

23 September 2019 – Deltex Medical Group plc (AIM: DEMG), the global leader in oesophageal Doppler monitoring today announces its unaudited interim results for the six-months ended 30 June 2019.

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

Interim results for the six-months ended 30 June 2019

Key financial information

- revenues: £2.0 million (2018: 2.3 million)
- gross margin: 76% (2018: 68%)
- 55% reduction in sales & distribution expenses to £0.6 million (2018: £1.4 million)
- 35% reduction in overhead costs (excluding exceptional items) to £1.7 million (2018: £2.7 million)
- adjusted EBITDA: positive £0.2 million (2018: loss £1.0 million)
- loss for the period: £(0.3) million (2018: £(1.2) million)
- cash on balance sheet: £0.6 million (31 December 2018: £0.6 million)

Key commercial activities

- construction of leaner, more selective and better-targeted direct sales operations in the UK and the USA
- successful programme to increase the average selling price of the single-use TrueVue Doppler probes in the USA
- agreement to terminate a third-party UK distribution contract expected to result in a payment to Deltex Medical of c. £0.2 million before year-end
- Innovative Technology contract signed with Vizient, a leading group purchasing organisation ("GPO") and the largest healthcare performance improvement company in the USA
- award by Innovate UK of four product development/technology grants in 2019 to help fund the next stage of product development for the Group totalling c. £0.13 million of project costs, of which c. 70% are eligible for reimbursement

Nigel Keen, Chairman of Deltex Medical, commented:

"The significantly improved underlying financial performance of the Group can clearly be seen with positive adjusted EBITDA in the first half."

"We are delighted with the number of new technology grants that Deltex Medical has been awarded so far in 2019. As well as providing non-dilutive capital for our development programmes, these grant awards provide independent validation of the potential for the Group's technology with the increasing focus on patient safety."

"Deltex Medical is well placed to provide clinicians around the world with advanced haemodynamic monitoring which is becoming increasingly recognised as an important factor associated with improved patient safety as well as the reduction of avoidable complications during and after surgery."

Deltex Medical Group plc

Nigel Keen, Chairman
Andy Mears, Chief Executive
Jonathan Shaw, Group Finance Director

01243 774 837
investorinfo@Deltexmedical.com

Arden Partners plc

020 7614 5900

Ciaran Walsh
Dan Gee-Summons

Joint Broker
Turner Pope Investments (TPI) Ltd

0203 621 4120
info@turnerpope.com

Andy Thacker

This announcement contains Inside Information as defined under the Market Abuse Regulation (EU) No. 596/2014.

Notes for Editors

Deltex Medical manufactures and markets haemodynamic monitoring technologies. Deltex Medical's proprietary oesophageal Doppler monitoring ("ODM") (TrueVue Doppler) measures blood flow velocity 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 blood flow and measures such changes in 'real time'. Deltex Medical is the only company in the enhanced haemodynamic space to have built a robust and credible evidence base demonstrating both the clinical and economic benefits of its core technology, TrueVue Doppler. This technology has been proven in a wide range of clinical trials to reduce complications suffered by patients after surgery and consequently save hospitals the costs of treating those complications.

Deltex Medical's TrueVue System on the CardioQ-ODM+ monitor platform now provides clinicians with two further advanced haemodynamic monitoring technologies. TrueVue Impedance is an entirely non-invasive monitoring technology which transmits low magnitude, high frequency electrical signals through the thorax and measures the changes to this signal when the heart pumps blood. TrueVue PressureWave uses the 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.

Group goal

Haemodynamic management is now becoming widely accepted as a vital part of the anaesthesia protocol for surgical patients. Consequently, the Group's focus is on maximising value from the opportunities presented, as enhanced haemodynamic management is adopted into routine clinical practice around the world. The Group 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 as well as the skill and expertise of the user. Doing this will enable the Group to partner healthcare providers to support modern haemodynamic management across the whole hospital.

The Group is currently in the implementation phase of achieving this goal in a number of territories worldwide, operating directly in the UK and the USA, and via agreements with approximately 40 distributors overseas.

Chairman's statement

Financial results

The financial results for the six-months ended 30 June 2019 validate the commercial success of the new strategy adopted by the Group midway through last year.

In 2019 Deltex Medical has continued to focus its direct selling teams on the more selective targeting of key accounts and new business prospects, particularly in the USA. In the first half of 2019, expenditure on sales and distribution more than halved to £0.6 million (2018: £1.4 million). This "re-baselining" of the business was aimed at significantly improving profitability, albeit with slightly lower revenues. This outcome can be seen in the 2019 interim results with H1 revenues of £2.0 million (2018: £2.3 million) generating a gross margin of £1.5 million (2018: £1.6 million). In H1 2019 the revenues declined in the period by £332,000 (equivalent to a reduction of 14%); however, the gross margin generated on these sales only declined by £69,000 (equivalent to a 4% reduction).

The next stage of implementation of the new strategy, which was adopted in 2018, will be focussed on carefully targeted growth.

The gross margin increased to 76% (2018: 68%) as a result of a number of initiatives around margin improvement. We have focussed on increasing the average selling price of US probes and this has been assisted by the continuing weakness of sterling against the US dollar. There is also ongoing work to drive down the standard cost of the probes used in the Group's TrueVue Doppler equipment.

Total overhead costs, excluding exceptional items, in the period were reduced by approximately £1.0 million to £1.7 million (2018: £2.7 million) representing an overall reduction in overheads of some 35%.

Adjusted EBITDA, comprising earnings before interest, tax, depreciation and amortisation, share-based payments' expenses and non-executive directors' fees, was £1.1 million better at £153,000 (2018: loss of £963,000).

The loss for the period of £0.3 million showed a £0.9 million improvement over the equivalent 2018 loss of £1.2 million.

Cash on the balance sheet at 30 June 2019 was £0.6 million (31 December 2018: £0.6 million).

Net cash generated from operating activities was £0.3 million (2018: net cash used of £0.8 million).

The Board believes that this much-improved underlying financial performance puts the Group in a good position for the next stage of its development.

Commercial activities

One of the key objectives in the first half was to ensure that the Group successfully built a robust and stable platform for future growth. This objective has been achieved in a number of different ways.

Significant work has continued on more selective targeting of the direct selling activities in the USA and increasing the average selling price of the US probes. Deltex Medical's US business now has a much lower cost base than a year ago, contributed positive EBITDA to the consolidated results each month in the first half and is producing more reliable forecast information and better market-intelligence data.

In the USA a group purchasing organisation ("GPO") is an entity that helps healthcare providers - such as hospitals and nursing homes - realise savings and efficiencies by aggregating purchasing volume and using that leverage to negotiate discounts with manufacturers, distributors and other vendors. During the period Deltex Medical successfully negotiated an Innovative Technology contract with Vizient, a leading GPO and the largest member-driven healthcare performance improvement company in the USA. The contract was based on the recommendation of hospital experts in haemodynamics who serve on one of Vizient's member-led councils. Vizient's Innovative Technology contracts are reserved for technologies that demonstrate an ability to significantly enhance clinical care and patient safety, whilst improving an organisation's care delivery and business model. Whilst the Board believes that the effect on Group revenues associated with this Vizient contract will not be immediate, it is already apparent that securing this Innovative Technology contract is providing additional credibility to Deltex Medical's TrueVue System in the USA and is also facilitating easier access for its US salesforce into some hospitals.

The international division, comprising a network of approximately 40 distributors, performed satisfactorily in the first half although sales by the Group's French distributor were subdued due to inventory reductions, which are expected to continue until the year end. This is as a result of lower levels of probe sales made during the implementation of the previously announced Paris Hospitals' tender.

The UK market remains challenging. Notwithstanding the significant evidence base supporting the use of Deltex Medical's TrueVue Doppler system, it remains difficult to get NHS hospitals to invest in new technologies. However, the Group continues to have a number of close relationships with UK Key Opinion Leaders ("KOLs") working in the field of haemodynamic monitoring and is working with these KOLs to help guide its product development work.

Deltex Medical has, for a number of years, distributed into the UK market complementary products manufactured by third-party companies. One of these companies, which manufactures pulse oximetry equipment, was recently purchased by a competitor. Negotiations have recently concluded in respect of the termination of Deltex Medical's UK distribution contract relating to this equipment which is expected to give rise to, among other things, the payment to the Group of US\$0.25 million before the year-end. In 2018, the revenues associated with this third-party equipment totalled £0.4 million; however, once an estimate of the 2018 fully-loaded expenses associated with selling and supporting this equipment are deducted from the 2018 gross margin generated by such sales, the product line was not significantly profitable. The Board believes that focussing the Group's direct sales force in the UK on Deltex Medical's TrueVue suite of haematological monitoring products complements the focussed strategy of the business. Moreover, the Group's own products enjoy higher gross margins than products manufactured by third parties.

It is not yet clear how Brexit will affect the Group's commercial activities; however, Deltex Medical has developed a number of contingency plans which can be deployed at short notice. Implementing these plans may, in the short term, require incremental expenditure and allocation of working capital.

New product development

We have carried out a detailed review of our product portfolio in order to determine how best to invest to develop new, complementary technologies which will augment the TrueVue System and help the Group deliver its ambitious growth plans.

The Group has been extremely successful this year at winning grant applications. Four grant applications have been awarded so far in 2019 by Innovate UK with a total value of eligible project costs of £132,000 of which £96,000 represents cash amounts to be reimbursed against eligible costs incurred by Deltex Medical Limited, with the balance funded from the Group's own resources. The Board believes that these grant awards help provide independent endorsement of its development plans as well as the potential for enhancing the Group's advanced haemodynamic monitoring technologies using non-dilutive finance.

The Group also continues to develop a small number of other complementary innovations using its resources in order to build an expanded portfolio of differentiated technologies for the international haemodynamic monitoring market.

The Board believes that around the world there is increasing clinical acceptance of the need for haemodynamic monitoring and this, combined with the Group's new technologies and more focussed direct sales activities, will be important drivers of growth for the Group in the future.

Current trading and prospects

The Group has built a robust platform for future growth. We have reported positive adjusted EBITDA in the first half and trading has started well in the second half.

In past years, the financial performance of the Group in the second half of the year has been stronger than the first half and the Board believes that this will continue to be the case in 2019. Despite second-half revenues being slightly reduced as a result of the termination of the UK distributor agreement described above, the expected US\$0.25m termination payment should negate any adverse impact on profitability during this period, and the Company's profitability should remain in line with market expectations.

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Advanced haemodynamic monitoring is becoming increasingly recognised as an important factor associated with improved patient safety as well as the reduction of avoidable complications during and after surgery. The Board believes that Deltex Medical is well positioned to help clinicians improve patients' outcomes.

Nigel Keen
Chairman

23 September 2019

Condensed Consolidated Statement of Comprehensive Income
for the six-months ended 30 June 2019

	Note	Unaudited		Audited
		Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
		£'000	£'000	£'000
Revenue	4	1,993	2,325	4,955
Cost of sales		(487)	(750)	(1,424)
Gross profit		1,506	1,575	3,531
Administrative expenses		(853)	(993)	(1,721)
Sales and distribution expenses		(624)	(1,373)	(2,189)
Research and Development, Quality and Regulatory		(250)	(255)	(526)
Impairment loss on trade receivables		-	(33)	(38)
Exceptional costs	15	-	(142)	(287)
Total costs		(1,727)	(2,796)	(4,761)
Operating loss before exceptional costs and other gain		(221)	(1,079)	(943)
Exceptional costs	15	-	(142)	(287)
Other gain		-	80	80
Operating loss		(221)	(1,141)	(1,150)
Finance income		-	-	-
Finance costs		(86)	(99)	(188)
Loss before taxation		(307)	(1,240)	(1,338)
Tax credit on loss	7	38	46	74
Loss for the period/year		(269)	(1,194)	(1,264)
Other comprehensive (expense)/income				
Items that may be reclassified to profit or loss:				
Net translation differences on overseas subsidiaries		1	(4)	2
Other comprehensive (expense)/income for the period/year, net of tax		1	(4)	2
Total comprehensive loss for the period/year		(268)	(1,198)	(1,262)
Total comprehensive loss for the period/year attributable to:				
Owners of the Parent		(269)	(1,203)	(1,268)
Non-controlling interests		1	5	6
		(268)	(1,198)	(1,262)
Loss per share – basic and diluted	8	(0.05)p	(0.3p)	(0.3p)

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Condensed Consolidated Balance Sheet

	Note	Unaudited		Audited
		30 June 2019	30 June 2018 ¹	31 December 2018
		£'000	(As restated) £'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		490	681	587
Intangible assets		2,595	2,529	2,528
Financial assets at amortised cost		161	155	155
Total non-current assets		3,246	3,365	3,270
Current assets				
Inventories		946	700	680
Trade and other receivables		1,051	1,008	1,410
Financial assets at amortised cost		214	245	245
Other current assets		104	72	190
Current income tax recoverable		100	139	74
Cash and cash equivalents	9	595	1,065	580
Total current assets		3,010	3,229	3,179
Total assets		6,256	6,594	6,449
Liabilities				
Current liabilities				
Borrowings	11	(267)	(453)	(553)
Trade and other payables	12	(2,026)	(2,195)	(1,983)
Total current liabilities		(2,293)	(2,648)	(2,536)
Non-current liabilities				
Borrowings	11	(1,052)	(1,017)	(1,035)
Trade and other payables		(334)	(369)	(352)
Provisions		(114)	(114)	(114)
Total non-current liabilities		(1,500)	(1,500)	(1,501)
Total liabilities		(3,793)	(4,148)	(4,037)
Net assets		2,463	2,446	2,412
Equity				
Share capital	14	5,123	4,927	4,927
Share premium		33,230	33,230	33,230
Capital redemption reserve		17,476	17,476	17,476
Other reserve		1,076	4,888	953
Translation reserve		150	143	149
Convertible loan note reserve		82	84	82
Accumulated losses		(54,534)	(58,160)	(54,264)
Equity attributable to owners of the Parent		2,603	2,588	2,553
Non-controlling interests		(140)	(142)	(141)
Total equity		2,463	2,446	2,412

1. Certain comparatives have been restated to be consistent with the presentation used in the 2018 Annual Report & Accounts. (Note 17)

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Condensed Consolidated Statement of Changes in Equity for the six-months ended 30 June 2019 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Other reserve	Convertible loan note reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	4,927	33,230	17,476	953	82	149	(54,264)	2,553	(141)	2,412
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(270)	(270)	1	(269)
Other comprehensive income for the period	-	-	-	-	-	1	-	1	-	1
Total comprehensive income for the six-months	-	-	-	-	-	1	(270)	(269)	1	(268)
Transactions with owners of the company										
Equity-settled share-based payment	-	-	-	123	-	-	-	123	-	123
Share options exercised	196	-	-	-	-	-	-	196	-	196
Balance at 30 June 2019	5,123	33,230	17,476	1,076	82	150	(54,534)	2,603	(140)	2,463

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Condensed Consolidated Statement of Changes in Equity for the six-months ended 30 June 2018 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Other reserve	Convertible loan note reserve	Translation reserve	Accumulated losses	Total	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018, as previously reported	3,132	32,915	17,476	4,752	84	147	(57,059)	1,447	(147)	1,300
Effect of new standards	-	-	-	-	-	-	98	98	-	98
Balance at 1 January 2018, as restated	3,132	32,915	17,476	4,752	84	147	(56,961)	1,545	(147)	1,398
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(1,199)	(1,199)	5	(1,194)
Other comprehensive income for the period	-	-	-	-	-	(4)	-	(4)	-	(4)
Total comprehensive income for the six-months	-	-	-	-	-	(4)	(1,199)	(1,203)	5	(1,198)
Transactions with owners of the company										
Shares issued during the period	1,787	-	-	-	-	-	-	1,787	-	1,787
Premium on shares issued during the period	-	447	-	-	-	-	-	447	-	447
Issue expenses	-	(132)	-	-	-	-	-	(132)	-	(132)
Equity-settled share-based payment	-	-	-	136	-	-	-	136	-	136
Share options exercised	8	-	-	-	-	-	-	8	-	8
Balance at 30 June 2018	4,927	33,230	17,476	4,888	84	143	(58,160)	2,588	(142)	2,446

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2018 (audited)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Convertible loan note reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2018, as previously reported	3,132	32,915	17,476	4,752	84	147	(57,059)	1,447	(147)	1,300
Effect of new standards	-	-	-	-	-	-	98	98	-	98
Balance at 1 January 2018, as restated	3,132	32,915	17,476	4,752	84	147	(56,961)	1,545	(147)	1,398
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(1,270)	(1,270)	6	(1,264)
Other comprehensive income for the period	-	-	-	-	-	2	-	2	-	2
Total comprehensive income for year	-	-	-	-	-	2	(1,270)	(1,268)	6	(1,262)
Transactions with owners of the Group										
Shares issued during the year	1,787	447	-	-	-	-	-	2,234	-	2,234
Issue expenses	-	(132)	-	-	-	-	-	(132)	-	(132)
Equity-settled share-based payment	-	-	-	166	-	-	-	166	-	166
Transfers	-	-	-	(3,965)	(2)	-	3,967	-	-	-
Share options exercised	8	-	-	-	-	-	-	8	-	8
Balance at 31 December 2018	4,927	33,230	17,476	953	82	149	(54,264)	2,553	(141)	2,412

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Condensed Consolidated Statement of Cash Flows
for the six-months ended 30 June 2019

	Unaudited		Audited
	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Cash flows from operating activities			
Loss before taxation	(307)	(1,240)	(1,338)
Adjustments for:			
Net finance costs	86	99	188
Depreciation of property, plant and equipment	100	122	246
Profit on disposal of loan monitors	(2)	(6)	(12)
Amortisation of intangible assets	71	96	173
Modification gain on convertible loan note	-	(80)	(80)
Share-based payment expense	123	136	166
Effect of exchange rate fluctuations	2	4	(9)
	73	(869)	(666)
(Increase)/decrease in inventories	(257)	47	38
Decrease in trade and other receivables	479	564	52
Increase/(decrease) in trade and other payables	27	(513)	(694)
Increase in provisions	-	38	(1)
Net cash from/(used in) operations	322	(733)	(1,271)
Interest paid	(69)	(70)	(141)
Income taxes received	11	-	94
Net cash generated from/(used in) operating activities	264	(803)	(1,318)
Cash flows from investing activities			
Purchase of property, plant and equipment	(12)	(13)	(18)
Proceeds from the sale of loan monitors	6	7	18
Capitalised development expenditure	(138)	(138)	(214)
Interest received	-	-	-
Net cash used in investing activities	(144)	(144)	(214)
Cash flows from financing activities			
Issue of ordinary share capital	196	2,216	2,216
Expenses in connection with share issue	-	(132)	(132)
Outflow from decrease in invoice discounting facility	(281)	(268)	(171)
Repayment of obligations under finance leases	(16)	(22)	(36)
Net cash (used in)/generated from financing activities	(101)	1,794	1,877
Net increase in cash and cash equivalents	19	847	345
Cash and cash equivalents at beginning of the period	580	219	219
Exchange (loss)/gain on cash and cash equivalents	(4)	(1)	(16)
Cash and cash equivalents at the end of the period/year	595	1,065	580

Notes to the condensed consolidated interim financial statements

1. Reporting Entity

Deltex Medical Group plc is a company that is domiciled in the United Kingdom. It is incorporated in England and Wales (Company Number 03902895) and its registered office is at Terminus Road, Chichester, PO19 8TX, United Kingdom. These condensed consolidated interim financial statements (Interim Financial Statements) as at and for the period ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is principally involved with the manufacture and sale of advanced haemodynamic monitoring technologies.

2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 (Annual Report & Accounts 2018). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position.

These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The summary of results for the year ended 31 December 2018 is an extract from the published consolidated financial statements of the Group for that year which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The Independent Auditors' Report on the Annual Report & Accounts for 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

These condensed consolidated interim financial statements have 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 2018 and are expected to be applied in the preparation of the financial statements for the year ending 31 December 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

These condensed consolidated interim financial statements were approved by the Board of Directors and approved for issue on 23 September 2019.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Although these estimates are based on the directors' best knowledge of the amount, event or actions, it should be noted that actual results may differ from those estimates.

The significant judgements and estimates made by the directors in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those disclosed in Annual Report & Accounts 2018.

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Notes to the condensed consolidated interim financial statements (continued)

4. Revenue

The Group's revenue disaggregated by primary geographical markets is as follows:

For the six months ended 30 June 2019 (Unaudited)

	Direct markets				Indirect markets			Total £'000
	Probes £'000	Monitors £'000	Third Party £'000	Other £'000	Probes £'000	Monitors £'000	Other £'000	
UK	441	19	178	44	-	-	-	682
USA	719	-	-	2	-	-	-	721
France	-	-	-	-	250	-	4	254
Scandinavia	-	-	-	-	42	-	1	43
South Korea	-	-	-	-	139	-	2	141
Peru	-	-	-	-	-	-	-	-
Other countries	16	-	-	-	102	27	7	152
	1,176	19	178	46	533	27	14	1,993

For the six months ended 30 June 2018 (Unaudited)

	Direct markets				Indirect markets			Total £'000
	Probes £'000	Monitors £'000	Third Party £'000	Other £'000	Probes £'000	Monitors £'000	Other £'000	
UK	540	-	183	39	-	-	-	782
USA	824	-	-	10	-	-	-	834
France	-	-	-	-	365	66	32	463
Scandinavia	-	-	-	-	20	-	-	20
South Korea	-	-	-	-	134	-	-	134
Peru	-	-	-	-	-	-	-	-
Other countries	32	14	-	-	59	6	1	112
	1,396	14	183	49	578	72	33	2,325

For the year ended 31 December 2018 (Audited)

	Direct markets				Indirect markets			Total £'000
	Probes £'000	Monitors £'000	Third Party £'000	Other £'000	Probes £'000	Monitors £'000	Other £'000	
UK	1,051	5	448	108	-	-	-	1,612
USA	1,534	17	-	17	-	-	-	1,568
France	-	-	-	-	799	66	35	900
Scandinavia	-	-	-	-	62	-	-	62
South Korea	-	-	-	-	258	-	1	259
Peru	-	-	-	-	116	165	-	281
Other countries	49	14	-	-	166	34	10	273
	2,634	36	448	125	1,401	265	46	4,955

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Notes to the condensed consolidated interim financial statements (continued)

The Group's revenue disaggregated between the sale of goods and the provision of services is set out below. All revenues are recognised at a point in time.

	Period ended		Year ended
	30 June	30 June	31 December
	2019	2018	2018
	£'000	£'000	£'000
Sale of goods	1,961	2,305	4,882
Maintenance income	32	20	73
	1,993	2,325	4,955

The following table provides information about trade receivables and contract liabilities from contracts with customers. There were no contract assets at either 30 June 2019 or 1 January 2019.

	30 June	1 January
	2019	2019
	£'000	£'000
Trade receivables which are in 'Trade and other receivables'	1,047	1,410
Contract liabilities	(150)	(151)

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 30 June 2019:

	2019	2020	2021	2022	Total
	£'000	£'000	£'000	£'000	£'000
Revenue expected to be recognised	116	16	1	17	150

5. Segment results

Performance is monitored, and the allocation of resources is made on the basis of results derived from the sale of probes, monitors and third-party products for which revenues and gross margins are regularly reported to the Group's Chief Executive Officer who has been identified as the Chief Operating Decision Maker (CODM). The CODM also monitors a profit measure described internally as 'adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA). However, this measure is reported at a Group level rather than an operating segment which is based on the nature of the goods provided rather than the geographical market in which they are sold.

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Notes to the condensed consolidated interim financial statements (continued)

The unaudited segment results for the six months ended 30 June 2019 were:

	Probes ¹	Monitors	Third party products	Other	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues	1,709	46	178	60	-	1,993
Adjusted gross profit²	1,416	41	83	32	-	1,572
Sales and marketing costs³	-	-	-	-	-	(632)
Administration costs³	-	-	-	-	-	(615)
R&D costs³	-	-	-	-	-	(62)
Quality and regulation costs³	-	-	-	-	-	(110)
Adjusted EBITDA⁴	-	-	-	-	-	153

1. Managed care service revenue is categorised as probe revenue
2. Gross profit excluding the depreciation charge relating to monitors loaned to customers and production equipment
3. Excluding non-cash costs namely depreciation, amortisation, share-based payment expense, non-executive directors' fees and accumulated absence costs
4. Earnings before interest, tax, depreciation and amortisation, share-based payment expense and non-executive directors' fees

The unaudited segment results for the six months ended 30 June 2018 were:

	Probes ¹	Monitors	Third party products	Other	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues	1,974	86	182	83	-	2,325
Adjusted gross profit²	1,520	21	83	34	-	1,658
Sales and marketing costs³	-	-	-	-	(1,398)	(1,398)
Administration costs³	-	-	-	-	(1,071)	(1,071)
R&D costs³	-	-	-	-	(39)	(39)
Quality and regulation costs³	-	-	-	-	(113)	(113)
Adjusted EBITDA⁴	-	-	-	-	-	(963)

1. Managed care service revenue is categorised as probe revenue
2. Gross profit excluding the depreciation charge relating to monitors loaned to customers and production equipment
3. Excluding non-cash costs namely depreciation, amortisation, share-based payment expense, non-executive directors' fees and accumulated absence costs
4. Earnings before interest, tax, depreciation and amortisation, share-based payment expense and non-executive directors' fees

The audited segment results for the year ended 31 December 2018 were:

	Probes ¹	Monitors	Third party products	Other	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues	4,035	301	448	171	-	4,955
Adjusted gross profit²	3,240	154	216	86	-	3,696
Sales and marketing costs³	-	-	-	-	(2,324)	(2,324)
Administration costs³	-	-	-	-	(1,751)	(1,751)
R&D costs³	-	-	-	-	(139)	(139)
Quality and regulation costs³	-	-	-	-	(200)	(200)
Adjusted EBITDA⁴	-	-	-	-	-	(718)

1. Managed care service revenue is categorised as probe revenue
2. Gross profit excluding the depreciation charge relating to monitors loaned to customers and production equipment
3. Excluding non-cash costs namely depreciation, amortisation, share-based payment expense, non-executive directors' fees and accumulated absence costs
4. Earnings before interest, tax, depreciation and amortisation, share-based payment expense and non-executive directors' fees

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Notes to the condensed consolidated interim financial statements (continued)

The reconciliation of the profit measure used by the Group's CODM to the result reported in the Group's consolidated SOCI is set out below:

	Unaudited		Audited
	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Adjusted EBITDA	153	(963)	(718)
Non-cash items:			
Depreciation of property, plant and equipment	(98)	(122)	(246)
Amortisation of development costs	(71)	(96)	(173)
Non-executive directors' fees and employer's social security costs	(72)	(69)	(140)
Share-based payment expense	(123)	(136)	(166)
Change in accumulated absence cost liability	(10)	(37)	24
Bonus accrual releases	-	202	189
Gain on convertible loan note	-	80	80
	(374)	(178)	(432)
Operating loss	(221)	(1,141)	(1,150)
Finance costs	(86)	(99)	(188)
Loss before tax	(307)	(1,240)	(1,338)
Tax credit on loss	38	46	74
Loss for the period/year	(269)	(1,194)	(1,264)

6. Dividends

The Directors cannot recommend the payment of a dividend (2018: nil) for 2019.

7. Tax credit on loss

	Unaudited		Audited
	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Research and development tax credit	(52)	(46)	(63)
Adjustment in respect of prior periods	14	-	(11)
Total tax credit on loss	38	(46)	(74)

The adjustment in respect of prior years of £14,000 relates to an adjustment that was required following the completion of the corporation tax computation for the year ended 31 December 2018 which finalised the amount of current year trading losses that were available for surrender under HMRC's small company R&D tax credit regime.

8. Loss per share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares issued during the year.

The loss per share calculation for six months to 30 June 2019 is based on the loss after tax attributable to owners of the parent of £270,000 and the weighted average number of shares in issue of 502,437,787.

The loss per share calculation for six months to 30 June 2018 is based on the loss after tax attributable to owners of the parent of £1,199,000 and the weighted average number of shares in issue of 449,907,014.

The loss per share calculation for the year ended 31 December 2018 is based on the loss after tax attributable to owners of the parent of £1,270,000 and the weighted average number of shares in issue of 471,460,901. While the Company is loss-making, the diluted loss per share and the loss per share are the same.

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Notes to the condensed consolidated interim financial statements (continued)

9. Cash at bank

	Unaudited		Audited
	30 June 2019	30 June 2018	31 December 2018
	£'000	£'000	£'000
Cash at bank	595	1,065	580

10. Net cash

	Unaudited		Audited
	30 June 2019	30 June 2018	31 December 2018
	£'000	£'000	£'000
Cash at bank	595	1,065	580
Less Invoice discount facility	(267)	(453)	(553)
	328	612	27

11. Borrowings

	Unaudited				Audited	
	30 June 2019		30 June 2018		31 December 2018	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Invoice discount facility	267	-	453	-	553	-
Convertible loan notes	-	1,052	-	1,017	-	1,035
	267	1,052	453	1,017	553	1,035

12. Trade and other payables

	Unaudited				Audited	
	30 June 2019		30 June 2018		31 December 2018	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Trade payables	360	-	388	-	346	-
Other payables	345	-	298	-	333	-
Social security and other taxes	122	-	298	-	146	-
Lease obligations	35	334	31	369	33	352
Contract liabilities	150	-	75	-	151	-
Employee short-term liabilities	67	-	120	-	57	-
Accrued expenses	947	-	985	-	917	-
	2,026	334	2,195	369	1,983	352

Notes to the condensed consolidated interim financial statements (continued)

13. Convertible loan note

The convertible loan note recognised in the Condensed Consolidated Balance Sheet is calculated as:

	Financial liability	Equity component	Total
	£'000	£'000	£'000
Carrying amount at 1 January 2019	1,035	82	1,117
Interest expense	62	-	62
Interest paid	(45)	-	(45)
Carrying amount at 30 June 2019	1,052	82	1,134

The convertible loan note falls due for repayment in February 2021. The convertible loan note is, at the option of the loan note holder, convertible at anytime into new ordinary shares of 1 penny each at a conversion price of 4 pence per share.

14. Share capital

During the six months ended 30 June 2019, 19,604,742 new Ordinary Shares of 1 penny each were issued to satisfy share options with an exercise price of 1 penny granted under the Company's EMI share scheme. During this period, the weighted average share price at the date of exercise was 1.29 pence (six-month period to 30 June 2018: 1.25 pence; December 2018: 1.25 pence)

15. Exceptional items

The net exceptional cost reported in the prior period relates to restructuring costs incurred during the year which includes payments for loss of office, redundancy payments, professional fees and share-based payment expense offset by the release of contractual bonus accruals.

Exceptional items reported in the six month period to 30 June 2018	£'000
Compensation for loss of office	194
Redundancy payments	38
Legal and consulting fees	31
Share-based payment expense	81
Contractual bonus accruals reversal	(202)
	142

There were no exceptional items in the current period.

16. Seasonal fluctuations

Revenues in our Distributor markets are traditionally higher in the second half of the financial year due to the purchasing patterns of customers.

Notes to the condensed consolidated interim financial statements (continued)

17. Restatement of prior period balance sheet amounts

Certain comparative balances at 30 June 2018 have been restated to reflect presentational changes made in the preparation of the 2018 Annual Report & Accounts. The table below summarises the changes made:

	As reported £'000	Separate presentation of financial assets held at amortised cost		Separate presentation of other assets £'000	As restated £'000
		Current £'000	Non-current £'000		
Trade and other receivables	1,480	(245)	(155)	(72)	1,008

	As reported £'000	Re-classification as non-current component of convertible loan note £'000	Re-categorisation of lease liability as other payable £'000	As restated £'000

	As reported £'000	Re-categorisation of employee short-term liabilities from provisions £'000	Re-categorisation of lease liability as other payable £'000	As restated £'000
Trade and other payables	(2,043)	(121)	(31)	(2,195)

	As reported £'000	Re-classification as non-current component of convertible loan note £'000	Re-categorisation of lease liability as other payable £'000	As restated £'000
Borrowings	(1,276)	(88)	347	1,017

Deltex Medical Group plc
Interim financial statements for the six-months ended 30 June 2019

Notes to the condensed consolidated interim financial statements (continued)

	As reported £'000	Re-categorisation of lease liability as other payable £'000	As restated £'000
Non - current liabilities			
Trade and other payables	-	(369)	(369)

	As reported £'000	Re-categorisation of employee short-term liabilities to other payables £'000	As restated £'000
Non - current liabilities			
Provisions	(235)	121	(114)

18. Foreign exchange rates

The following are the principal foreign exchange rates used in the preparation of the condensed consolidated interim financial statements:

	Unaudited		Audited			
	30 June 2019		30 June 2018		31 December 2018	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
Sterling/US dollar	1.30	1.27	1.37	1.32	1.33	1.27
Sterling/Euro	1.15	1.12	1.14	1.13	1.13	1.11
Sterling/Canadian dollar	1.73	1.66	1.73	1.73	1.73	1.73

19. Distribution of the announcement

Copies of this announcement are sent to shareholders on request and will be available for collection free of charge from the Company's registered office at Terminus Road, Chichester, PO19 8TX, United Kingdom. This announcement is available, free of charge, from the Company's website at www.deltexmedical.com

20. Cautionary statement

This announcement contains forward-looking statements which are made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by several risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated. Nothing in this document should be considered to be a profit forecast.