



## LMS Medical Systems Inc.

*For Immediate Release*

### LMS 2008 FINANCIAL RESULTS Q4 REVENUE INCREASES 62% TO \$2.3 MILLION YTD REVENUE INCREASES 74% TO \$5.0 MILLION

Montréal, Québec, June 12, 2008 - LMS Medical Systems (TSX: LMZ), a healthcare technology company and developer of the CALM<sup>®</sup> clinical information system and risk management software tools for obstetrics, today reported its audited financial results for the fiscal year ended March 31, 2008. All amounts are in Canadian dollars.

#### Q4 Results

On the strength of new installations and growing recurring maintenance and technical service revenues, our comparative quarterly revenues for Q4 2008 grew 62% to \$2,324,000 from \$1,438,000 in Q4 2007.

Following the implementation of a program to streamline operations during Q3 2008, operating expenses were reduced by \$632,000 for the fourth quarter of fiscal 2008, from \$3,072,000 for Q4 2007 to \$2,440,000 for Q4 2008. The reduction for Q4 2008 is explained mainly by a decrease in research and development expenses of \$502,000 and lower selling marketing product management expenses of \$119,000, offset by smaller increases in other expenses.

The combination of the increase in revenues in the fourth quarter of fiscal 2008 of \$886,000 and lower overall expenses of \$632,000 reduced the comparative operating loss by \$1,570,000 or 84% from \$1,877,000 (\$0.09 per share) in the fourth quarter of fiscal 2007 to \$307,000 (\$0.01 per share) in the fourth quarter of fiscal 2008. The cash used in operating activities before net changes in non-operating working capital items decreased by \$1,555,000 to \$154,000 for Q4 2008 compared to \$1,709,000 for Q4 2007.

#### YTD Results

For the year ended March 31, 2008, revenue increased by 74% from \$2,851,000 to \$4,973,000. Included in total revenues of \$4,973,000 for the year ended March 31, 2008 are revenues of a recurring nature totaling \$1.69 million compared to \$0.88 million for the year ended March 31, 2007.

Total expenses for the year ended March 31, 2008 amounted to \$9,819,000, a decrease of \$2,022,000 or 17% compared to the year ended March 31, 2007.

The combination of the increase in revenues in 2008 of \$2,122,000 and lower overall expenses of \$2,022,000 reduced the comparative operating loss by \$4,013,000 from \$9,431,000 (\$0.51 per share) in 2007 to \$5,418,000 (\$0.24 per share) in 2008. The cash used in operating activities before net changes in non-operating working capital items decreased by \$3,770,000 to \$4,183,000 for the year ended March 31, 2008 compared to \$7,953,000 for the year ended March 31, 2007.

#### Liquidity

Cash, cash equivalents and short-term investments held to maturity, as at March 31, 2008 totaled \$1.86 million compared to \$3.38 million as at March 31, 2007. In addition, under our contract with a distributor, LMS is entitled to receive amounts for contracts contained in our backlog. As at March 31, 2008, this amount, which does not qualify as a receivable under generally accepted accounting principles, amounted to \$0.6 million and will provide short term additional liquidity. As such, the total cash, cash equivalents, short term investments and accounts receivable, including this amount, amounted to \$3.6 million as at March 31, 2008.

#### HIGHLIGHTS FOR THE YEAR ENDED MARCH 31, 2008:

- We significantly increased the number of new client installations, bringing our client base from 53 in 2007 to 93 in 2008.
- We increased the value of identified sales opportunities being pursued to \$31 million.

- Our backlog decreased to \$3.9 million in 2008 from \$4.4 million in 2007 due primarily to the recognition in the fourth quarter of fiscal 2008 of \$1.2 million of signed contracts that were previously in the backlog and accounted for as deferred revenue as a result of meeting the revenue recognition criteria.
- We completed a private placement generating \$2 million in gross cash proceeds.
- We received a score of 88.8 in the KLAS 2008 Labor and Delivery report, read by the healthcare IT industry. LMS met the criteria to be included in the early data section of the report.
- We entered into agreements with several partners, including Best Practices Medical Partners, MD Advantage and Women's Regional Health for the use of CALM Shoulder Screen by its insured OB/GYNs.

#### Business Outlook and Revenue Guidance

LMS anticipates that revenue will continue to grow due to the following factors:

- LMS' increasing presence in the marketplace is the result of sales efforts with several hospital groups, the continued success of which is expected to drive further additional revenue opportunities.
- As a result of increased system sales and our growing client base, revenues from maintenance and technical support service agreements are also expected to increase commensurate with the growth of our installed base.

Based on the foregoing, the Company anticipates doubling its customer base and its revenue compared to fiscal 2008, assuming a constant US exchange rate. As per the trend established in past years, the Company expects to record between 30% and 35% of its annual revenue during the first six months of the 2009 fiscal year. At this level of revenue, the Company anticipates reaching a break-even point in fiscal 2009.

LMS complete results for the year ended March 31, 2008 along with an expanded Management's Discussion and Analysis will be released in normal course on or about June 12<sup>th</sup> and will be available at [www.sedar.com](http://www.sedar.com) and at [www.lmsmedical.com](http://www.lmsmedical.com).

#### ABOUT LMS

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

*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 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.*

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