



LiDCO Group Plc

Interim Results

30th October 2008

About LiDCO Group Plc

- LiDCO is an AIM-listed **medical technology** Company
- The global market has started to move from older invasive catheters to less invasive techniques to monitor patients during surgery
- LiDCO manufactures and distributes life saving **minimally invasive monitoring technology** that monitors the amount of blood flowing around the body, to ensure that organs and tissue are adequately oxygenated in high risk patients
- LiDCO's monitoring systems can save hospitals millions of pounds a year, by reducing complications and decreasing the time patients need to stay in hospital after surgery
- The Company is addressing a \$1.2bn market opportunity for minimally invasive hemodynamic monitoring in surgery and intensive care

Board of Directors

- Theresa Wallis, Chairwoman
 - Ms Wallis has worked most of her career in financial services, moving into the technology commercialisation sector in 2001. She worked for the London Stock Exchange for 13 years, where from 1995 she was chief operating officer of the Alternative Investment Market (AIM)
- Terry O'Brien, Chief Executive
 - Over the last 29 years Dr O'Brien has been involved in the research and development and subsequent commercialization of a number of medical technologies that are now standards of care in the anesthesia, critical care and surgery markets.
- Paul Clifford, Financial Director
 - Mr Clifford is a chartered accountant with 28 years of experience in computer software and hardware technology companies. For the last 10 years he was financial director of Comino Plc and Civica UK Ltd

What makes a good medical device business opportunity ?

- Patented product with & large growing global market
- Easily scalable manufacture with low cost of goods
- High product margin
- Ease of use & adoption
- Direct & distributor route to market
- Controllable administration costs as revenues grow
- Protectable position - barriers to entry
- Brand recognition & proven business / clinical case

LiDCO business model & channel to market

- Volume, and scalable manufacture - high margin product
- Capital + recurring revenue from disposable sales
- Infrastructure allows control of admin costs – while revenue expands
- Minimal costs associated with new product development
- Clinical & business cases available
- Access to many export markets - through distribution model/partners
- Co-selling / technical partnerships with major corporates

Objectives for the period

Expand product range into \$800m per annum surgical market



Conclude development of the *LiDCOrapid*



Introduce LiDCO Smart card 'fee-for-use' revenue model



Sustain or improve high product margins while growing sales



Continue to **increase** worldwide distributor network to accelerate monitor placements, sales and increase market share



Continue progress in the establishment of LiDCO as the premier minimally invasive monitoring proposition for intensive care and surgery markets



Commercial Highlights

Successful introduction of the LiDCO*rapid* into the US\$800m per annum surgical hemodynamic monitoring market

New distributors added for: USA, Russia, Israel, Canada, Turkey, Middle East. Portugal, Bulgaria & Argentina

137 LiDCO*rapid* monitors sold /placed in first three months of sales

LiDCO*plus* & *rapid* monitors installed base up 12% in the period to 1,329

Monitors sold or placed in the period were up 69% to 157 – (2007: 93)

Selected as technology to be used for two US multi centre patient studies on improving outcomes in transplantation donors and major surgery patients

Financial Highlights

Revenue up 3% to £2.02m (2007: £1.97m)

Operating loss increased by 2% to £1.09m (2007: £1.07m)

Monitors revenues up 6% (£0.92m vs. £0.87m)

Sensors, Smartcard and fees-per-use volumes up 2% to 13,788 units; consumables sales value increased 3% to £1.10m

Gross profit margin increased to 67% (2007: 65%)

Product margins maintained at 75% on monitors and 87% on disposables

Admin and distribution expenses increased by 4% to £2.44m (2007: £2.35m)

Loss per share 0.71p (2007: 0.82p)

Good progress to profitability - last 5 years with H1 sales up 121%, costs down 16% loss down 56%

Cash balance £975,000. Laurus loan facility replaced with a £1.25m combined overdraft and invoice financing facility with Royal Bank of Scotland (RBS)

Income Statement

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 July 2008

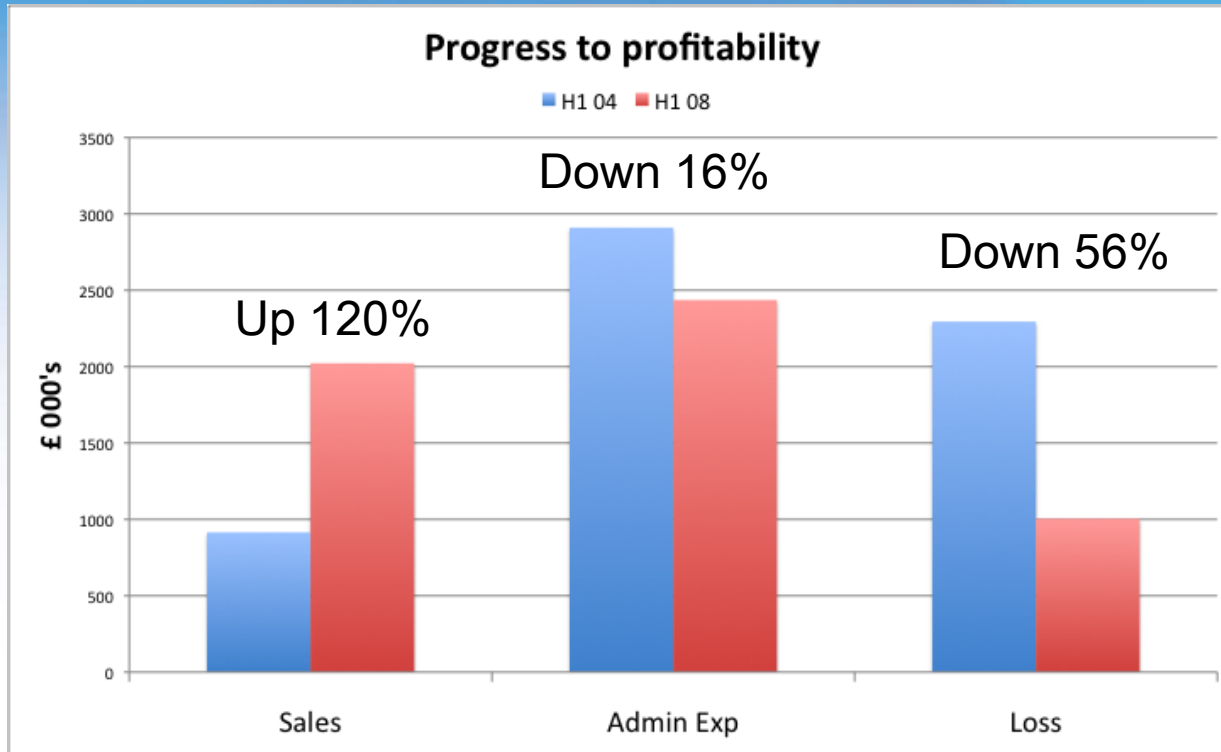
	Note	Six Months ended 31 July 2008 £'000	Six Months ended 31 July 2007 £'000	Year ended 31 January 2008 £'000
Revenue	3	2,022	1,970	4,051
Cost of sales		(675)	(697)	(1,442)
Gross profit		1,347	1,273	2,609
Distribution costs		(29)	(29)	(93)
Administrative expenses		(2,407)	(2,316)	(4,526)
Loss from operations		(1,089)	(1,072)	(2,010)
Finance income		44	25	49
Finance expense		(20)	(2)	(25)
Loss before tax		(1,065)	(1,049)	(1,986)
Income Tax		60	75	120
Loss for the year attributable to equity holders of the parent		(1,005)	(974)	(1,866)
Loss per share (basic and diluted) (p)		0.71p	0.82p	1.50p

Balance Sheet

At 31 July 2008

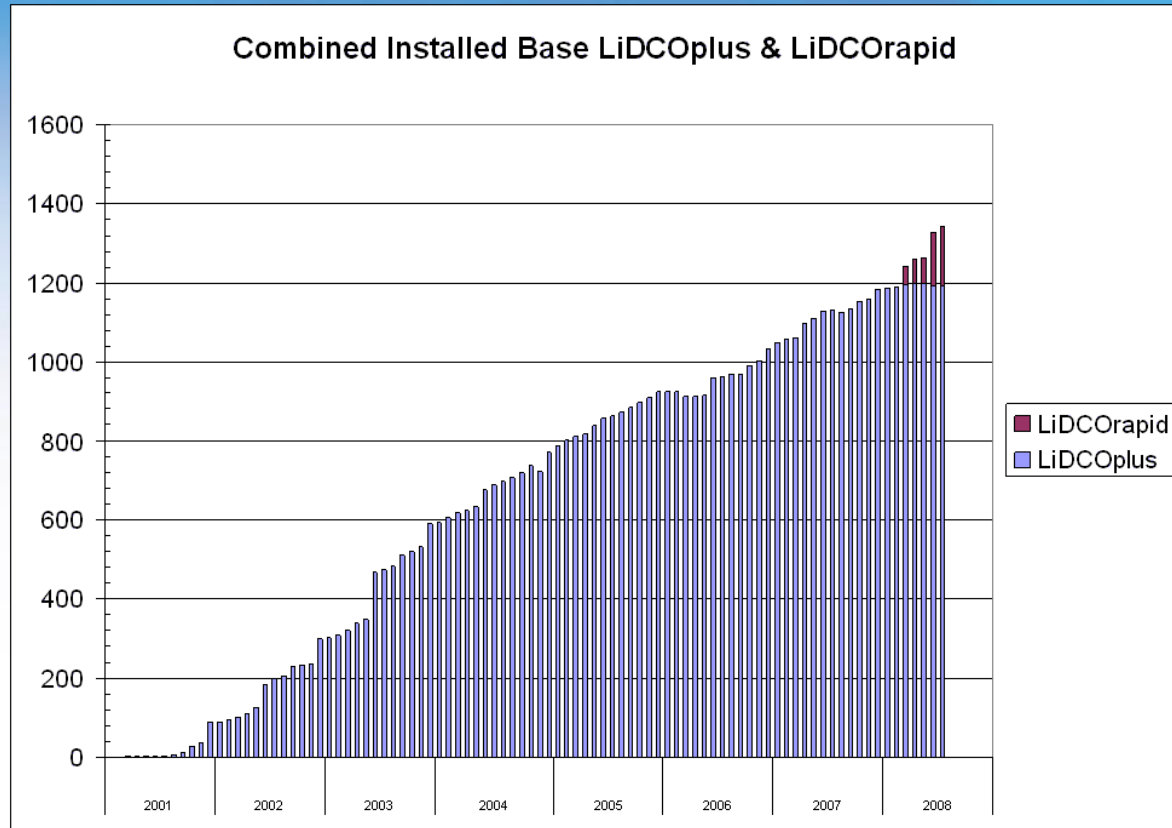
	Six Months ended 31 July 2008 Note £'000	Six Months ended 31 July 2007 £'000	Year ended 31 January 2008 £'000
Non-current assets			
Property, plant and equipment	708	880	833
Intangible assets	765	699	747
	1,533	1,579	1,580
Current assets			
Inventory	1,038	1,043	839
Trade and other receivables	1,302	1,207	1,329
Current tax	180	217	120
Cash and cash equivalents	975	481	2,234
	3,495	2,948	4,522
Current liabilities			
Trade and other payables	(634)	(772)	(707)
Deferred income	(32)	(40)	(41)
Borrowings	(550)	(40)	(503)
	(1,222)	(867)	(1,311)
Net current assets	2,273	2,081	3,211
Total assets less current liabilities	3,806	3,660	4,791

Progress



LiDCO is making good progress towards profitability

Combined Installed base: LiDCO*plus* & LiDCO*rapid*



In H1 2008 monitor placements were up 69%

Channel to market

- Our strategy is to expand our sales reach by broadening our network of distribution partners
- In July LiDCO signed an exclusive distribution agreement with KOL Bio Medical Instruments (KOL) for the sale of the LiDCO *rapid* Monitor in the eastern side of the US.
- This significantly enlarged sales force gives LiDCO access to more than 40% of US market. The combined sales and nurse educator sales force of LiDCO and KOL is now 20 people
- In other territories, as anticipated, we have added distributors in Continental Europe and the Rest of the World
- These additional sales teams will contribute to sales and revenue growth in the second half and beyond.
- We expect further appointments to the distributor network later this year and into next year.

Marketing strategy – product positioning

1. LiDCO^{plus}

- Main target ICU, Sepsis, Transplantation
 - Very ill patients with abnormal physiology
 - » Accuracy
 - » DO₂ Optimisation
- Calibration via LiDCO sensor disposable



2. LiDCO^{rapid}

- Main target Surgery / Anaesthesia
 - Trends important
 - Allows for stroke volume optimisation/fluid management
- Ease of set-up
 - Use enabled with Smart card disposable
 - » Lower capital cost
 - » Higher margin disposable

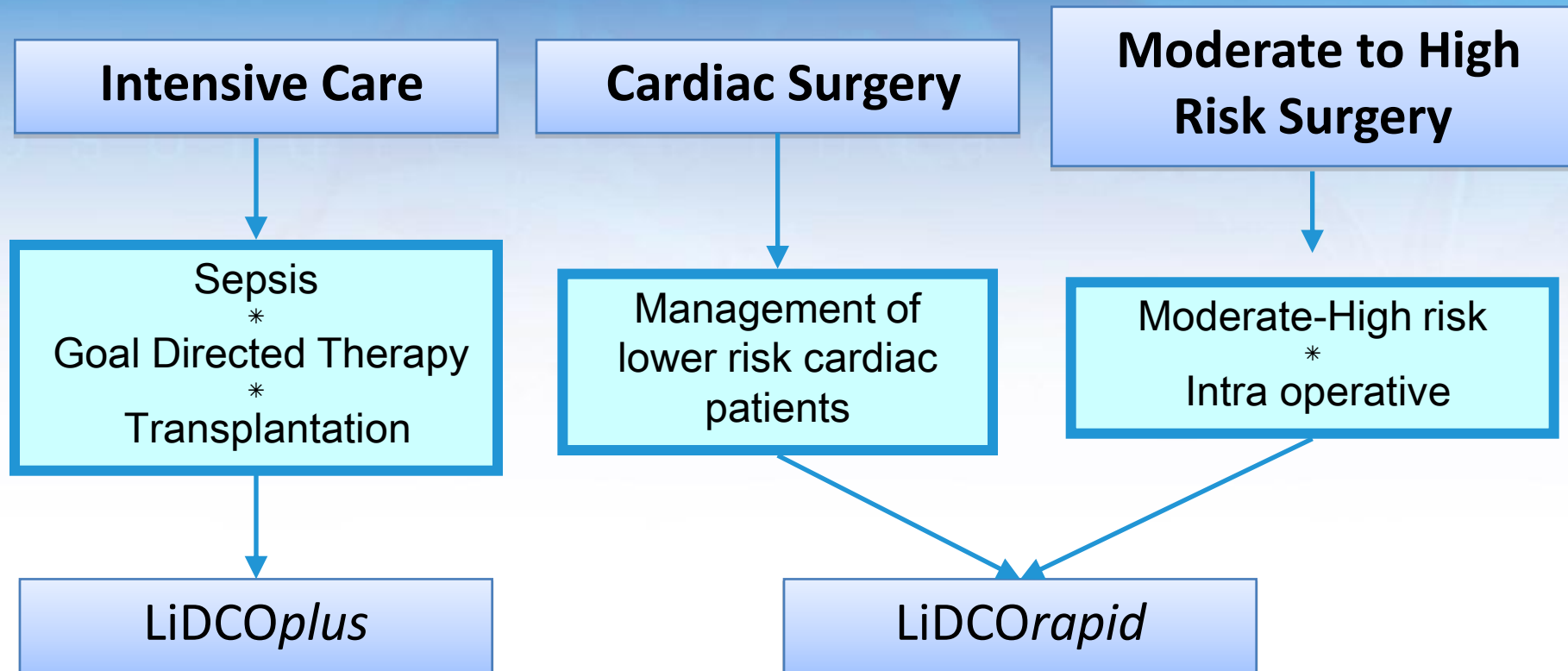


Revenue model: gross margins

Product	Monitor	Disposable	Comments
LiDCOplus & LiDCO sensor disposables	75%	87%	Usage varies per month – can be used calibrated, un-calibrated and calibrated with PAC
LiDCOrapid & Smart card	60%	93%	Higher margin, more frequent use, more secure revenue stream

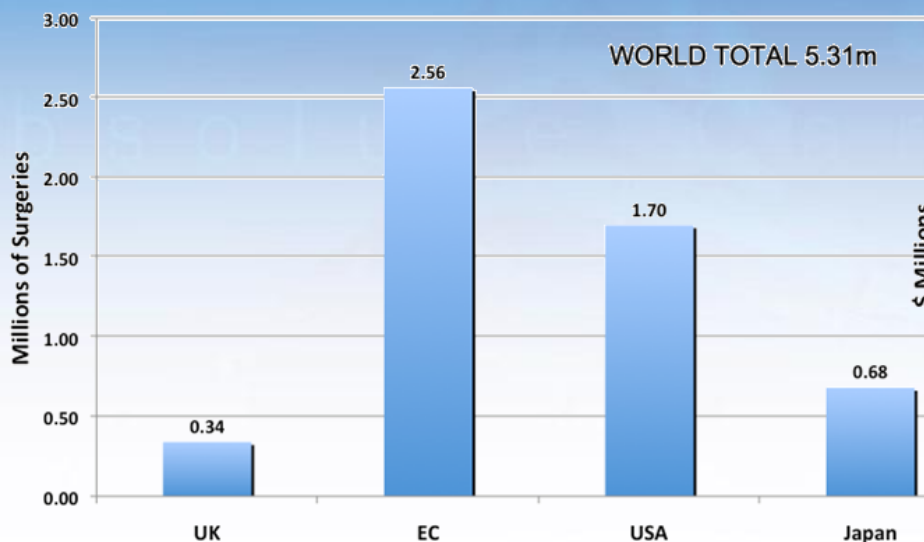


Market Segmentation *rapid vs plus*

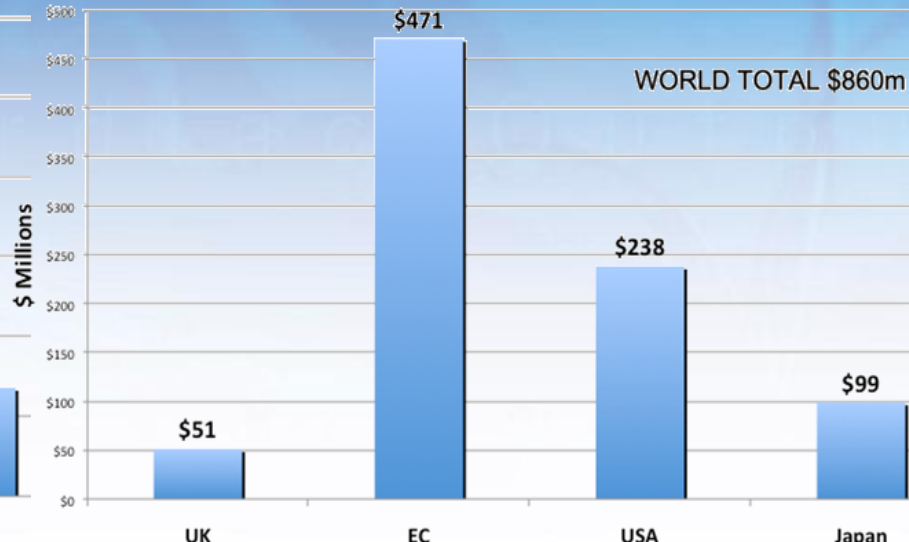


LiDCO *rapid* major surgery market

Numbers of Major Surgery Procedures



Market Size - Major Surgery (\$m)

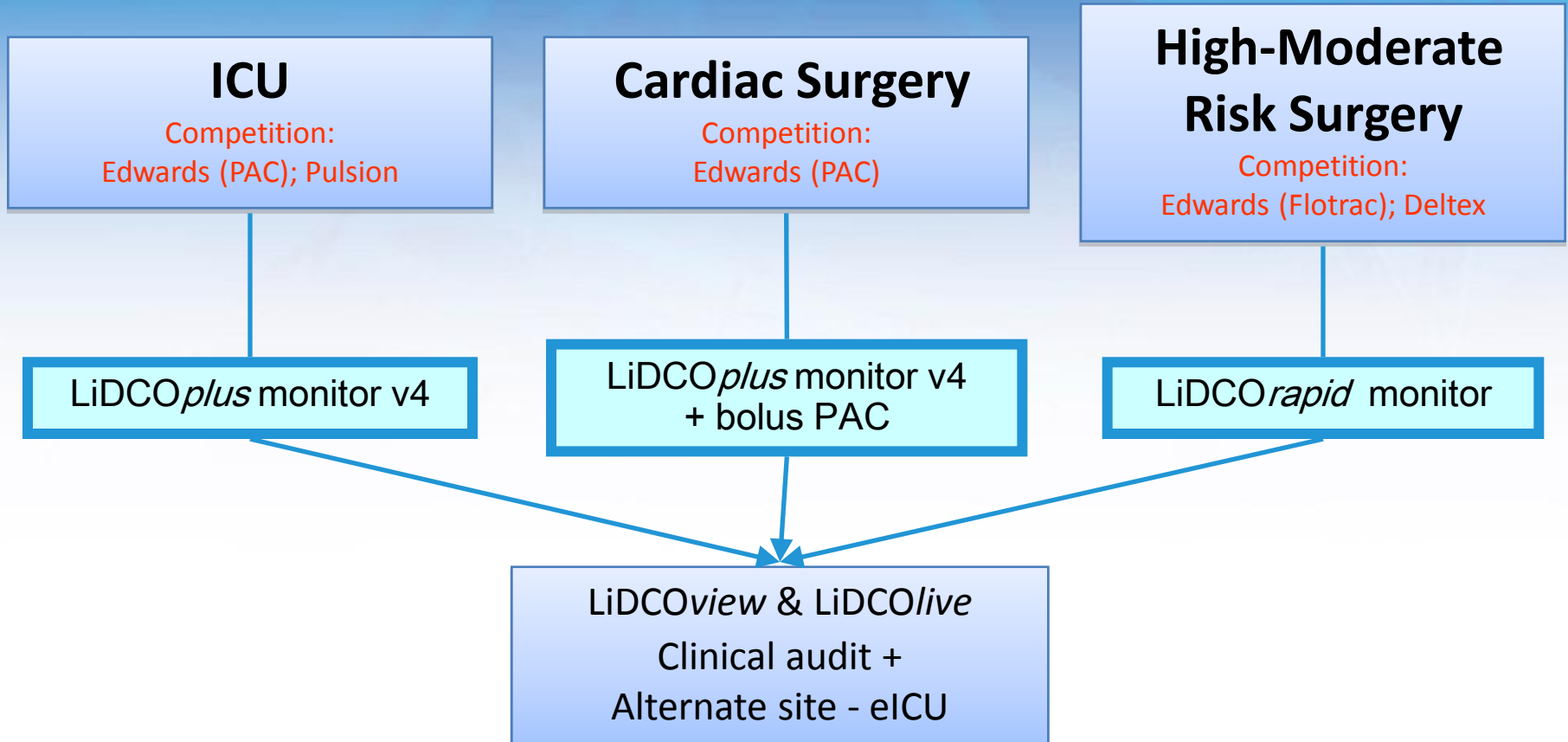


TOTAL SURGERIES	AVGE PRICE	MARKET SIZE
5.31M	\$162	\$860M

Case Study

- Evolution of an hospital account
- Duke University Healthcare System, USA
- Now has 28 LiDCO monitors
- 22 LiDCO*plus* & 6 LiDCO*rapid*
- 12 monitors purchased
- 16 monitors placed on upcharge
- Locations of use:
 - cardiac surgery
 - neuro ICU
 - post surgery ICU
 - during major surgery
- Still more potential for both products

Competitive Landscape



Independent technology review

	PAC	OD	MF	PiCCO	LiDCO
Strategy					
Challenge	√	√	√	√	√
Responsiveness	(√)	X	X	√	√
Practicability					
Precise	√	√	(√)	√	√
Safe	(√)	√	√	(√)	√
Easy					
Interpretation	√	√	√	√	√
Installation	X	√	√	X	√
Minimal skills	X	√	√	X	√
Non-invasive	PAC	min	(√)	fem.a./CVC	a.
Promptness of changes	√	√	?	√	√
Stability of signal	√	X	(√)	√	√
Period					
Pre-op.	X	X	√	X	√
Intra-op.	√	√	√	√	√
Post-op.	√	(√)	√	√	√

[Acta Anaesthesiologica Scandinavica 2007](#)

Monitoring of peri-operative fluid administration by individualized goal-directed therapy

doi: 10.1111/j.1399-6576.2006.01221.x



Growing endorsement - product selection for key multi center clinical trials

- USA two centre trial (Pittsburgh) – 200 patients randomized goal directed therapy – intra operative & post operative oxygen delivery targeting
 - Aiming for reduction in complications: medical interventions, infectious complications, oral intake / bowel movement, renal function, length of stay, mortality & 3 month quality of life assessment
- National (USA) Monitor multi-centre randomized transplantation donor optimization study (960 patients) guided resuscitation of donor patients
 - Aiming for an increase in number of organs made available (looking for 0.5/pt increase), six month hospital free survival and reduction of inflammatory response

Barriers to entry

- Intellectual Property Rights
 - Patents on chemistry, algorithms, screens
- Technical know-how:
 - Sensor, software & interfaces
- ‘Fast moving consumer goods’ approach
 - Speed of innovation – PC platform
 - Low cost manufacture – automated / high volume
 - Sector leading margins
- Regulatory approval
 - Drug master file (lithium injection)
- Endorsements
 - Peer reviewed clinical papers / LiDCO products chosen for major endorsement trials
- Brand recognition
 - Accuracy, reliability, customer service
- Opinion leader support

Investment Opportunity

- Successful introduction of LiDCO*rapid*
- Access to the larger, more secure and large surgery market
- Acceptance of LiDCO*rapid* smart card revenue model
- Worldwide distributor network sales force growing – notably in US
- Recurring revenue acceleration expected from enlarged monitor base
- Company maintaining / improving margins
- Over last 5 years H1 sales up 120%, admin costs down 16%, losses down 56%
- Stage set for continued progress towards profitability

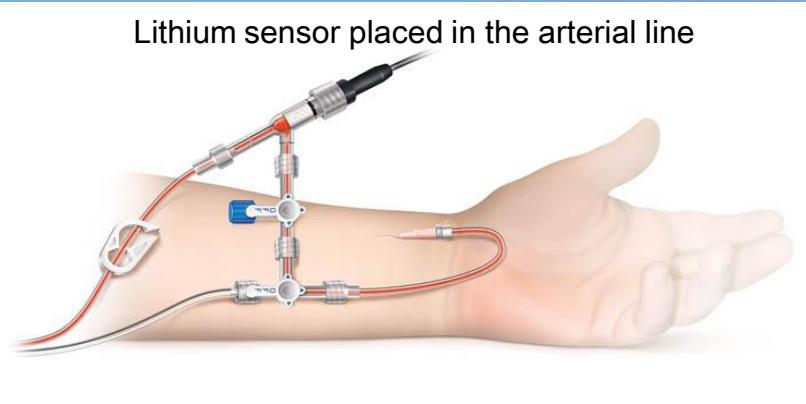
Appendices

Company Background

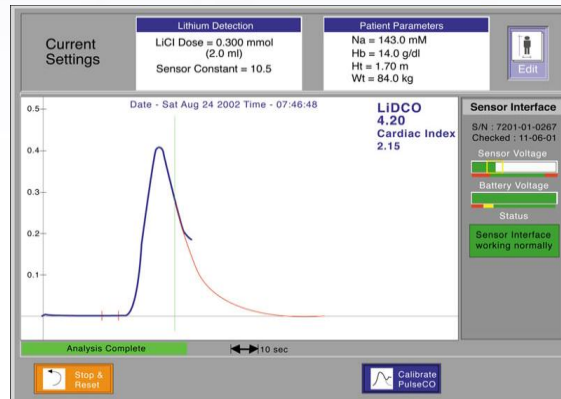
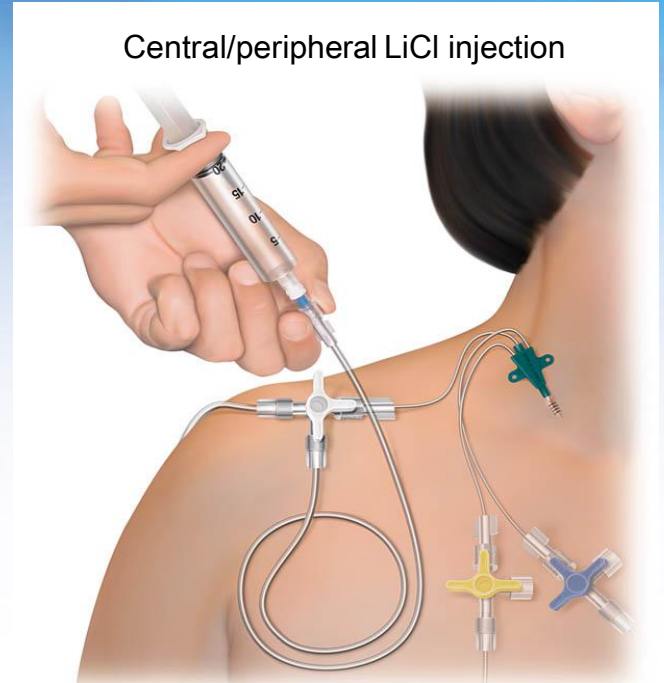
- LiDCO Group Plc is based in London. The Sales & Marketing centre has been established in Cambridge since August 2001.
- The Group was founded in 1991 by Dr Terry O'Brien, Dr David Band, Dr Robert Linton and Dr Jiri Kratochvil in collaboration with the United Dental and Medical Schools of St Thomas' and Guys Hospitals (now King's College, London.) Since that time, the Group has developed inventions within the cardiovascular monitoring field resulting from research in the Applied Physiology Laboratory based on the St Thomas' Hospital campus.
- The LiDCO Group owns the IPR arising from research within the department. LiDCO Limited, the Group's principal trading subsidiary (which is entirely owned by LiDCO Group Plc), was funded predominantly by private equity funding raised from a number of institutional and private investors such as the Merlin Biosciences Fund LP.
- On July 5th 2001 LiDCO Group became a PLC when it successfully floated on the Alternative Investment Market (AIM).

The LiDCO System™

Lithium sensor placed in the arterial line



Central/peripheral LiCl injection



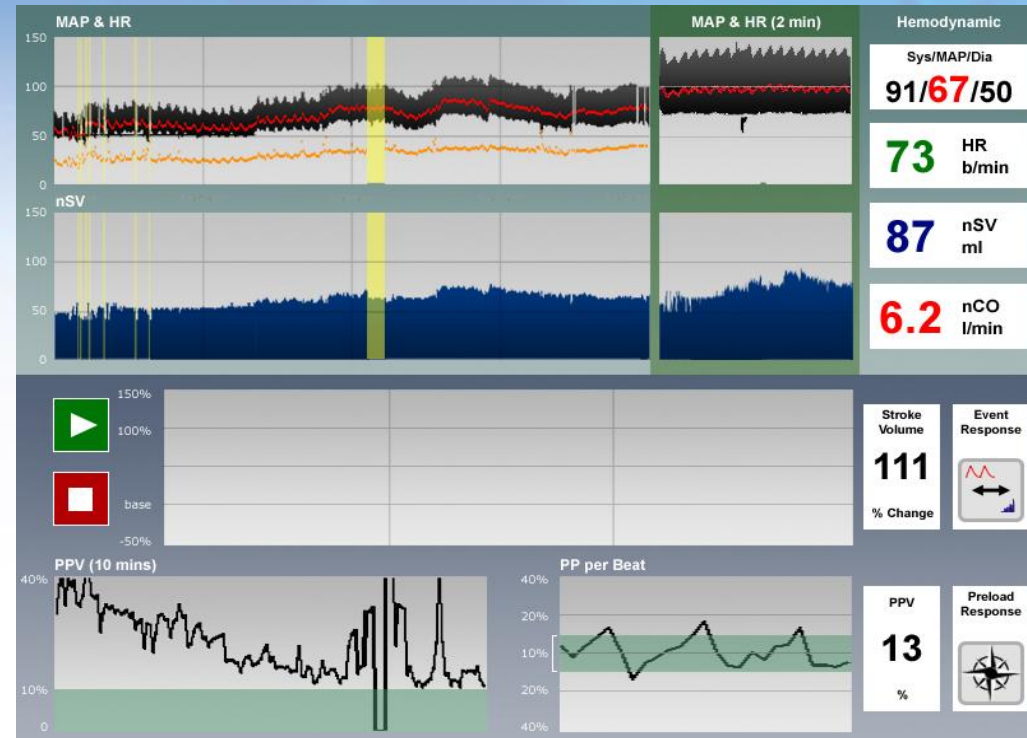
Lithium dilution curve on LiDCOplus monitor screen

LiDCO *rapid* - monitor & disposables



LiDCO *rapid* - overview

- Minimally invasive hemodynamic monitor specifically aimed at the **Surgery Anesthesia** market
- Graphic and numerical display of pressures (MAP, SYS and DIA), HR, nSV and nCO, fluid response parameters: PPV and SVV
- Graphic display of data from start of procedure on a beat by beat basis. Magnification window highlights last two minutes
- Provides information about 'nominal' stroke volume and cardiac output. Uses proven and patented PulseCO continuous cardiac output algorithm enhanced with a demographically generated calibration factor



LiDCO *live* development

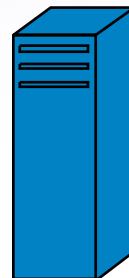
ICU

Hospital
Network

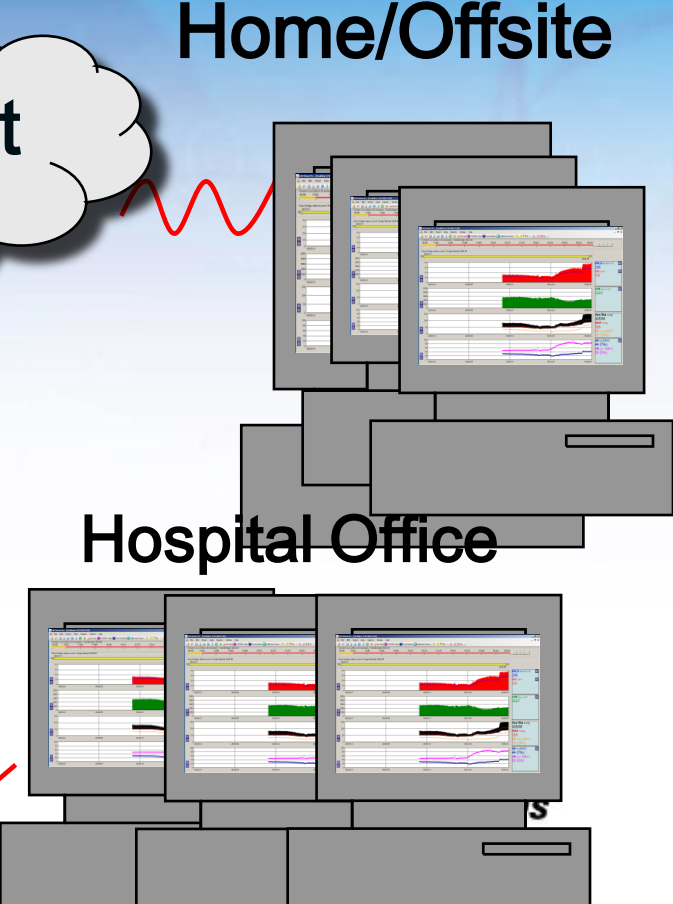
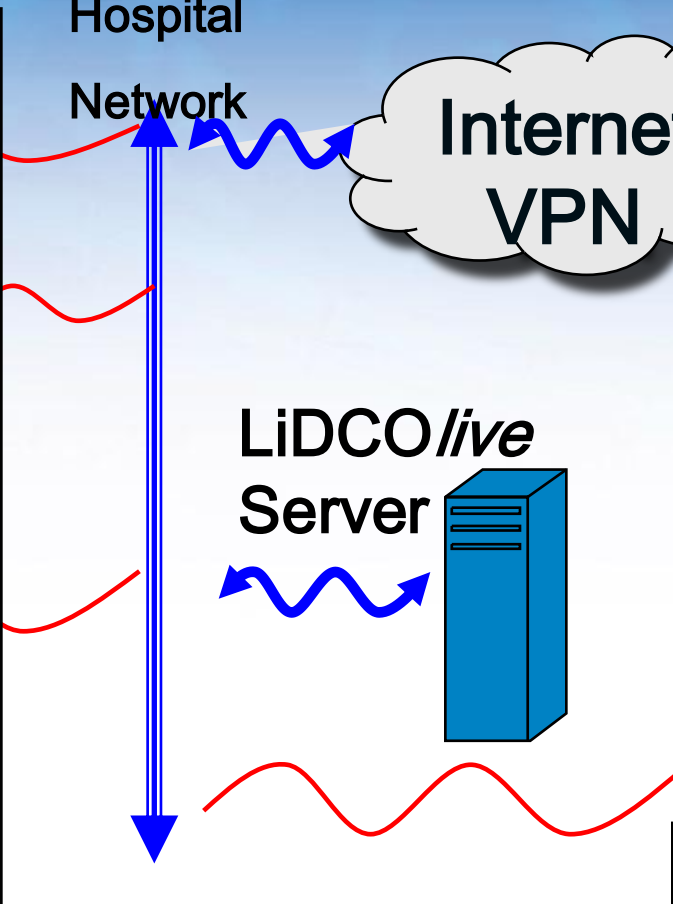
Home/Offsite



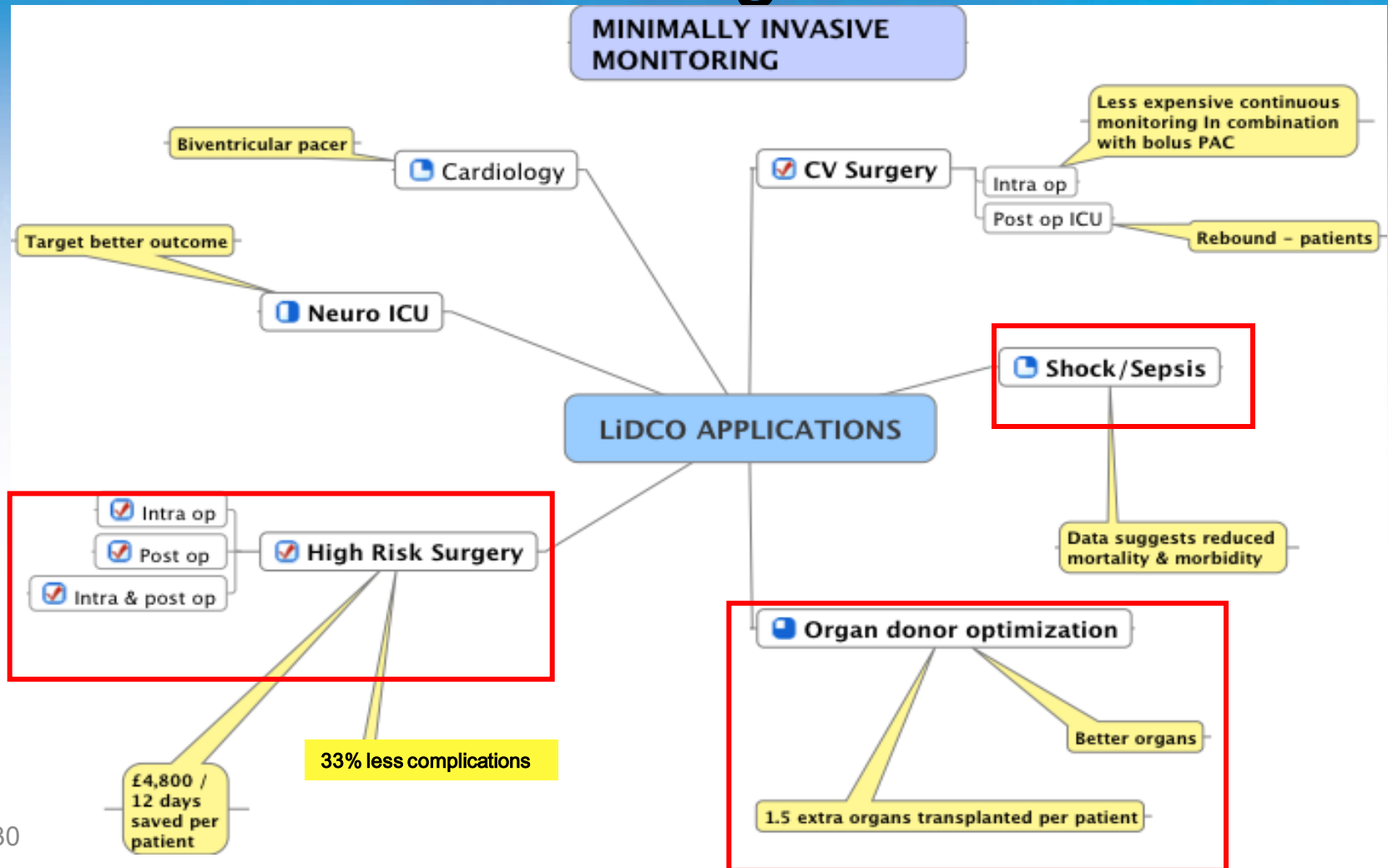
LiDCO *live*
Server



Hospital Office



LiDCO - making a difference...



Regional Analysis

United Kingdom

Core LiDCO*plus* business grown across period

Sales revenue up 25% to £1,063,000 (2007: £848,000)

Monitor sales revenue up 72% to £420,000 (2007: £244,000)

Sensor, Smartcard and, fee for use sales of £643,000 up 6%
(2007: £604,000)

Launch of the LiDCO*rapid* with pricing / margins in line with expectations

United States

Distributor (KOL) appointed for Eastern half of the USA – 15 sales staff

Lower pricing for *LiDCOrapid* reduces overall revenue to £348,000 (2007:£468,000)

LiDCOrapid launch occurred too late to contribute significantly to disposables sales revenues during the period - Sensor, fee for use & rental sales down 4% to £252,000 (2007: £263,000)

Significant order for 12 LiDCO monitors (\$250,000) received in September – biggest customer now has 28 monitors

Launch of the *LiDCOrapid* with pricing / margins in line with expectations

Continental Europe

Focus on launching LiDCO*rapid* into our EU distributor network

Overall sales revenue down by 7% to £484,000 (2007: £523,000)

Revenues affected by a transition of capital sales towards the lower priced LiDCO*rapid*

Monitor sales revenue of £303,000 (2007: £341,000)

Sensor/Smartcard sales steady £184,000 (2007: £181,000)

New distributors appointed Turkey, Portugal & Bulgaria

Rest of World

Product sales revenue up 31% to £127,000 (2007: £96,000)

Overall revenue (includes licence fee of £35,000) down 3% from £131,000 to £127,000

Monitor sales up 31% to £98,000 (2007: £75,000)

Sensor sales up by 38% to £29,000 (2007: £21,000)

New distributors added Russia, Israel, Canada, Middle East & Argentina