23 September 2003

LiDCO GROUP PLC

INTERIM RESULTS – SIX MONTHS ENDED 30 JUNE 2003

LiDCO, the UK-based, AIM-traded cardiovascular monitoring company, announces continuing progress in its second year of commercialization of its products.

Highlights:

- Turnover increased by 70% to £1.7m (2002: £1.0m), and loss per share cut by 30% to 2.59p (2002: 3.69p);
- Continued commercial validation of products evidenced by:
  - Sensor sales up 82% in period to 4,315 (2002: 2,375);
  - 100 PulseCO and 69 combined LiDCO*plus* monitors sold (2002: 101 PulseCO Systems and 56 LiDCO Systems);
- Successful launch of the combined LiDCO*plus* monitor (which replaces both the LiDCO and PulseCO monitors) with improved ease of use and higher margins;
- Registration by Nipro Corporation of the PulseCO System in Japan in August 2003, with market launch expected in Q4 of 2003;
- Marketing authorizations for lithium chloride received for: Belgium, Holland, Germany and Spain, enabling the first European sensor sales to commence;
- Cash burn reduced by 48%; and
- Discussions concerning a US distribution partner are progressing well. William Blair International Limited, the London subsidiary of Chicago-based investment bank William Blair & Company, has been appointed by the Company to facilitate and assist in these discussions.

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Notes for Editors

LiDCO is a leading developer of minimally invasive, computer-based hemodynamic monitoring equipment and disposables used primarily for the management of critical care and cardiovascular risk hospital patients. The Company's current products are:

- the LiDCO*plus* and PulseCO monitors, computer-based platforms for displaying a range of real-time continuous hemodynamic parameters including cardiac output, oxygen delivery and fluid volume; and
- the LiDCO disposable for accurately determining cardiac output in a minimally-invasive manner.

LiDCO was founded in 1991 by Doctors Terry O'Brien (the current CEO), David Band (the current Scientific Director), Robert Linton and Jiri Kratochvil and by King's College, London. LiDCO's head office is in Hoxton, London N1, whilst its sales offices are located in the Granta Science Park, Cambridge and in Dallas, Texas.

CHAIRMAN'S STATEMENT

Financial Overview

Turnover for the six months increased by 70% to £1.7m (2002: £1.0m). With improved gross margins of 70% (2002: 63%) and administration expenses lower than in the equivalent period last year following a cash savings programme, the retained loss was reduced significantly to £1.8m (2002: £2.6m).

In June 2003, LiDCO made a substantial initial sale of monitors to its Japanese distributor for £700,000. This resulted in sales to distributors being higher than the comparative period in 2002 which had included initial sales to distributors of £335,000.

In June 2003, LiDCO received £112,000 in cash from the Inland Revenue in respect of Research & Development tax credits for 2000 and 2001. The Company expects to make claims for tax credits for subsequent years also.

At 30 June 2003 net cash stood at £1.9m. The rate of cash burn in the six months to 30 June 2003 has been almost halved compared with the equivalent period in 2002. During September 2003, £700,000 is scheduled to be paid to LiDCO by Nipro Corporation, the Japanese distributor, in respect of the substantial sale made in June. Certain debtor balances owed by European distributors will fall due in the next six months, which will add further to future cash receipts. The level of cash is kept under regular review by the Directors, who are satisfied that it is sufficient for current needs.

Sales and Marketing

Direct Territories (UK and USA)

LiDCO continues to sell via its own in-house sales forces in both the UK and the USA. The main customers are cardiac/major surgery and intensive care units. Sales from direct territories at £633,000, on a like-for-like basis, were up 27% on the same period in 2002. Sales of disposables into the increased installed base of monitors were 78% higher at 3,645 units (2002: 2,050 units).

Interest in our technology over the last two years remains high, with approximately 500 hospital departments in the UK and USA having requested an evaluation of the technology. To date, 330 sales proposals have been requested and 35% of these have closed successfully, as shown in the table below. Of the sales proposals made (representing 531 LiDCO*plus* monitors) 54% are still in progress and only 11% have decided not to proceed.

Cumulative sales proposals made in the direct territories from the commencement of direct sales in July 2001 through to 31 August 2003 are as follows:

	US		UK		Total	
	Proposals	Units	Proposals	Units	Proposals	Units
In progress	122	432	56	99	178	531
Closed (won)	63	191	52	60	115	251
Closed (lost)	13	30	24	24	37	54
Total	**198**	**653**	**132**	**183**	**330**	**836**

To accelerate closure of these accounts in its direct territories, the Company is now offering customers flexible options to acquire its technology. In addition to straight capital purchase, it offers 'upcharge', where the customer pays a premium on the disposable price that over time recoups the sales value of the monitor. In instances where the customer wishes to use a mixture of both invasive and minimally-invasive technologies to calibrate and determine cardiac output, an option is now being offered called 'consignment' whereby the customer pays a fee for

each time it uses the monitor in addition to any disposable costs incurred. This is a non-prescriptive sales approach, allowing customers to stage their adoption of LiDCO's minimally-invasive sensor technology while still benefiting from LiDCO's real time, beat-to-beat data analysis and innovative and intuitive displays.

- ***USA***

Analysis of the first 50 USA hospital accounts shows success in having the technology purchased for three reasons. First, to replace completely the use of the invasive pulmonary artery catheter, the main competing technology used by hospitals (20% of accounts); second, the low cost and minimally invasive nature allows hospitals to expand the numbers of patients monitored for cardiac output and oxygen delivery (40%); and finally, use of the LiDCO*plus* monitor with a low cost catheter markedly reduces the costs of continuous invasive hemodynamic monitoring (40%). Thus, the technology can both access existing revenue budgets for advanced hemodynamic monitoring and ultimately grow the market for hemodynamic monitoring. Given such progress, LiDCO believes that there is a considerable market opportunity for its technology in the USA.

As announced in March 2003, LiDCO is holding discussions with major corporate distribution partners regarding the grant of a sales and marketing licence for this territory. These discussions are continuing and are progressing well. The Company has appointed investment bank William Blair International to assist with these and other opportunities. While these discussions take place, LiDCO continues to sell through a small direct sales force of seven people (reduced from 11 people in 2002). Customer interest in the adoption of LiDCO technology continues to be strong, as evidenced in the continued development of the sales activity pipeline.

Given the slower than originally anticipated closure of accounts in the USA on a capital basis, LiDCO has initiated two alternative sales models that could facilitate the closure of the sales pipeline: upcharge (since March 2002) and consignment (since June 2002). With upcharge, LiDCO initially, on a pilot basis, targeted five hospitals, of which four accepted. This has encouraged LiDCO to expand this programme significantly. On the consignment model, it is still too early to quantify the likely uptake; however, the clear cost savings (up to $100 per patient) available to hospitals adopting this model have resulted in a high degree of interest. To date, one account has been closed in September 2003, with a further 15 hospitals expressing interest. The success of this model could significantly increase the rate of adoption of the Company's technology in the USA.

The reduction in US sales resource and continued slow capital cycle has resulted in overall foreign exchange-adjusted revenues remaining static compared with 2002 at £390,000. However, sensor sales are up 53% at 2,065 units (2002: 1,350). Pricing and margins are strong and consistent with expectations. Despite the modest sales resource, the Company anticipates acceleration in recurring income in the second half of 2003 as these new sales models make an impact. However, the focus on the application and implementation of these sales models may impact the number of monitors sold on a capital basis.

- ***UK***

Hospitals continue to prefer to purchase through an upcharge sales model due to the extreme shortage of capital funds. While this defers the capital receipts, sensor usage has continued to be robust at 10 sensors per monitor per month. In the half year, sensor sales were up 126% at 1,580 (2002: 700) and revenue up a very encouraging 111% at £243,000 (2002: £115,000). The UK market is developing well and the Company expects further growth in the second half of 2003.

- ***Europe***

In January 2003 LiDCO was granted approval in principle to sell the lithium chloride injectate, a key component of the disposable system, in six countries through the EC Mutual Recognition drug approval process. Subsequently, sales have been hampered by the late release of the final marketing approval letters from the individual territories involved. LiDCO only recently received these authorization letters from: Spain (May), Belgium (June), Germany (July) and Holland (July) and is still waiting for Italy and Austria. Therefore, sales revenue will only start well into the second half of the year. This was unanticipated and very disappointing for both the Company and its distributor partners. Consequently, although first half year sensor sales increased to 560 units (2002: 95), the reduced capital sales resulted in revenue at £106,000 being down over 50% on 2002 (£221,000). LiDCO will endeavour in the second half of the year to pick up some of the ground lost through these unavoidable regulatory delays.

- ***Far East***

The main efforts have been to work with the Japanese partner, Nipro Corporation ("Nipro" Reuters code 8086.T), to register the PulseCO monitor. Following the conclusion of clinical trials and the subsequent regulatory testing and submission, LiDCO was informed by Nipro of the successful registration of the PulseCO Monitor in Japan. In anticipation of launch, Nipro purchased in June a substantial number of PulseCO monitors as a stocking order and LiDCO expects launch of the PulseCO System in Japan in Q4 of 2003.

The Japanese market is the second biggest market in the world for hemodynamic monitoring. Hospital reimbursement for invasive cardiac output monitoring of up to £500 per patient use means that the PulseCO monitor can be sold in conjunction with a pulmonary artery catheter to provide continuous cardiac output and oxygen delivery parameters at a premium price. Given the above progress, sales in the Far East increased significantly to £740,000 (2002: £114,000). Following discussions with Nipro, it has been agreed that the rights to finalize the lithium registration and exploit the LiDCO disposables in Japan are to be returned to LiDCO. LiDCO will then conclude the registration of the lithium chloride in 2004.

Regulatory Affairs

In January 2003 the LiDCO*plus* monitor was approved for sale in the USA by the Food and Drugs Administration. This was closely followed by the approval through the EC pharmaceutical Mutual Recognition System to market the lithium chloride in certain territories (see EC section above). We have also had approval for sale of the monitor and lithium chloride combination in the Czech Republic. A further round of EC pharmaceutical Mutual Recognition approvals will be sought in France, Sweden, Denmark and Ireland in the first quarter of 2004.

New Products and Applications

The LiDCO*plus* monitor provides a PC-based platform approach to monitoring that is software-driven and as such capable of interpreting raw data from a variety of sources. We believe that the customer requires such information to be displayed simply at the bedside, so that life-threatening situations can be detected quickly by all levels of staff and appropriate action taken immediately. The LiDCO*plus* monitor platform, sensor technology and software are being developed further to improve the results from non-invasive monitoring, fluid management and to monitor the blood supply of the brain.

Non-Invasive Monitoring: Studies are in progress evaluating the use of non-invasive blood pressure sensors to trigger the LiDCO*plus* fluid loading software. The goal is that nurses should be able to use the LiDCO*plus* to monitor non-invasively any patient requiring fluids, drugs or heart pacemaker therapy. If successful, this approach could replace the need for an arterial access in a much expanded group of cardiology, heart failure and surgery patients. The early results are promising and suggest that LiDCO's software can analyse the lower quality of signal from such sensors.

Fluid Management: Control of fluid administration to hospital patients is a major problem – getting it wrong is dangerous to the patient, costs the hospital money and delays patient recovery. The Company's main focus has been on proving that the two most recently introduced LiDCO*plus* monitor fluid parameters (stroke volume and arterial pulse pressure) are an improvement on traditional invasive methods.

We are therefore pleased to announce the successful completion and publication of an independent trial conducted by the surgery and trauma department of Parkland Memorial Hospital (UT Southwestern Medical Center at Dallas). This trial showed that the use of the LiDCO*plus* monitor was more effective in facilitating fluid management in intensive care patients (ICU) than the existing market-leading invasive pulmonary artery catheter. Further UK and USA trials are currently in progress to develop a more nurse-friendly user screen which will display these parameters in an easy-to-interpret manner. This improved software will help nurses to perform in minutes a procedure which would otherwise take up an expensive ICU bed for hours. The development and clinical trial of this software should be complete by the end of 2003 and a FDA regulatory application made shortly after.

Cerebral Oxygen Extraction: Research at the Company's laboratory at St Thomas' Hospital, London into developing a non-invasive way of monitoring the brain to ensure that it is adequately supplied with oxygen has resulted in a novel software algorithm that is currently subject to a patent application. The algorithm requires signals from two pre-existing non-invasive optically-based sensors that are applied by sticking to the surface of the skin.

We believe that there is a substantial market opportunity for such a product in major, neuro and heart surgery patients.

Prospects

Besides continuing to progress discussions with potential US distributors, the second half of the year will see the Company focusing on the establishment of the upcharge and consignment sales models in the US alongside the existing capital sales model. UK sales have progressed well and we expect this trend to continue. In Europe, having received the final marketing approvals for the initial countries, we will now concentrate on converting the clinical interest shown in these territories to commercial sales. We have begun to seek a distributor in Germany, Europe's largest market. Meanwhile, having recently achieved the registration of the PulseCO monitor in Japan, we will be working with our partner to promote PulseCO, once it is launched in Japan. Careful cost control will be maintained with further reductions in the cost base whilst maintaining our direct sales force at current levels.

Theresa Wallis
Chairman
22 September 2003

INDEPENDENT REVIEW REPORT TO LiDCO GROUP PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2003, which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 3. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

DELOITTE & TOUCHE LLP
London

Chartered Accountants
22 September 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30 June 2003

	Six months ended 30 June 2003 (unaudited) £'000	Six months ended 30 June 2002 (unaudited) £'000	Year ended 31 December 2002 (audited) £'000
TURNOVER	1,655	984	2,042
Cost of sales	(501)	(367)	(779)
Gross profit	1,154	617	1,263
Administration expenses	(3,162)	(3,409)	(7,038)
OPERATING LOSS	(2,008)	(2,792)	(5,775)
Interest receivable and similar income	47	168	279
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	(1,961)	(2,624)	(5,496)
Tax on loss on ordinary activities	112	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAX	(1,849)	(2,624)	(5,496)
Loss per share (basic) (p)	2.59	3.69	7.72
Loss per share (diluted) (p)	2.58	3.61	7.27

CONSOLIDATED BALANCE SHEET
As at 30 June 2003

	30 June 2003 (unaudited) £'000	30 June 2002 (unaudited) £'000	31 December 2002 (audited) £'000
FIXED ASSETS			
Tangible assets	1,233	708	1,234
Intangible assets	544	587	565
Investments	38	164	42
	1,815	1,459	1,841
CURRENT ASSETS			
Stocks	1,979	2,520	2,292
Debtors	1,812	1,098	1,367
Cash at bank and in hand	1,881	7,308	3,974
	5,672	10,926	7,633
CREDITORS: amounts falling due within one year	(677)	(687)	(741)
NET CURRENT ASSETS	4,995	10,239	6,892
TOTAL ASSETS LESS CURRENT LIABILITIES	6,810	11,698	8,733
CREDITORS: amounts falling due after more than one year	(233)	(455)	(333)
NET ASSETS	6,577	11,243	8,400
CAPITAL AND RESERVES			
Called up share capital	357	355	356
Share premium	12,430	12,402	12,430
Merger reserve	8,512	8,512	8,513
Profit and loss account	(14,722)	(10,026)	(12,899)
EQUITY SHAREHOLDERS' FUNDS	6,577	11,243	8,400

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2003

	Six months ended 30 June 2003 (unaudited) £'000	Six months ended 30 June 2002 (unaudited) £'000	Year ended 31 December 2002 (audited) £'000
Operating loss	(2,008)	(2,792)	(5,775)
Depreciation and amortisation	260	130	331
Decrease in the value of investments	4	94	223
Decrease/(increase) in stocks	313	(547)	(319)
(Increase)/decrease in debtors	(445)	98	(171)
(Decrease)/increase in creditors	(164)	(577)	(645)
Net cash outflow from operating activities	(2,040)	(3,594)	(6,356)
Returns on investment and servicing of finance	47	168	279
Taxation	112	-	-
Capital expenditure and financial investment	(213)	(675)	(1,387)
Cash outflow before financing	(2,094)	(4,101)	(7,464)
Financing	1	44	73
Decrease in cash in the period	(2,093)	(4,057)	(7,391)

NOTES TO THE INTERIM STATEMENT

1. NATURE OF THE FINANCIAL INFORMATION

The financial information has been prepared in accordance with generally accepted accounting principles in the UK. The accounting policies applied in preparing the financial information are consistent with those adopted and disclosed in the Group's statutory accounts for the year ended 31 December 2002.

These results are unaudited and the financial information does not constitute statutory accounts as defined under section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2002 has been derived from the Group's statutory accounts for that period, as filed with the Registrar of Companies. The auditors' report on the statutory accounts for the year ended 31 December 2002 was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

2. DIVIDENDS

It remains the Company's policy that no dividends will be paid until future operations have provided appropriate levels of distributable profits.

3. DISTRIBUTION OF THE INTERIM STATEMENT

Copies of this statement will be available for collection free of charge from the Company's registered office at 16 Orsman Road, London N1 5QJ. An electronic version will be available on the Company's website, www.lidco.com.