



QUARTERLY REPORT

Second Quarter 2005

Prism (PM:TSX-VEN) reports second quarter financial results

[All figures in Canadian dollars unless otherwise indicated]

MISSISSAUGA, ONTARIO, July 14, 2005

Prism Medical Ltd. reported consolidated sales of \$15.9 million for the quarter ended May 31, 2005, up 75 percent from \$9.1 million in the second quarter 2004. Sales for the six months ending May 31, 2005 were \$25.6 million compared to \$14.4 million in 2004.

Net earnings for the quarter were \$1.3 million or \$0.17 per share (fully diluted), compared with \$0.86 million or \$0.18 per share (fully diluted) for the same period last year. For the six months ending May 31, 2005 net income was \$1.6 million or \$0.22 per share (fully diluted) versus \$0.96 million or \$0.21 per share (fully diluted) for the same period last year.

Second quarter gross profit margins decreased to 36.3 percent in 2005 from 37.5 percent in 2004 due to a higher proportion of institutional sales. Year to date gross profit was one half a percent higher in 2005 than in the comparable period in 2004. .

Selling, general and administrative expenses for the quarter were \$3.3 million in 2005 compared to \$1.9 million in the second quarter 2004. Expenditures for the six month period ending May 31, 2005 were \$6.4 million compared to \$3.7 million in 2004. Expressed as a percentage of sales, expenditures for the six month period ending May 31, 2005 are 25% compared to 25.5% in 2004. Amortization increased to \$0.20 million from \$0.08 million in 2004, largely due to the amortization of deferred financing fees incurred in 2004 related to a new banking facility and the issuance of \$11 million in convertible debentures. Amortization expense for the six month period ending May 31, 2005 was \$0.39 million compared to \$0.17 million in 2004.

Interest expense for the second quarter of 2005 was \$0.38 million [2004 - \$0.04 million] primarily as a result of debt incurred by the Company during the fourth quarter of 2004 to fund the acquisition of the UK businesses. Interest expense for the six month period ending May 31, 2005 was \$0.76 million compared to \$0.10 million in 2004.

Earnings before interest, taxes and amortization (EBITA*) for the second quarter increased to \$2.6 million from \$1.5 million in 2004. EBITA for the six month period ending May 31, 2005 was \$3.9 million compared to \$1.9 million in 2004. Earnings before interest and taxes (EBIT*) for the quarter increased to \$2.3 million from \$1.3 million in 2004. EBIT for the six month period ending May 31, 2005 was \$3.1 million compared to \$1.5 million in the previous year.

For the second quarter of 2005, the fully diluted weighted average number of shares outstanding was 8.78 million compared with 4.84 million in the second quarter of 2004. For the six month period ending May 31, 2005, the fully diluted weighted average number of shares outstanding was 8.74 million compared with 4.79 million in 2004.

“Prism’s second quarter performance was the best in the Company’s history. Large institutional orders with very short delivery deadlines meant that production efficiencies normally associated with the increased volumes could not be fully realized. As well, deferred U.K. government funding lowered U.K. sales below our normal growth rates. Nevertheless, we are very pleased with the Company’s performance for the first six months of the year and feel confident with our future prospects.” said Prism chief executive officer Andy McIntyre.

Prism Medical Ltd. is a provider of durable medical equipment and related services to the mobility disadvantaged in Canada, the USA and the United Kingdom. Operating since 1996, Prism services the mobility disadvantaged wherever they reside – the home, long-term care facilities or acute care facilities. Prism’s subsidiaries include Waverley Glen Systems Limited, North America’s premier ceiling lift manufacturer with distribution across Canada and the US, Westholme Limited, the largest distributor of moving and handling products in the UK and Freeway Healthcare, a UK based manufacturer of ceiling hoists and shower chairs.

Forward-looking Information

Certain statements in this release may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors, which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

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The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.

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* EBITA is defined herein as earnings before amortization, interest expense and income taxes. EBIT is defined as earnings before interest expense and income taxes. Both of these are standard measures that are commonly reported and widely used in the industry to assist in understanding and comparing operating results. EBITA and EBIT are not defined terms under generally accepted accounting principles ("GAAP"). Accordingly, these measures should not be considered substitutes or alternatives for net earnings or cash flow, in each case as determined in accordance with generally accepted accounting principles.

