



# LMA INTERNATIONAL N.V.

Company Registration No. 80879

## Q1 Financial Statement for the period to 31<sup>st</sup> March 2005 (In accordance with US Generally Accepted Accounting Principles)

### PART I – INFORMATION REQUIRED FOR FIRST QUARTER ANNOUNCEMENT

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)	Quarter 1 2005	Quarter 1 2004
Net sales	\$20,577	\$17,939
Cost of sales	(4,743)	(3,669)
<b>Gross profit</b>	<b>15,834</b>	<b>14,270</b>
Operating expenses		
Selling, general and administrative (Note (1))	(8,496)	(8,144)
Research and development	(211)	(298)
Amortization of intangible assets.	(9)	-
	<b>(8,716)</b>	<b>(8,442)</b>
<b>Total operating income</b>	<b>7,118</b>	<b>5,828</b>
Interest income	36	4
Interest expense	(63)	(63)
Other, net (Note (2))	(231)	232
<b>Other income, net</b>	<b>(258)</b>	<b>173</b>
<b>Net Income before income taxes and minority interests</b>	<b>6,860</b>	<b>6,001</b>
Income tax expense	(672)	(211)
Minority interests	(25)	(4)
<b>Net income excluding non-recurring charges</b>	<b>\$6,163</b>	<b>\$5,786</b>
Non-recurring charges (Note (6)):		
Stock Compensation Charge	(24,160)	-
One-off Loyalty Bonus (net of tax credit)	(3,139)	-
<b>Net Income</b>	<b>\$(21,136)</b>	<b>\$5,786</b>

#### Notes:

(U.S. Dollars, in thousands)	2005	2004
(1) Included in operating expenses above are:		
Depreciation and amortisation	467	160
Allowance for doubtful debts	-	3
Profit on sale of properties, plant and equipment	-	-
(2) Included in other income above is foreign exchange (losses) / gains	(221)	170
(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 quarter.

(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 LMANA in connection with LMANA reorganization. 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 quarter ended March 31, 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) were 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 US GAAP the Company does not present a balance sheet)**

(U.S. Dollars, in thousands)	March 31, 2005	December 31, 2004
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	14,046	10,744
Trade accounts receivable, less allowance for doubtful accounts	10,470	11,575
Related party receivables	1,503	3,584
Advances to related parties	-	1,404
Inventories	7,767	6,980
Deferred income taxes	743	723
Prepaid expenses	1,249	621
Other current assets	2,804	1,182
<b>Total current assets</b>	<b>38,582</b>	<b>36,813</b>
Deferred tax assets	11	21
Property, plant and equipment, net	5,983	5,911
Patents and other intangible assets, net	931	897
Investments	974	-
Goodwill	5,824	3,031
Other long-term assets	4	4
<b>Total assets</b>	<b>52,309</b>	<b>46,677</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Trade accounts payable	1,058	977
Accounts payable to related parties	4,489	7,993
Subordinated note payable to Venner Capital SA	-	3,500
Advances from related parties	-	15,480
Dividends payable	-	3,452
Other current liabilities	6,242	6,694
<b>Total current liabilities</b>	<b>11,789</b>	<b>38,096</b>
Long-term bank borrowings	10,000	-
Deferred income taxes	-	34
Other long-term liabilities	-	4
<b>Total liabilities</b>	<b>21,789</b>	<b>38,134</b>
<b>Minority interests</b>		
Commitments and contingencies	-	-
<b>Shareholders' equity</b>		
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
	<b>44,779</b>	<b>1,346</b>
Retained earnings	(15,051)	6,085
Accumulated other comprehensive income	792	775
<b>Total shareholders' equity</b>	<b>30,520</b>	<b>8,206</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>52,309</b>	<b>46,677</b>

On 18<sup>th</sup> March 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. The new shares issued generated US\$15.3 million of cash for the Group. A further US\$0.7 million of cash was received through the exercise of options by employees of LMANA prior to the offering.

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

	At March 31, 2005		At December 31, 2004	
	Secured	Unsecured	Secured	Unsecured
Repayable within one year	-	-	3,500	15,480
Repayable after one year	10,000	-	-	-

Prior to listing LMANV drew down a credit facility with DBS bank of US\$20 million and used the funds to repay all debts to Venner Capital SA. After listing US\$10 million of the money raised from the listing was used to repay part of the loan leaving US\$10 million outstanding at March 31, 2005.

**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)	Quarter 1 2005	Quarter 1 2004
<b>Cash flows from operating activities:</b>		
<b>Net income</b>	<b>\$(21,136)</b>	<b>\$5,786</b>
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	467	160
Provision for doubtful accounts	-	3
Loss / (gain) on sale of fixed assets	-	-
Deferred taxes	(36)	27
Minority interest in net income of consolidated subsidiaries	25	4
Non-cash US GAAP stock compensation charge	24,160	-
Stock options issued	65	-
<b>Changes in operating assets and liabilities:</b>		
Decrease / (increase) in trade accounts receivables and related party receivables	3,420	(3,015)
(Increase) in inventories	(1,000)	(103)
(Increase) in other assets	(2,288)	(4)
(Decrease) / increase in trade accounts payable and accounts payable to related parties	(3,428)	3,742
(Decrease) in other current liabilities	(431)	(1,524)
<b>Net cash provided by operating activities</b>	<b>(182)</b>	<b>5,076</b>
<b>Cash flows from investing activities:</b>		
Purchase of Investment	(974)	-
Capital expenditures	(592)	(462)
Proceeds from sale of equipment	-	-
Acquisition of intangible assets	-	-
<b>Net cash used in investing activities</b>	<b>(1,566)</b>	<b>(462)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from issue of common shares	16,070	12
Dividends Paid	(3,452)	(6,000)
Repayment of advances from related parties	(17,576)	-
Proceeds from bank borrowings	20,000	-
Repayment of bank borrowings	(10,000)	-
<b>Net cash used in financing activities</b>	<b>5,042</b>	<b>(5,988)</b>
Effect of exchange rates changes on cash	16	334
Net increase / (decrease) increase in cash and cash equivalents	3,310	(1,040)
Cash and cash equivalents at the beginning of the quarter	10,726	11,959
Cash and cash equivalents at the end of the quarter	\$14,046	\$10,919
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for:		
Interest	\$27	\$18
Income taxes	\$522	\$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 US 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
<b>At January 1, 2004</b>	<b>6</b>	<b>1,138</b>	<b>1,291</b>	<b>690</b>	<b>3,125</b>
Net income for the period	-	-	5,786	-	5,786
Foreign currency translation adjustment	-	-	-	(32)	(32)
Total comprehensive income					<u>5,754</u>
Stock options exercised	-	6	-	-	<u>6</u>
<b>At March 31, 2004</b>	<b>\$6</b>	<b>\$1,144</b>	<b>\$7,077</b>	<b>\$658</b>	<b>\$8,885</b>
<b>At January 1, 2005</b>	<b>6</b>	<b>1,340</b>	<b>6,085</b>	<b>775</b>	<b>8,206</b>
Net income for the period	-	-	(21,136)	-	(21,136)
Foreign currency translation adjustment	-	-	-	17	17
Total comprehensive income					<u>(20,273)</u>
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
<b>At March 31, 2005</b>	<b>\$58</b>	<b>\$44,721</b>	<b>\$(15,051)</b>	<b>\$792</b>	<b>\$30,520</b>

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

On 18<sup>th</sup> March 2005 the Company successfully listed on the Singapore Stock Exchange. As part of the listing the Company's issued shares was 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 financials have been reviewed by PricewaterhouseCoopers CI LLP.

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

We have reviewed the accompanying condensed consolidated balance sheets of LMA International NV and its subsidiaries as of March 31, 2005, the related condensed consolidated statement of operations for each of the three-month periods ended March 31, 2005 and March 31, 2004 and the condensed consolidated statement of cash flows for the three month periods ended March 31, 2005 and March 31, 2004. This interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Auditing Standards Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Auditing Standards Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers CI LLP

**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 US 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.**

	Quarter 1 2005	Quarter 1 2004 (restated)
Net Income attributable to shareholders (US\$000) excluding one-off charges	\$6,183	\$5,786
Number of shares	580,946,581	580,946,581
<b>Earnings per share before non recurring items (US\$)</b>	<b>\$0.01064</b>	<b>\$0.00996</b>

Earnings per share for Quarter 1 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 period reported on and (b) immediately preceding financial year:-**

(U.S. Dollars, in thousands)	March 31, 2005	December 31, 2004 (restated)
Net assets of the Group (US\$000)	\$30,520	\$8,206
<b>Net assets per share (US\$)</b>	<b>\$0.05253</b>	<b>\$0.01413</b>

Net assets per share for December 31, 2004 have 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 United States, Germany and Singapore and a network of 68 independent distributors. Our US and other direct sales reflect higher net prices, as they are direct to end-users, than through our distributors.

**Group net sales** for the quarter ended March 31, 2005 (Q1 2005) were US\$20.6 million, up US\$2.7 million or 14.7% on the quarter ended March 31, 2004 (Q1 2004). This was achieved despite an exceptionally strong fourth quarter in 2004 and intensified competition. Geographically the increase was US\$1.8 million in the United States and US\$0.9 million in the Rest of the World. From a product perspective the increase was primarily a result of an increase in unit sales of our single-use devices. This was partially offset by a 20% planned reduction

in average revenue per unit on single-use devices to encourage the conversion from reusable devices to single-use devices.

For Q1 2005 we derived 58% of our net sales from our reusable products and 40% from our single-use products, compared to 69% and 29%, respectively for Q1 2004.

The following tables sets forth, for the periods indicated, our sales derived from our different product categories in each of our geographic segments, expressed as dollar amounts and as a percentage of total net sales, unit sales of reusable and single-use devices and average revenue per unit for such devices:

	Quarter 1			
	2005		2004	
	US\$		US\$	
<b>United States</b>				
Reusable devices	5,872	29%	6,263	35%
Single-use devices	6,852	33%	4,765	26%
Other	31	0%	(42)	0%
<b>Subtotal</b>	<b>12,755</b>	<b>62%</b>	<b>10,985</b>	<b>61%</b>
<b>Rest of the World</b>				
Reusable devices	6,057	29%	6,107	34%
Single-use devices	1,404	7%	545	3%
Other	362	2%	302	2%
<b>Subtotal</b>	<b>7,822</b>	<b>38%</b>	<b>6,954</b>	<b>39%</b>
<b>Total Net Sales</b>	<b>20,577</b>	100%	<b>17,939</b>	100%

	Quarter 1	
	2005	2004
<b>Reusable units sold</b>		
United States	21,759	23,925
ROW	44,490	46,846
<b>Total</b>	<b>66,249</b>	<b>70,771</b>
<b>Single-use units sold</b>		
United States	575,447	359,222
ROW	202,715	43,196
<b>Total</b>	<b>778,162</b>	<b>402,418</b>
<b>Total Reusable and single-use units sold</b>		
United States	597,206	383,147
ROW	247,205	90,042
<b>Total</b>	<b>844,411</b>	<b>473,189</b>
<b>Average revenue per unit of reusable units</b>		
United States	269.85	261.77
ROW	136.13	130.36
	<b>180.05</b>	<b>174.78</b>
<b>Average revenue per unit of single-use units</b>		
United States	11.91	13.26
ROW	6.92	12.63
	<b>10.61</b>	<b>13.20</b>

Both United States and the rest of the world net sales growth was attributable primarily to increased unit sales of the single-use laryngeal masks.

**Gross profit** increased by US\$1.5 million, or 11%, to US\$15.8 million for Q1 2005 from US\$14.3 million for Q1 2004. The increase was due primarily to increased single-use unit sales in both the United States and in rest of the world. Gross margin decreased to 76.9% for Q1 2005 from 79.5% for Q1 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 4.3% to US\$8.5 million for Q1 2005 from US\$8.1 million in Q1 2004, reflecting tight control of expenses during the first quarter. The main increases were a US\$0.8 million increase in compensation and travel reflecting an increase in headcount, partially offset by reduced marketing spend due to timing of campaigns and other cost reductions. Selling, general and administrative expenses as a percentage of net sales decreased to 41.3% for Q1 2005 from 45.4% in Q1 2004.

As a result of the foregoing **Net income before income tax and minority interest** and excluding the non-recurring charges increased by 14.3% to US\$6.9 million.

**Income tax expense** was US\$0.7 million for Q1 2005 as compared to US\$0.2 million for 2004. The increase resulted primarily from a higher proportion of profits in the United States compared to Q1 2004 and a higher tax

charge in Jersey. As a result the effective tax rate was 9.8% for Q1 2005, compared to 3.6% for Q1 2004. The Company expects the full year effective tax rate to be lower.

As a result of the increased tax charge, **Net Income** excluding non-recurring charges increased by only 6.5% to US\$6.2 million for Q1 2005 from US\$5.8 million for Q1 2004. Net income margin excluding one-off charges, decreased to 30.0% for Q1 2005 from 32.2% for Q1 2004.

**Net Assets\*** amounted to US\$30.5 million at March 31, 2005, some US\$22.3 million higher than December 31, 2004. The main factor was the reduction in Venner Group liabilities of US\$22.5 million offset by bank borrowings of US\$10 million. In addition, cash increased by US\$3.3 million and intangible assets increased by US\$2.8 million due to goodwill booked on the purchase of the minority interest in LMANA.

The total amount payable to Venner Capital SA, our previous holding company, for advances and other non-ongoing trading balances was settled in full prior to our listing in March 2005, by drawing down in full of the rolling line of credit from DBS of US\$20 million. US\$10 million of the proceeds from the offering were used to reduce the loan to US\$10 million. This balance of US\$10 million is secured by a deposit from Venner Capital SA. This security is expected to be released during the second quarter.

**Net Cash Provided by Operating Activities** was negative US\$0.2 million for Q1 2005, a decrease of US\$5.2 million from Q1 2004, with the decrease being primarily due to the payment of the non-recurring loyalty bonus of US\$5.2 million. Net cash used in investing activities was US\$1.7 million for Q1 2005, an increase over 2004 of US\$1.2 million. The main factor related to an investment in LMA PacMed, our Australian distributor.

\* 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.**

During the period we experienced intensified competition including the emergence of Mallinkrodt as a direct competitor. In our view their competitive product infringes our patents and, as previously announced, we have acted appropriately to protect our intellectual property. We are confident that we will be able to maintain our position as the leading player in the global arena of advanced anaesthesia airway management devices.

Excluding the material non-recurring items charged in Q1 2005 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, although quarter-to-quarter comparisons of net sales and net income growth are not necessarily indicative of net sales and net income growth for any other quarter or for the full financial year.

**11. Dividends**

Not applicable

**12. If no dividend has been declared, 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 first quarter of either year in this statement.