



LMA INTERNATIONAL N.V.

Company Registration No. 80879

Financial Statements for the Third Quarter and Nine Months ended September 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 September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Net sales	\$20,963	\$19,029	\$63,041	\$56,048
Cost of sales	(5,513)	(4,858)	(15,432)	(12,993)
Gross profit	15,450	14,171	47,609	43,055
Operating expenses (Note (1))				
Selling, general and administrative	(8,501)	(8,244)	(25,482)	(24,729)
Research and development	(520)	(314)	(1,065)	(734)
Amortisation of intangible assets	-	(57)	(12)	(57)
	(9,021)	(8,615)	(26,559)	(25,520)
Total operating income	6,429	5,556	21,050	17,535
Interest income	191	17	274	28
Interest expense	(182)	(65)	(384)	(187)
Other, net (Note (2))	19	75	(615)	303
Other (expenses) / income, net	28	27	(725)	144
Net income before income taxes and minority interests	6,457	5,583	20,325	17,679
Income tax expense	(571)	(410)	(1,954)	(971)
Minority interests	-	(47)	(25)	(184)
Net income excluding non-recurring charges	\$5,886	\$5,126	\$18,346	\$16,524
<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)	\$5,886	\$5,126	\$(8,953)	\$16,524

Notes:

(U.S. Dollars, in thousands)

- (1) Included in operating expenses above are:
- | | | | | |
|---|-----|-----|-------|-----|
| Depreciation and amortisation | 404 | 302 | 1,349 | 922 |
| Allowance for doubtful debts | 57 | - | 157 | - |
| Profit on sale of properties, plant and equipment | - | - | - | - |
- (2) Included in other income above are foreign exchange (losses) / gains
- | | | | | |
|--|---|-----|-------|------|
| | 6 | 130 | (878) | (48) |
|--|---|-----|-------|------|
- (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 nine months ended September 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 nine months ended September 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.

(7) 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 finalising 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)	September 30, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$25,893	\$10,744
Trade accounts receivable, less allowance for doubtful accounts	8,565	11,575
Related party receivables	1,992	3,584
Advances to related parties	-	1,404
Inventories	8,805	6,980
Deferred income taxes	602	723
Prepaid expenses	859	621
Other current assets	2,444	1,182
Total current assets	49,160	36,813
Deferred tax assets	11	21
Property, plant and equipment, net	6,089	5,911
Patents and other intangible assets, net	1,249	897
Investments	1,086	-
Goodwill	5,824	3,031
Other long-term assets	29	4
Total assets	\$63,448	\$46,677
Liabilities and shareholders' equity		
Current liabilities:		
Trade accounts payable	\$881	\$977
Accounts payable to related parties	2,983	7,993
Subordinated note payable to Venner Capital SA	-	3,500
Advances from related parties	-	15,480
Dividends payable	-	3,452
Other current liabilities	6,903	6,694
Total current liabilities	10,767	38,096
Long-term bank borrowings	10,000	-
Deferred income taxes	-	34
Other long-term liabilities	101	4
Total liabilities	20,868	38,134
Minority interests		
	-	337
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	(2,868)	6,085
Accumulated other comprehensive income	669	775
Total shareholders' equity	42,580	8,206
Total liabilities, minority interests and shareholders' equity	\$63,448	\$46,677

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

(U.S. Dollars, in thousands)	At September 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 September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Cash flows from operating activities:				
Net income (loss)	\$5,886	\$5,126	\$(8,953)	\$16,524
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortisation	466	594	1,430	913
Provision for doubtful accounts	-	(26)	-	(23)
Loss on sale of fixed assets	-	26	-	26
Deferred taxes	22	(136)	(16)	(105)
Minority interest in net income of consolidated subsidiaries	-	47	25	184
Carve-out expenses	-	106	-	106
Non-cash U.S. GAAP stock compensation charge	-	-	24,160	-
Changes in operating assets and liabilities:				
Decrease / (increase) in trade accounts receivables and related party receivables	1,408	2,945	4,916	(1,383)
(Increase) in inventories	(7)	(194)	(1,872)	(1,114)
Decrease / (increase) in other assets	408	826	(1,550)	(89)
Increase / (decrease) in trade accounts payable and accounts payable to related parties	(2,170)	(5,111)	(5,246)	1,567
Increase in other current liabilities	973	927	356	240
Net cash provided by operating activities	6,986	5,130	13,250	16,846
Cash flows from investing activities:				
Purchase of investment	-	-	(1,085)	-
Capital expenditures	(572)	(1,862)	(2,001)	(2,316)
Proceeds from sale of equipment	-	385	-	385
Acquisition of intangible assets	-	(82)	-	(82)
Net cash provided by (used in) investing activities	(572)	(1,559)	(3,086)	(2,013)
Cash flows from financing activities:				
Proceeds from exercise of stock options	-	184	65	184
Net proceeds from issue of common shares	-	(168)	16,070	-
Dividends paid	-	(3,114)	(3,452)	(15,130)
Repayment of advances from related parties	-	(250)	(17,576)	(250)
Proceeds from bank borrowings	-	-	20,000	-
Repayment of bank borrowings	-	-	(10,000)	-
Net cash provided by (used in) financing activities	-	(3,348)	5,107	(15,196)
Effect of exchange rates changes on cash	(50)	(344)	(122)	(109)
Net increase / (decrease) in cash and cash equivalents	6,364	(121)	15,149	(472)
Cash and cash equivalents at the beginning of the period	19,529	11,608	10,744	11,959
Cash and cash equivalents at the end of the period	\$25,893	\$11,487	\$25,893	\$11,487
Supplemental disclosure of cash flow information				
Cash paid during the period for:				
Interest	\$1	\$26	\$30	\$58
Income taxes	\$37	\$277	\$582	\$487
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	-	-	(14,839)	-	(14,839)
Foreign currency translation adjustment	-	-	-	(89)	(89)
Total comprehensive income					(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

(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	-	-	11,398	-	11,398
Foreign currency translation adjustment	-	-	-	24	24
Total comprehensive income					11,422
Stock options exercised	-	165	-	-	165
At June 30, 2004	6	1,303	12,689	714	14,712
Net income for the period	-	-	5,126	-	5,126
Foreign currency translation adjustment	-	-	-	(102)	(102)
Total comprehensive income					5,024
Stock options exercised	-	19	-	-	19
Dividends	-	-	(12,640)	-	(12,640)
Carve-out expenses	-	106	-	-	106
At September 30, 2004	\$6	\$1,428	\$5,175	\$612	\$7,221

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 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, 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 September 30,		Nine months ended September 30,	
	2005	2004 (restated)	2005	2004 (restated)
Net Income attributable to shareholders excluding one-off charges	\$5,886	\$5,126	\$18,346	\$16,524
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)	1.013	0.882	3.158	2.844

Earnings per share for the three and nine months ended September 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)	September 30, 2005	December 31, 2004 (restated)
Net assets of the Group	\$42,580	\$8,206
Net assets per share (in U.S. cents)	7.329	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:

	Three months ended September 30, 2005				Three months ended September 30, 2004			
	US\$'000		US\$'000		US\$'000		US\$'000	
United States	13,349	64%	12,090	63%	39,074	62%	34,688	62%
Rest of the World	7,614	36%	6,939	37%	23,967	38%	21,360	38%
Total net sales	20,963	100%	19,029	100%	63,041	100%	56,048	100%
Reusable devices	11,127	53%	11,411	60%	34,969	55%	36,195	64%
Single-use devices	9,434	45%	7,404	39%	26,809	43%	19,383	35%
Other	402	2%	214	1%	1,263	2%	470	1%
Total	20,963	100%	19,029	100%	63,041	100%	56,048	100%

	Three months ended September 30, 2005		Three months ended September 30, 2004	
	Reusable units sold	65,175	63,723	198,072
Single-use units sold	896,790	636,105	2,547,468	1,606,110
Total units sold	961,965	699,828	2,745,540	1,813,460
Average revenue per unit of reusable units (US\$)	170.72	179.07	176.55	174.56
Average revenue per unit of single-use units (US\$)	10.52	11.64	10.52	12.07

Third quarter of 2005 (Q3 2005) compared to third quarter of 2004 (Q3 2004).

Group net sales for Q3 2005 were US\$21.0 million, up US\$1.9 million or 10% on Q3 2004. This increase was achieved despite continued intense competition in our major markets which has been 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. As announced, during the quarter we won an injunction in The Netherlands against Tyco Healthcare Nederland BV forbidding them from directly or indirectly infringing our patent. During the quarter we launched intellectual property infringement proceedings against Ambu in Germany.

Geographically, both the United States and Rest of the World achieved an increase of 10% in this quarter over Q3 2004. In both markets, the growth was largely due to increases in sales of single-use products which in 3Q FY2005 account for 45% of our total net sales compared with 39% in 3Q a year ago. Single-use unit sales were 41% up on the same quarter last year.

Gross profit increased by US\$1.3 million, or 9%, to US\$15.5 million for Q3 2005 from US\$14.2 million for Q3 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 at 73.7% for Q3 2005 was slightly down from 74.5% for Q3 2004 due primarily to a change in the mix of product sales.

Selling, general and administrative expenses increased by only 3% to US\$8.5 million for Q3 2005 from US\$8.2 million in Q3 2004, reflecting continued tight control of expenses during the third quarter of 2005. During the quarter we incurred \$0.2m related to patent litigation expenses. Selling, general and administrative expenses as a percentage of net sales decreased to 41% for Q3 2005 from 43% in Q3 2004.

Operating income increased by 16% to \$6.4 million for Q3 2005 from \$5.5 million for Q3 2004.

Net income before income taxes and minority interests and excluding the non-recurring charges increased by 16% to US\$6.5 million.

Income tax expense was US\$0.6 million for Q3 2005 as compared to US\$0.4 million for Q3 2004. The increase resulted primarily from a higher proportion of profits in the United States compared to Q3 2004, partially offset by the benefit of re-negotiating our Jersey tax rate. The effective tax rate was 9% for Q3 2005, compared to 7% for Q3 2004.

Net income excluding non-recurring charges increased by 15% to US\$5.9 million for Q3 2005 from US\$5.1 million for Q3 2004. Net income margin, excluding one-off charges, was 28% for Q3 2005 up from 27% for Q3 2004.

Net assets* amounted to US\$42.6 million at September 30, 2005, some US\$5.9 million higher than June 30, 2005, due primarily to cash generated in Q3 2005.

Net cash provided by operating activities was US\$7.0 million for Q3 2005.

First nine months of 2005 (YTD 2005) compared to first six months of 2004 (YTD 2004).

Group net sales for YTD 2005 were US\$63.0 million, up US\$7.0 million or 12.5% on YTD 2004 due to the reasons indicated above. Geographically, the United States achieved an increase of 13% over YTD 2004, while the Rest of the World achieved an increase of 12% 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 only 3% to US\$25.5 million for YTD 2005 from US\$24.7 million in YTD 2004, reflecting tight control of expenses during the first nine months of 2005. **Operating income** increased by 20% for YTD 2005 from YTD 2004. **Other income** decreased by \$0.9 million due to the foreign exchange losses incurred primarily in 2Q. **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 11% to US\$18.3 million for YTD 2005 from US\$16.5 million for YTD 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, further infringements of our patent and the emergence of Mallinkrodt, a division of Tyco, as a direct competitor. In addition to the previous two lawsuits we have taken against Tyco in Germany and in Holland, we have also taken action against Ambu in Germany. We continue to respond to the heavy price discounting and free sampling of products by our competitors, through 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.

Excluding the material non-recurring items charged in the first quarter of 2005, as set out above, and barring any unforeseen circumstances, the Directors expect continued growth for both Net Sales and Net Income.

We will continue to pursue opportunities for acquisition, both of new products and ownership of direct sales operations. We believe that there are many growth opportunities for LMA and we intend to invest our free cash for this purpose in the foreseeable future.

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.