

# LMS Medical Systems Inc.

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*For Immediate release*

## LMS ANNOUNCES FIRST QUARTER 2006 FINANCIAL RESULTS

**Montreal, Quebec, August 12, 2005** – LMS Medical Systems (TSX: LMZ, AMEX: LMZ), a healthcare technology company and developer of the CALM™ system (Computer Assisted Labor Management) today reported results of operations for the first quarter ended June 30<sup>th</sup>, 2005. All amounts are in Canadian dollars.

Revenue for the first quarter totaled \$268,000 versus \$231,000 for the same period last year. The loss for the first quarter of fiscal 2006 was \$2,462,000 (\$0.15 per share) versus a loss of \$1,801,000 (\$0.13 per share) for the same period in fiscal 2005. The increased loss resulted primarily from additional net research and development expenses in the amount of \$355,000 due to an increase of contractual staff in the drive to release CALM™ 3.0, as well as additional administrative expenses of \$193,000 for functions related to being a public company in the U.S. and Canada.

Cash, cash equivalents and short-term investments held to maturity, as at June 30, 2005, totaled \$10,506,000 versus \$11,858,000 as at March 31, 2005. The decrease is a function of our net loss of \$2,462,000 for the three months ended June 30, 2005, reduced by stock based compensation of \$225,000 and offset by a net change in non-cash operating working capital of \$965,000, which resulted primarily from the collection of accounts receivable and the receipt of an amount of \$560,000 of investment tax credits receivable during the period.

An expanded Management's Discussion and Analysis for the quarter, and previous periods, is accessible on the LMS website at [www.lmsmedical.com](http://www.lmsmedical.com)

## Highlights:

- We have substantially completed CALM™ 3.0, our labor and delivery product suite for large scale health facilities and expect to release the final product in the coming weeks. CALM™3.0 is the newest release of our CALM™ suite of products, and is currently scheduled for installation at a number of leading U.S. based hospitals.
- We unveiled CALM™ Shoulder Screen, a new addition to our Decision Support Suite. CALM™ Shoulder Screen focuses on the prediction of shoulder dystocia, a key obstetrical challenge.
- In April of 2005, we entered into an agreement with AON Risk Services, a subsidiary of AON Corporation, to assist hospitals in improving their risk management profile in obstetrics. LMS and AON will work together to expand our customer base. AON will propose to its clients that they consider the implementation of LMS decision support tools to address key clinical indicators with their obstetrics practice.

- We have established a Risk and Patient Safety Advisory Board that will provide guidance on how to achieve widespread adoption of our risk management tools. This will include strategies to mobilize hospital teams to implement proactive risk reduction programs and to develop value propositions that address the concerns of hospital administrators, clinicians, risk managers and insurers. To date, Dr. Thomas J. Garite, Professor Emeritus in the Department of Obstetrics and Gynecology at the University of California, Irvine, Editor in Chief of the American Journal of Obstetrics and Gynecology; Dr. Eric Knox, Professor of OB/GYN at the University of Minnesota and Dr. Marilyn Sue Bogner, President and Chief Scientist with the Institute for the Study of Human Error have been appointed to the Advisory Board. Presiding as Chair is Mr. Harry G. Hohn of New York. Mr. Hohn is the former Chairman and Chief Executive Officer of New York Life.

**LMS will hold its Annual and Special Meeting of Shareholders on Wednesday September 14, 2005, at 2:00p.m. eastern time at the Queen Elizabeth Hotel in Montreal.**

#### **ABOUT LMS:**

LMS is a leader in the application of advanced mathematical modeling and neural networks for medical use. The LMS CALM™ Decision Support Suite provides physicians, nursing staff, risk managers and hospital administrators with clinical information systems and decision support tools designed to improve outcomes and patient care for mothers and their infants during labor and delivery.

*Except for historical information contained herein, the matters discussed in this news release are forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed implied by the forward-looking statements including, but without limitation, economic conditions in general and in the healthcare market, the demand for and market for our products in domestic and international markets, our current dependence on the CALM product suite, the challenges associated with developing new products and obtaining regulatory approvals if necessary, research and development activities, the uncertainty of acceptance of our products by the medical community, the lengthy sales cycle for our products, third party reimbursement, competition in our markets, including the potential introduction of competitive products by others, our dependence on our distributors, physician training, enforceability and the costs of enforcement of our patents, potential infringements of our patents and the other factors set forth from time to time in the Company's filings with the United States Securities and Exchange Commission and with the Canadian Securities Commissions. The Company has no intention of or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

For further information please contact:

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