,581 (2004 – 6,000)	58	6
Additional paid-in capital	44,721	1,340
	44,779	1,346
Retained earnings	(8,754)	6,085
Accumulated other comprehensive income	686	775
Total shareholders' equity	36,711	8,206
Total liabilities, minority interests and shareholders' equity	\$58,300	\$46,677

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

(U.S. Dollars, in thousands)	At June 30, 2005		At December 31, 2004	
	Secured	Unsecured	Secured	Unsecured
Repayable within one year	\$-	\$-	\$3,500	\$15,480
Repayable after one year	-	10,000	-	-

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 June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Cash flows from operating activities:				
Net income (loss)	\$6,297	\$5,612	\$(14,839)	\$11,398
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortisation	497	159	964	319
Provision for doubtful accounts	-	-	-	3
Deferred taxes	(2)	4	(38)	31
Minority interest in net income of consolidated subsidiaries	-	133	25	137
Non-cash U.S. GAAP stock compensation charge	-	-	24,160	-
Stock options issued	-	3	65	3
Changes in operating assets and liabilities:				
Decrease / (increase) in trade accounts receivables and related party receivables	88	(1,313)	3,508	(4,328)
(Increase) in inventories	(865)	(817)	(1,865)	(920)
Decrease / (increase) in other assets	330	(911)	(1,958)	(915)
Increase / (decrease) in trade accounts payable and accounts payable to related parties	352	2,936	(3,076)	6,678
Increase / (decrease) in other current liabilities	(297)	834	(728)	(690)
Net cash provided by operating activities	6,400	6,640	6,218	11,716
Cash flows from investing activities:				
Purchase of investment	-	-	(974)	-
Capital expenditures	(837)	8	(1,429)	(454)
Net cash provided by (used in) investing activities	(837)	8	(2,403)	(454)
Cash flows from financing activities:				
Net proceeds from issue of common shares	-	156	16,070	168
Dividends paid	-	(6,016)	(3,452)	(12,016)
Repayment of advances from related parties	-	-	(17,576)	-
Proceeds from bank borrowings	-	-	20,000	-
Repayment of bank borrowings	-	-	(10,000)	-
Net cash provided by (used in) financing activities	-	(5,860)	5,042	(11,848)
Effect of exchange rates changes on cash	(80)	(99)	(72)	235
Net increase / (decrease) in cash and cash equivalents	5,483	689	8,785	(351)
Cash and cash equivalents at the beginning of the period	14,046	10,919	10,744	11,959
Cash and cash equivalents at the end of the period	\$19,529	\$11,608	\$19,529	\$11,608
Supplemental disclosure of cash flow information				
Cash paid during the period for:				
Interest	\$2	\$14	\$29	\$32
Income taxes	\$23	\$-	\$545	\$210
Non cash transaction:				
Settlement of related party payable with transfer of leasehold property	\$-	\$-	\$-	\$1,301

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, 2005	\$6	\$1,340	\$6,085	\$775	\$8,206
Net loss for the period	-	-	(21,136)	-	(21,136)
Foreign currency translation adjustment	-	-	-	17	17
Total comprehensive income					(21,119)
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 March 31, 2005	58	44,721	(15,051)	792	30,520
Net income for the period	-	-	6,297	-	6,297
Foreign currency translation adjustment	-	-	-	(106)	(106)
Total comprehensive income					6,191
Stock options exercised	-	-	-	-	-
Acquisition of minority interest	-	-	-	-	-
Stock compensation charge	-	-	-	-	-
At June 30, 2005	\$58	\$44,721	\$(8,754)	\$686	\$36,711

(U.S. Dollars, in thousands)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total Shareholders' equity
At January 1, 2004	\$6	\$1,138	\$1,291	\$690	\$3,125
Net income for the period	-	-	5,786	-	5,786
Foreign currency translation adjustment	-	-	-	(32)	(32)
Total comprehensive income					5,754
Stock options exercised	-	6	-	-	6
At March 31, 2004	6	1,144	7,077	658	8,885
Net income for the period	-	-	5,612	-	5,612
Foreign currency translation adjustment	-	-	-	56	56
Total comprehensive income					5,668
Stock options exercised	-	159	-	-	159
At June 30, 2004	\$6	\$1,303	\$12,689	\$714	\$14,712

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

On March 18, 2005, the Company successfully listed on the Singapore Stock Exchange. As part of the listing, the Company's issued shares were increased from 6,000 shares at US\$1.00 each to 580,946,581 shares at US\$0.0001 each, as a result of a share split and a new issue of 31,000,485 shares.

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

The figures have been reviewed in accordance with Statement of Auditing Practice 11 – Review of Interim Financial Information.

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

We have performed a review on the interim financial information of LMA International NV and its subsidiaries ("the Group") for the second quarter ended 30 June 2005. Such interim financial information has been prepared by LMA International NV for announcement on the Singapore Exchange.

Appendix 7.2 of the Singapore Exchange Securities Trading Limited Listing Manual ("Listing Manual") requires the preparation of interim financial information to be in compliance with the relevant provisions thereof. The accompanying financial information comprises the consolidated balance sheet of the Group as at 30 June 2005, and the consolidated statement of operations, consolidated changes in equity and consolidated cash flow statement for the second quarter ended 30 June 2005. The interim financial information is the responsibility of, and has been approved by, the directors. Our responsibility is to issue a report solely for the use of the directors on the interim financial information based on our review.

We conducted our review in accordance with the Singapore Statement of Auditing Practice 11, Review of Interim Financial Information. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of, and having discussions with, persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with Singapore Standards On Auditing and does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that there are any material modification that needs to be made to the accompanying interim financial information for it to be in accordance with Appendix 7.2 of the Listing Manual.

PricewaterhouseCoopers CI LLP, Jersey

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, 2004.

The Group's 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.

Not applicable.

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,	
	2005	2004 (restated)	2005	2004 (restated)
Net Income attributable to shareholders excluding one-off charges	\$6,297	\$5,612	\$12,460	\$11,398
Number of shares	580,946,581	580,946,581	580,946,581	580,946,581
Earnings per share before non recurring items (in U.S. cents)	1.084	0.966	2.145	1.962

Earnings per share for the three and six months ended June 30, 2004 have been restated to reflect the change in share capital that occurred upon listing in March 2005.

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)	June 30, 2005	December 31, 2004 (restated)
Net assets of the Group	\$36,711	\$8,206
Net assets per share (in U.S. cents)	6.319	1.413

Net assets per share for December 31, 2004 has been restated to reflect the change in share capital that occurred upon listing in March 2005.

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 NV Group designs, develops, markets and distributes medical equipment, principally the LMA™ laryngeal mask airway line of supraglottic airway device products. These are airway management devices used by physicians to allow respiration, provide ventilation to and support the airway of patients undergoing surgical procedures and life-saving interventions. 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. Our U.S. and other direct sales reflect higher net prices, as they are direct to end-users, than through our distributors.

The following tables set forth, for the periods indicated, our sales 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:

(US\$'000)	Three months ended June 30,				Six months ended June 30,			
	2005		2004		2005		2004	
	US\$		US\$		US\$		US\$	
United States	12,970	61%	11,613	62%	25,725	61%	22,598	61%
Rest of the World	8,531	39%	7,467	38%	16,353	39%	14,421	39%
Total net sales	21,501	100%	19,080	100%	42,078	100%	37,019	100%
Reusable devices	11,913	55%	12,414	65%	23,842	57%	24,784	67%
Single-use devices	9,119	43%	6,669	35%	17,375	41%	11,979	32%
Other	469	2%	(3)	0%	861	2%	256	1%
Total	21,501	100%	19,080	100%	42,078	100%	37,019	100%

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Reusable units sold	66,648	72,856	132,897	143,627
Single-use units sold	871,717	567,587	1,649,879	970,005
Total units sold	938,365	640,443	1,782,776	1,113,632
Average revenue per unit of reusable units (US\$)	178.75	170.40	179.40	172.56
Average revenue per unit of single-use units (US\$)	10.46	11.77	10.53	12.35

Second quarter of 2005 (Q2 2005) compared to second quarter of 2004 (Q2 2004).

Group net sales for Q2 2005 were US\$21.5 million, up US\$2.4 million or 13% on Q2 2004. This increase was achieved despite intensified competition in our major markets which was characterised by heavy price discounting and free sampling to hospitals and increased evidence of patent infringement by some of our competitors. We have responded to these competitor activities by launching several marketing campaigns and sales programmes which appear to have been successful as evidenced by the regaining of a number of accounts, particularly in the United States, towards the end of the quarter. In addition, we have taken two legal actions in Germany and in Holland against our patent infringement.

Geographically, the United States achieved an increase of 12% in this quarter over Q2 2004, while the Rest of the World achieved an increase of 14% over the same period. In both markets, the increases were contributed either totally or largely by sales increases in single-use products which now account for 43% of our total net sales compared with 35% a year ago.

Gross profit increased by US\$1.7 million, or 12%, to US\$16.3 million for Q2 2005 from US\$14.6 million for Q2 2004. The increase was due primarily to increased single-use unit sales in both the United States and in the Rest of the World. Gross margin decreased to 76% for Q2 2005 from 77% for Q2 2004 due primarily to a change in the mix of product sales, resulting in a higher proportion of net sales derived from the sale of single-use products which carry lower profit margins compared to reusable products.

Selling, general and administrative expenses increased by only 2% to US\$8.5 million for Q2 2005 from US\$8.3 million in Q2 2004, reflecting continued tight control of expenses during the second quarter of 2005. The quarter reflected increased expenditure of \$0.3m on marketing campaigns as referred to above. Additionally we incurred \$0.1m related to patent litigation. Selling, general and administrative expenses as a

percentage of net sales decreased to 39.5% for Q2 2005 from 44% in Q2 2004. **Operating income** increased by 22% to \$7.5 million for Q2 2005 from \$6.2 million for Q2 2004.

Other expense / income amounted to a net expense of \$(0.5) million for Q2 2005 up from \$(0.1) million for Q2 2004 due to foreign exchange losses of \$0.6 million, arising from the weakening of the Euro and Pound Sterling against the U.S. Dollar on our outstanding receivables. This was partially offset by a consultancy fee of \$0.2 million for marketing consultancy provided to Intavent Ltd.

As a result of the foregoing and, despite the foreign exchange loss, **net income before income taxes and minority interests** and excluding the non-recurring charges increased by 15% to US\$7.0 million.

Income tax expense was US\$0.7 million for Q2 2005 as compared to US\$0.4 million for Q2 2004. The increase resulted primarily from a higher proportion of profits in the United States compared to Q2 2004 and a higher tax charge in Jersey. As a result the effective tax rate was 10% for Q2 2005, compared to 6% for Q2 2004.

Net income excluding non-recurring charges increased by 12% to US\$6.3 million for Q2 2005 from US\$5.6 million for Q2 2004. Net income margin, excluding one-off charges, was 29% for Q2 2005 in line with Q2 2004.

Net assets* amounted to US\$36.7 million at June 30, 2005, some US\$6.2 million higher than March 31, 2005, due primarily to cash generated in Q2 2005.

Net cash provided by operating activities was US\$6.4 million for Q2 2005.

First six months of 2005 (1H 2005) compared to first six months of 2004 (1H 2004).

Group net sales for 1H 2005 were US\$42.1 million, up US\$5.1 million or 14% on 1H 2004 due to the reasons indicated above. Geographically, the United States achieved an increase of 14% over 1H 2004, while the Rest of the World achieved an increase of 13% over the same period. As previously stated, the sales increases, and resulting **Gross profit** increases, were contributed either totally or largely by sales increases in single-use products in both markets.

Selling, general and administrative expenses increased by only 3% to US\$17.0 million for 1H 2005 from US\$16.5 million in 1H 2004, reflecting tight control of expenses during the first half of 2005. **Operating income** increased by 22% for 1H 2005 from 1H 2004. **Other income** decreased by \$0.9 million due to the foreign exchange losses mentioned above. **Net income before income taxes and minority interests** increased by 15%. After income taxes and minority interests, excluding non-recurring charges, **net income** increased by 9% to US\$12.5 million for 1H 2005 from US\$11.4 million for 1H 2004.

* 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.

Not applicable.

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.

As indicated in section 8, we experienced increased competition and aggressive competitor activities, including in our view, infringements of our patent and the emergence of Mallinkrodt, a division of Tyco, as a direct competitor. In addition to the two lawsuits we have taken against Tyco in Germany and in Holland, we have also responded aggressively to the heavy price discounting and free sampling of products by our competitors, including increased marketing and brand building focusing on the superiority of our products and appropriate sales promotions. We believe the clinical superiority of our products, our global distribution together with our pipeline of new products will enable us to maintain our global market position and continued sales and profit growth.

During the first half of 2005, we have continued to distribute our revolutionary C-Trach device on a selective customer product evaluation basis and anticipate a full launch in late 2005 / early 2006.

Excluding the material non-recurring items charged in the first quarter of 2005, as set out above, and barring any unforeseen circumstances, the Directors continue to believe that the operating performance of the Group over the whole of 2005 should be better than 2004.

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 second quarter of either year in this statement.