



QUARTERLY REPORT

Third Quarter 2005

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

[All figures in Canadian dollars unless otherwise indicated]

MISSISSAUGA, ONTARIO, October 25, 2005

Prism Medical Ltd. reported consolidated sales of \$12.1 million for the quarter ended August 31, 2005, up 78 percent from \$6.8 million in the third quarter 2004. Sales for the nine months ended August 31, 2005 were \$37.7 million compared to \$21.2 million in 2004.

Net earnings for the quarter were \$0.90 million or \$0.12 per share (fully diluted), compared with \$0.20 million or \$0.04 per share (fully diluted) for the same period last year. For the nine months ended August 31, 2005 net income was \$2.5 million or \$0.34 per share (fully diluted) versus \$1.2 million or \$0.25 per share (fully diluted) for the same period last year.

Third quarter gross profit margins decreased to 35.9 percent in 2005 from 42.6 percent in 2004 due to a higher proportion of institutional sales. Year to date gross profit was 1.8 percent lower in 2005 than in the comparable period in 2004.

Selling and administrative expenses for the quarter were \$2.2 million in 2005 compared to \$2.3 million in the third quarter 2004 after taking into account the receipt of the first \$0.77 million (\$0.5 million after tax) installment of a \$1.5 million government job creation and retention grant from the Welsh Assembly Government in the United Kingdom. Non-tax deductible stock-based compensation was \$0.17 million in the quarter compared to none in the third quarter of 2004. Expenditures for the nine month period ended August 31, 2005 were \$8.6 million compared to \$6.0 million in 2004. Amortization increased to \$0.36 million from \$0.22 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 nine month period ended August 31, 2005 was \$0.11 million compared to \$0.59 million in 2004.

Interest expense for the third quarter of 2005 was \$0.38 million [2004 - \$0.06 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 and the greater use of the line of credit. Interest expense for the nine month period ended August 31, 2005 was \$1.1 million compared to \$0.16 million in 2004.

Earnings before interest, taxes and amortization (EBITA*) for the third quarter increased to \$2.1 million from \$0.71 million in 2004. EBITA for the nine month period ended August 31, 2005 was \$6.0 million compared to \$2.6 million in 2004. Earnings before interest and taxes (EBIT*) for the quarter increased to \$1.8 million from \$0.49 million in 2004. EBIT for the nine month period ended August 31, 2005 was \$4.8 million compared to \$2.0 million in the previous year.

For the third quarter of 2005, the fully diluted weighted average number of shares outstanding was 8.87 million compared with 4.95 million in the third quarter of 2004. For the nine month period ended August 31, 2005, the fully diluted weighted average number of shares outstanding was 8.79 million compared with 4.85 million in 2004.

“During the third quarter Prism continued to experienced strong sales growth in North America., however, large institutional orders continued to reduce our margins as a percentage of sales. Both our recently acquired UK manufacturer and distributor showed strong positive results this quarter. Further funding initiatives recently announced in Ontario for our primary product, ceiling hoists, is an encouraging development that should positively impact the Company.” said Prism chief executive officer Andrew 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.