

Deltex Medical Group plc

Interim results for the six months ended 30 June 2009

3 September 2009 – Deltex Medical Group plc (“Deltex Medical” “Company” or “Group”), the global leader in oesophageal Doppler monitoring (“ODM”), today announces its results for the six-month period ended 30 June 2009.

Financial Highlights

- Group sales up 6% (H1 2009 £2.6 million; H1 2008 £2.5 million)
- Gross margin improved to 75% from 70% in H1 2008
- Operating loss of £1.1m (H1 2008: £1.1 million; H2 2008 £1.4 million)
- Cash used in operations reduced by 34% to £790,000
- Cash at 30 June 2009 of £0.5 million with a further £0.2 million available under committed loan agreements: working capital facility limit increased by 50% to £750,000.

Operating Highlights

- Request to install monitors in July in first hospital participating in Spanish Government evaluation project
- 40 monitors sold to French distributor to support expansion of major contract
- Positive trends in probe sales in key markets
- Progress in all three hospitals participating in UK National Technology Adoption Centre project on ODM; on schedule to report before end of 2009
- US physicians increasingly benefiting from national reimbursement coverage

Board changes

- Andy Hill has stood down from the Board. Ewan Phillips has been appointed Chief Executive; Paul Mitchell has been appointed Finance Director.

Nigel Keen, Chairman of Deltex Medical, said:

“In the UK sales of our operating theatre probes increased by 17% and, other than the record probe sales achieved in December 2008, we delivered our best ever months for probe sales in each of April, June and July. In our most developed region in the USA we increased both probe volumes and revenues by over 50%. Sales to our distributors in Europe increased by over 40%. Operating expenses were 12% lower than in the previous six months with further reductions already enacted. Gross margins increased to 75%. Cash used in operations was 34% lower than in the first half of 2008 and 35% lower than in the second half.

“This progress in our key markets was achieved despite the adverse impact of the global economic position on healthcare budgets. Harsher economic conditions are accelerating the need for developed economies to prioritise the uptake of methodologies such as ODM which is proven to enhance recovery and improve care at reduced cost. This leaves us well positioned for a prolonged and sustainable period of growth.”

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Notes for Editors

Deltex Medical manufactures and markets the **CardioQ-ODM™** monitor, which uses disposable ultrasound probes inserted into the oesophagus to determine the amount of blood being pumped around the body – ‘circulating blood volume’. Reduced circulating blood volume is known as hypovolaemia, which leads to insufficient oxygen being delivered to the organs. This causes medical complications including peripheral and major organ failure which can lead to death. Hypovolaemia, which is akin to severe dehydration, affects virtually every patient having surgery because of the combined effects of pre-operative starvation, the impact of the anaesthetic agents and trauma from the surgery itself. Using fluids and drugs, guided by the **CardioQ-ODM**, to optimise the amount of circulating blood significantly reduces post-operative complications allowing patients to make a faster, more complete recovery and return home earlier.

The **CardioQ-ODM** incorporates the Company's proprietary software and a small diameter, easy-to-use, minimally invasive, disposable oesophageal probe that is used for transmitting and receiving an ultra-sound signal. By using this technology, the **CardioQ-ODM** provides clinicians with the ability to haemodynamically optimise critically ill patients and those undergoing routine moderate to major surgery through the controlled administration of fluid and drugs. Haemodynamic optimisation has been scientifically proven to improve the speed and quality of patient recovery and reduce hospital stay.

There are already over 1,750 **CardioQ-ODMs** currently in use in hospitals worldwide and distribution arrangements are in place in over 30 countries. In addition, there are currently more than 200 clinical publications on the use of the **CardioQ-ODM** which have repeatedly:-

- Validated the results of the Monitor against known standards for measuring cardiac output, demonstrating that the technology works
- Proved that the **CardioQ-ODM** works in a wide range of surgical procedures
- Demonstrated that the Company's technology provides significant health and economic benefits by helping to reduce post-operative complications and length of hospital stays by an average of 30 to 40 per cent for a wide range of patients.

The **SupraQ™** is an entirely non-invasive device which uses an ultrasound probe held at the base of the patient's neck to track the flow of blood in the aorta; it presents the same data as the **CardioQ-ODM** in a similar format and is used for taking snapshots or monitoring over short periods.

Chairman's Statement

Group Summary

Deltex Medical's CardioQ-ODM™ oesophageal Doppler monitor (ODM) changes the way doctors can care for patients having major surgery or in intensive care. ODM is the only technology to measure blood flows in the central circulation; it is highly sensitive to changes in flow and measures them immediately and accurately. ODM is simple to use and enables doctors to intervene quickly and safely based on small changes in circulating blood volume and so avoid the dangers of reduced oxygen delivery.

ODM-guided fluid management is a cornerstone of Enhanced Recovery, delivering better quality, more cost effective care as it means patients recover from their surgery faster and leave hospital sooner and in better health than they otherwise would do. Having established a substantial high quality evidence base supporting wide-scale use of its products on both clinical and economic grounds, Deltex Medical is working with leading hospitals around the world to introduce ODM-guided fluid management into routine use.

Trading Results

Sales

Sales	2009 Probes units	2009 Monitors units	2009 Probes £'000	2009 Monitors £'000	2009 Other £'000	2009 Total £'000	2008 Probes units	2008 Monitors units	2008 Probes £'000	2008 Monitors £'000	2008 Other £'000	2008 Total £'000
Direct markets												
UK	14,090	31	1,152	198	85	1,435	14,105	34	1,146	271	74	1,491
USA	2,775	2	291	12	3	306	3,115	8	228	42	2	272
Spain	260	-	33	-	-	33	290	-	32	-	-	32
Distributor markets												
Europe	3,805	49	228	332	5	565	5,935	8	323	70	6	399
Far East & Latin America	3,895	21	161	96	4	261	3,170	30	134	127	3	264
	24,825	103	1,865	638	97	2,600	26,615	80	1,863	510	85	2,458

In the six months to 30 June 2009 the Company's sales grew by £142,000 (6%) compared to the first half of 2008 (H1 2009 £2,600,000; H1 2008 £2,458,000). £128,000 of this growth came from sales of monitors which increased 25% from £510,000 in the first half of 2008 to £638,000 in the first half of 2009; sales of probes were flat at £1,865,000 (2008: £1,863,000) and there was a £12,000 increase in other revenue (14%). Over 75% of Group revenues came from the recurring revenue streams derived from probes and monitor maintenance.

UK

UK sales were £56,000 lower (4%) at £1,435,000 than in the six months ended 30 June 2008 (£1,491,000). A small increase in probe sales of £6,000 and a £11,000 increase in monitor maintenance revenue was more than offset by a £73,000 decline in monitor sales. These results reflect fiscal conservatism across the NHS in anticipation of harsher economic times ahead and that the majority of NHS hospitals in England have achieved Foundation Trust status: this means they are able to retain any financial surpluses and has precipitated a move away from the NHS spending disproportionately large proportions of its budgets in the last days before its March financial year end. The pipeline for monitors continues to grow and there are a large number of business cases for CardioQ-ODM in the NHS system. The slower rate in growth in UK probe sales than in recent years is after a period of de-stocking by hospitals and the underlying growth trends remain encouraging. In the UK sales of our operating theatre probes increased by 17% and, other than the record probe sales achieved in December 2008, we delivered our best ever months for probe sales in each of April, June and July.

USA

US sales were 12.5% higher than in the same period in 2008 at £306,000 compared to £272,000, after a £30,000 reduction in monitor revenue: monitor sales in the USA are infrequent and tend to be to individual clinicians whereas we normally place monitors free of charge in those focus accounts

that we are supporting towards wider scale implementation of ODM-guided fluid management. Average unit selling prices in the USA rose strongly from less than £75 per probe to nearly £105. While in part due to the weakening of the pound against the dollar, the majority of this increase came from real price increases as we updated historic anomalous pricing arrangements and successfully introduced the premium I2 range of probes which can be used on awake as well as unconscious patients. Overall US probe revenue increased by £63,000 (28%) despite volumes falling by 340 units (11%). In our most developed region in the USA we increased both probe volumes and revenues by over 50%: this increase came as routine reimbursement of physicians was more widely established and in spite of both hospital de-stocking and customers reporting declines in elective surgical volumes of over 20% as results of the US recession. US probe sales have been satisfactory so far in the second half of the year with further growth compared to prior year in both July and August.

Spain

Sales in Spain were £33,000 in the six months ended 30 June 2009 (H1 2008: £32,000). We have focused most of our efforts in Spain this year in supporting the set-up of a major multi-hospital evaluation of CardioQ-ODM being commissioned by the Spanish Government. This project is one of the first of its type in Spain and its timing is dependent on the participating bodies agreeing study protocols and funding mechanisms. As currently structured, the project is expected to generate one-off probe sales of over £250,000 and, in the longer term, position the Company for prolonged growth. In July the Company was asked to install the CardioQ-ODM monitors it is supplying for the project in the first of the participating hospitals in anticipation of the hospital's probe order.

Europe

Sales to our distributors in Europe increased by over 40% from £399,000 in the first half of 2008 to £565,000 in the six months ended 30 June 2009. A £262,000 increase in monitor sales more than offset a £95,000 reduction in probe sales. Besides an element of de-stocking of probes both by some of our distributors and their hospital customers, probe sales suffered temporarily as a result of a large regional supply contract in France only coming to an end six months after the maximum number of probes covered by it had been reached. This meant that a group of hospitals comprising some of the largest CardioQ-ODM users in France were severely constrained in their ability to purchase probes. The contract has subsequently been renewed without a cap for twelve months and our distributor purchased 40 additional CardioQ-ODMs in the six months ended 30 June 2009 to allow further evaluation of the CardioQ-ODM by hospitals in connection with negotiations to extend this contract for a longer period. French probe orders have now returned to their normal patterns.

Far East and Latin America

Sales were flat in the Far East and Latin America at £261,000 compared to £264,000 in the first half of 2008: the growth achieved in several of these markets was offset by the Company being unable to make any sales to Iran due to political instability around the June elections. The Company had sales of over £100,000 to its Iranian distributor in the first half of 2008 and was in advanced discussions for an order of more than twice this size until agreeing to defer any further activity until the political situation has stabilised.

Margins

Gross margins increased to 74.5%, increasing from 69.8% in the first half of 2008, primarily as a result of increases in unit selling prices for probes due to a combination of product mix, targeted price increases and foreign exchange movements. The Company is well positioned to continue to reduce its unit manufacturing costs as volumes increase. As a result the Company's gross profit in the six months ended 30 June 2009 was £222,000 (13%) higher than in the first half in 2008.

Operating result

In the first half of 2008, total operating expenses were £2,840,000 before rising to £3,474,000 in the second half of 2008. In the final quarter of 2008 the Company embarked on a cost reduction and containment programme aimed at accelerating the point at which the Company becomes first cash positive then profitable. In the six months ended 30 June 2009, total operating expenses were 12% lower than in the previous six months with further reductions already enacted: at constant rates of exchange, this reduction of £393,000 would have been approximately £518,000 or 15%. The operating loss was £26,000 lower than in the first half of 2008 at £1,098,000.

Costs remain under tight control and the Company already has in hand a number of measures which will result in further savings totalling over £40,000 per month by the early part of 2010.

Cash-flow

The Company's key operational objective is to go into 2010 having passed the cash break-even point. Cash used in operations was 34% lower than in the first half of 2008 and 35% lower than in the second half. Total cash used in operations in the first half 2009 was £790,000, a reduction of £407,000 compared to the six months ended 30 June 2008 (£1,197,000) and £425,000 less than in the second half of 2008. As cash outflow in the six months ended 30 June 2009 included payments for a number of items no longer in the Company's cost base and the effect of a number of further cost reduction measures is yet to be seen in part or in full, the Company has made even more substantial progress towards cash neutrality than indicated in the first half results.

Cash at 30 June 2009 was £523,000 with a further £196,000 available to be drawn on a committed loan facilities. Since 30 June 2009 the Company has agreed with its bankers to extend the limit on its working capital facility from £500,000 to £750,000. The Board is confident that the Company is on track to achieve cash neutrality within its current resources.

Market trends and prospects

UK

Over the last two years a key principle has been established in UK health policy that better quality care is often both less expensive at point of delivery and more cost effective in the longer term. This is embodied in the Quality, Innovation, Productivity and Prevention programme ('QIPP') which is being driven by leaders from both the Department of Health and the NHS. The Company is well positioned to exploit this initiative:

- Government sponsored reports have been published by both the NHS Centre for Evidence-based Purchasing and the National Institute for Healthcare Research validating that ODM-guided fluid management reduces complications, length of hospital stay and mortality after surgery. Both reports identified likely cost savings in hospitals and NIHR identified a very high probability that ODM is cost-effective with the only substantial caveat being the unknown costs to the NHS of treating those patients who would have died without ODM.
- The NHS National Technology Adoption Centre project aimed at providing guidance to the NHS on how best to procure and implement CardioQ-ODM is scheduled to report before the end of 2009. Current indications are that each of the three participating hospitals have delivered substantial benefits from successful implementation of CardioQ-ODM.
- The Department of Health has instigated a major project in England to define and roll-out 'enhanced recovery' programmes for major surgery. Both ODM and the Company are closely associated with such programmes and, in colorectal surgery at least, ODM-guided fluid management is widely recognised as being the best evidenced innovation in an enhanced recovery programme as well as the intervention with the biggest impact.

Since we entered our first contract with an NHS hospital on a 'managed service' basis with our largest UK customer, University College London Hospital, in December 2008 we have seen probe sales under it increase by circa 50%. As a result of this, and in response to the likelihood of constrained NHS capital budgets for the foreseeable future, we have formalised the managed service approach into our account development plan options for UK hospitals.

USA

Healthcare reform is at the top of the US political agenda and there is cross-party recognition that a key endpoint should be the delivery of better quality, evidence-based care at lower cost. Wide-scale implementation of ODM-guided fluid management is one of the best examples of how these goals can be delivered, whether as a standalone innovation or part of an enhanced recovery programme. The Company believes US health reform is likely to significantly enhance its opportunity to create a substantial business in the USA, not least as ODM is one of the very few medical technologies ever to have been granted national reimbursement coverage as a result of a government sponsored health technology assessment of the clinical evidence.

Our strategy in the USA has been to develop a scalable sales and implementation model by focusing our resources on developing a small number of profitable hospital accounts. A key objective at existing and prospective accounts is to generate robust case studies that demonstrate the impact of ODM introduction in the specific local setting and then disseminate these success stories. Thus the key shorter term objectives to drive the profitability of our US business are: to continue the process of bringing a small number of hospitals on to our implementation programme; to support these focus accounts to report their experiences; to support doctors in these accounts so that they receive appropriate reimbursement from both public and private insurers.

International

In International markets we concentrate our efforts on supporting doctors in leading hospitals and, where we have them, our distributors in their account development activities and to develop clinical and business cases, training and educational programmes designed to drive wide adoption of CardioQ-ODM. We are also involved in supporting a number of strategic projects including a major multi-centre trial in emergency hip repair surgery in France and a multi-centre government sponsored evaluation of CardioQ-ODM in Spain. We are also supporting a number of smaller scale but important projects aimed at clearly differentiating ODM-guided fluid management and its substantial evidence base from approaches to fluid management utilising measurement of blood pressure rather than blood flow or recipe book 'one size fits all' fluid protocols.

Operations

During the six months ended 30 June 2009 we completed the review of our manufacturing processes and quality systems initiated in 2008 and are implementing a series of improvements aimed at both improving further our excellent quality record and reducing unit production costs. These projects are also designed to position the Company to be able to scale up manufacturing capacity rapidly to meet significant increases in demand as they occur without having to expand beyond our existing manufacturing site in Chichester.

Research and development

Now that the clinical utility of ODM is firmly established, our product development activities are concentrated on continuous improvement of the CardioQ-ODM system with the aim of making it even quicker to set up and even easier to use in both standard and more challenging clinical environments. Projects range from relatively simple re-engineering of componentry to improve probe handling and monitor processing capability to more fundamental redesigns.

Board changes

After six and a half years as Chief Executive, Andy Hill has decided that he has achieved the majority of those things he set out to do when he joined Deltex Medical and, as the Company is well positioned for the next stage of its development, that this would be a good time for him to stand down from the Board and pursue other career paths. The Board thanks Andy for his hard work and wishes him well in his future endeavours.

The Board has appointed Ewan Phillips as Chief Executive and Paul Mitchell as Finance Director. Ewan has been Finance Director since 2001, has been in charge of our UK sales since 2002 and the rest of our UK based operations since 2005. Paul joined the Company in 2002 as financial controller and has been Company Secretary since 2004; in addition Paul has overseen our day to day sales operations in the USA for four years.

Outlook

Progress in our key markets was achieved despite the adverse impact of the global economic position on healthcare budgets. Harsher economic conditions are accelerating the need for developed economies to prioritise the uptake of methodologies such as ODM which is proven to enhance recovery and improve care at reduced cost. This leaves us well positioned for a prolonged and sustainable period of growth.

Nigel Keen
Chairman
3 September 2009

**Consolidated Income Statement
for the six month period ended 30 June 2009**

	Unaudited Half year to 30 June 2009 £'000	Unaudited Half year to 30 June 2008 £'000	Audited Full year to 31 December 2008 £'000
Revenue	2,600	2,458	5,235
Cost of sales	(662)	(742)	(1,475)
Gross profit	1,938	1,716	3,760
Administrative expenses	(1,179)	(1,349)	(2,667)
Sales and distribution costs	(1,631)	(1,320)	(3,253)
Research and development costs	(226)	(171)	(394)
Net operating expenses	(3,036)	(2,840)	(6,314)
Operating loss	(1,098)	(1,124)	(2,554)
Financial income	1	6	13
Financial expenditure	(88)	(12)	(22)
Loss before taxation	(1,185)	(1,130)	(2,563)
Tax on loss	5	10	6
Loss for the financial period	(1,180)	(1,120)	(2,557)
Loss per share - basic and diluted	(1.2p)	(1.2p)	(2.6p)

The above results all relate to continuing operations. The loss on ordinary activities before taxation and the loss for the period has been computed on the historical cost basis.

**Consolidated statement of recognised income and expense
for the six month period ended 30 June 2009**

	Unaudited Half year to 30 June 2009 £'000	Unaudited Half year to 30 June 2008 £'000	Audited Full year to 31 December 2008 £'000
Exchange differences taken to reserves	25	12	28
Loss for the period	(1,180)	(1,120)	(2,557)
Total recognised expense for the period	(1,155)	(1,108)	(2,529)

**Consolidated Balance Sheet
at 30 June 2009**

	Unaudited 30 June 2009 £'000	Unaudited 30 June 2008 £'000	Audited 31 December 2008 £'000
Assets			
Non – current assets			
Property, plant and equipment	200	42	180
Trade and other receivables	326	6	328
Intangible assets	140	205	160
Total non-current assets	666	253	668
Current assets			
Inventories	627	528	681
Trade and other receivables	1,520	1,738	1,593
Current income tax recoverable	11	33	6
Cash and cash equivalents	523	1,114	475
Total current assets	2,681	3,413	2,755
Total assets	3,347	3,666	3,423
Liabilities			
Current liabilities			
Borrowings	(362)	(206)	(497)
Trade and other payables	(1,142)	(1,177)	(1,499)
Total current liabilities	(1,504)	(1,383)	(1,996)
Non current liabilities			
Borrowings	(1,380)	-	(370)
Provisions for other liabilities and charges	(73)	(88)	(73)
Total non-current liabilities	(1,453)	(88)	(443)
Net assets	390	2,195	984
Equity			
Share capital	1,017	1,004	1,004
Share premium	18,229	18,110	18,110
Capital redemption reserve	17,476	17,476	17,476
Other reserves	2,138	1,499	1,709
Translation reserve	52	11	27
Retained earnings	(38,522)	(35,905)	(37,342)
Total equity	390	2,195	984

**Consolidated Statement of Cash Flows
for the six month period ended 30 June 2009**

	Unaudited Half year to 30 June 2009 £'000	Unaudited Half year to 30 June 2008 £'000	Audited Full year to 31 December 2008 £'000
Cash flows from operating activities			
Operating loss	(1,098)	(1,124)	(2,554)
Depreciation of property, plant & equipment	27	9	30
Capitalisation of clinical trial costs	(273)	(70)	(70)
Amortisation of clinical trial costs	6	128	171
Amortisation of intangibles	40	16	35
Exchange loss on fixed assets	7	-	2
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Earnings before interest, tax, depreciation and amortisation	(1,291)	(1,041)	(2,386)
Cost of equity settled share schemes	429	157	367
Accrued bonuses to be settled through equity	(307)	-	307
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Operating cash flows before movements in working capital	(1,169)	(884)	(1,712)
(Increase)/decrease in inventories	(52)	12	(190)
Decrease/(increase) in debtors	373	(217)	(426)
Increase/(decrease) in creditors	58	(119)	(80)
Increase/(decrease) in provisions	-	11	(4)
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Cash used in operations	(790)	(1,197)	(2,412)
Interest paid	(36)	(12)	(22)
Income taxes received	-	24	47
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Net cash used in operating activities	(826)	(1,185)	(2,387)
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Cash flows from investing activities			
Purchase of property, plant & equipment	(54)	(14)	(171)
Capitalised development expenditure	(20)	(31)	(5)
Interest received	1	11	13
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Net cash used in investing activities	(73)	(34)	(163)
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Cash flows from financing activities			
Issue of ordinary share capital	132	1,773	1,773
Expenses in connection with share issue	-	(7)	(7)
Proceeds from increase/(decrease) in borrowings	887	(201)	464
Expenses in connection with new borrowing	(45)	-	-
Repayment of obligations under finance leases	(2)	-	(4)
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Net cash generated from financing activities	972	1,565	2,226
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Net increase in cash and cash equivalents	73	346	(324)
Cash and cash equivalents at beginning of the period	475	763	763
Effect of exchange rate fluctuations on cash held	(25)	5	36
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Cash and cash equivalents at end of the period	523	1,114	475
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**Notes to the Interim Statement
for the six month period ended 30 June 2009**

1. Basis of preparation

Deltex Medical Group plc (the Company) is a company incorporated in England and Wales. The condensed Group half year financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). They have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

The half year results are unaudited. The summary of results for the year ended 31 December 2008 is an extract from the published consolidated financial statements of the Group for that period which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report (i) was unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The half year financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2008.

2. Results by geography

Segment information is presented in the consolidated interim financial statements in respect of the Group's geographical segments, which are the primary basis of segment reporting. The geographical segment reporting reflects the Group's management structure.

Segment results include items directly attributable to a segment as well as those, which can be allocated on a reasonable basis.

The segment results for the six months ended 30 June 2009 are as follows:

	UK £'000	USA £'000	International £'000	Spain £'000	Unallocated £'000	Total £'000
Total segment revenue	1,669	306	826	33	-	2,834
Inter segment revenue	(234)	-	-	-	-	(234)
Group revenue	1,435	306	826	33	-	2,600
Segment/operating result	302	(247)	167	(93)	(1,227)	(1,098)
Finance income						1
Finance costs						(88)
Loss before taxation						(1,185)
Tax on loss						5
Loss for the financial period						(1,180)

The segment results for the six months ended 30 June 2008 are as follows:

	UK £'000	USA £'000	International £'000	Spain £'000	Unallocated £'000	Total £'000
Total segment revenue	1,606	272	663	32	-	2,573
Inter segment revenue	(115)	-	-	-	-	(115)
Group revenue	1,491	272	663	32	-	2,458
Segment/operating result	310	(160)	60	(22)	(1,312)	(1,124)
Finance income						6
Finance costs						(12)
Loss before taxation						(1,130)
Tax on loss						10
Loss for the financial period						(1,120)

The segment results for the year ended 31 December 2008 are as follows:

	UK £'000	USA £'000	International £'000	Spain £'000	Unallocated £'000	Total £'000
Total segment revenue	3,406	578	1,418	102	-	5,504
Inter segment revenue	(269)	-	-	-	-	(269)
Group revenue	3,137	578	1,418	102	-	5,235
Segment/operating result	484	(332)	(26)	(75)	(2,605)	(2,554)
Finance income						13
Finance costs						(22)
Loss before taxation						(2,563)
Tax on loss						6
Loss for the financial year						(2,557)

Unallocated costs include those costs that cannot be split between segments, including expenditure on research and development and clinical trials.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

3. Loss per share

The loss per share calculation for the six months to 30 June 2009 is based on the loss for the period of £1,180,000 and weighted number of shares in issue of 100,536,829. The loss per share calculation for the six month period ended 30 June 2008 is based on the loss for the period of £1,120,000 and weighted average number of shares in issue of 92,880,034.

The Group had no dilutive potential ordinary shares in either period, which would serve to increase the loss per ordinary share. Therefore, there is no difference between the loss per ordinary share and the diluted loss per ordinary share.

4. Statement of changes in shareholders' equity

Group	Share capital £'000	Share premium £'000	Capital redemption £'000	Other Reserve £'000	Translation reserve £'000	Profit and loss account £'000
At 1 July 2008	925	18,110	17,476	1,499	17	(35,985)
Shares issued during the period	79	-	-	-	-	-
Premium on shares issued during the period	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-
Loss for the financial period	-	-	-	-	-	(1,357)
Credit in respect of service cost settle by award of options	-	-	-	210	-	-
Exchange movements taken to reserves	-	-	-	-	10	-
At 31 December 2008	1,004	18,110	17,476	1,709	27	(37,342)
Share issued during the period	13	-	-	-	-	-
Premium on shares issued during the period	-	119	-	-	-	-
Issue expenses	-	-	-	-	-	-
Loss for the financial period	-	-	-	-	-	(1,180)
Credit in respect of service cost settle by award of options	-	-	-	429	-	-
Exchange movements taken to reserves	-	-	-	-	25	-
At 30 June 2009	1,017	18,229	17,476	2,138	52	(38,522)

5. Called-up share capital

	1 pence ordinary shares £'000
101,700,822 1p ordinary shares	1,017

During the period, the Company issued 310,209 1p ordinary shares pursuant to the exercise of options. In addition a total of 290,980 1p ordinary shares at an average price of 12.27 pence per share were issued to certain of the Company's advisors who elected to take share in lieu of cash payment for their services. A further 740,004 1p ordinary shares at an average price of 12.75 pence per share were issued to certain of the Company's directors who elected to take shares in lieu of cash payment for their services to the Company.

6. Distribution of announcement

Copies of this announcement are being sent to all shareholders and will be available for collection free of charge from the Company's registered office at Terminus Road, Chichester, West Sussex, PO19 8TX or for download from the Company's website; www.deltexmedical.com.