

5 January 2018

Deltex Medical Group plc
("Deltex Medical", "Deltex" or "the Company")

Pre-close Trading Update

Deltex Medical Group plc (AIM: DEMG), the global leader in Oesophageal Doppler Monitoring ("ODM"), today announces an update on trading for the year ended 31 December 2017.

Highlights

- Overall revenues of £5.9m (2016 £6.3m)
 - US revenues of £2.0m, ahead by £0.1m
 - International sales of £1.9m, down by £0.1m
 - UK revenues of £1.9m, down £0.4m
- US revenues ahead by 5%
 - Over £0.2m of expected additional revenue from major account wins in H2 2017 delayed due to extended procurement processes
 - Signs of pipeline blockages easing in Q4 2017. First revenues generated from three new potentially large accounts
- International revenues down by 5%
 - Probe growth on plan across key focus markets of France, Scandinavia, Peru and Korea
 - Low margin monitor sales behind plan by £0.2m due to scheduled hospital tenders being delayed into 2018 and distributor destocking
- UK revenues reduced by 18%
 - December sales were down with c.£0.3m of bulk orders not repeated from 2016
 - Promising clinical response to release of HD-ICG module offset by well documented NHS funding issues
- Cash consumption over the year reduced by c.£1m to £1.3m (£0.8m H1, £0.5m H2)
 - C. £0.4m savings in year from manufacturing efficiencies leading to improved margin
 - Cash overheads reduced by c.£0.5m in 2017 with a further £0.5m of reductions already in place for 2018 and further annualised savings of £0.5m planned for H1 2018
- Loss for 2017 expected to be higher than market expectations with some of the impact of lost revenue partially offset by improved margin and reduced overheads
- Cash at 31 December of £0.2m (2016: £0.6m). Discussions on the future funding of the Group are in progress and the Company expects to be able to make a further announcement in the near future

Nigel Keen, Deltex Medical's Chairman, commented:

"Procurement process headwinds held sales back to disappointing levels in 2017. However, Deltex enters 2018 positioned to benefit from momentum in the USA and other focus export markets. The UK continues to be a difficult market due to NHS funding constraints.

"We have substantially reduced our rate of operating cash consumption in order to meet our key goal of getting past the operating cash breakeven point. In the final quarter of 2017 we put in place a number of changes to our cost base with effect from the start of 2018 and, in view of the actual level of 2017 sales, we are reducing our costs further to match our operating cash costs with current levels of sales. These actions should allow us to fund future organic growth out of operating cash flows.

“We have completed a large part of the investment necessary to move the Company from a single technology to a multiple technology business and are moving our marketing focus forward accordingly. We expect to see the impact on sales growth of these developments starting to come through during 2018 to supplement our established position in major export markets as a significant provider of haemodynamic monitoring solutions.”

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Notes for Editors

Deltex Medical manufactures and markets haemodynamic monitoring technologies. Deltex Medical's proprietary ODM is the only technology to measure blood flow in the central circulation in real time. Minimally invasive, easy to set up and quick to focus, the technology generates a low-frequency ultrasound signal, which is highly sensitive to changes in flow and measures them immediately. Deltex has been the only company in the enhanced haemodynamic space to build a robust and credible evidence base proving the clinical and economic benefits of its core technology, ODM which is proven to reduce complications suffered by patients after surgery and save hospitals the costs of treating those complications.

Deltex Medical's CardioQ-ODM+ platform also now provides clinicians with two further advanced haemodynamic monitoring technologies. High Definition Impedance Cardiography is an entirely non-invasive monitoring technology which creates an electrical field across the chest and measures the disruption to this field when the heart pumps blood. Pulse Pressure Waveform Analysis uses peripheral blood pressure signal analysis to give doctors information on changes in the circulation and is particularly suited to monitoring lower risk or haemodynamically stable patients.

Company goal

Haemodynamic management is now becoming widely accepted as an important major new medical modality. Consequently, the Company's focus is on maximising value from the opportunities presented as enhanced haemodynamic management is adopted into routine clinical practice around the world. The Company aims to provide clinicians with a single platform, a 'haemodynamic workstation', which offers them a range of technologies from simple to sophisticated to be deployed according to the patient's condition and skill and expertise of the user. Doing this will enable the Company to partner healthcare providers to support modern haemodynamic management across the whole hospital.

The Company is currently in the implementation phase of achieving this goal in a number of territories worldwide, operating directly in the UK, USA, Spain and Canada and through distribution arrangements in a further 30 countries.