



Dr Wolfgang Rencken, Chief Executive Officer and Richard Wright, Chief Financial Officer, will host a presentation for analysts at 10.00am today at finnCap's offices, 60 New Broad Street, London, EC2M 1JJ. There will be a conference call for remote users with a replay available afterwards. To request details for this call please contact spheremedical@consilium-comms.com or call +44 (0)20 3709 5700.

22 September 2015

Sphere Medical Holding plc
("Sphere" or "Sphere Medical" or the "Company")

Interim Results for the Six Months ended 30 June 2015

Sphere Medical Holding plc (AIM: SPHR.L), a leading provider of innovative monitoring and diagnostic devices for the critical care setting, today announces its unaudited interim results for the six months ended 30 June 2015.

Operational Highlights (including post period-end)

- First commercial sale of Proxima 3
- German and Dutch sales managers hired
- A growing number of hospital approval processes under way
- Proxima 4 development nearing completion
- Appointment of Chief Financial Officer
- Programme to identify global commercial partner under way

Financial Highlights

- Equity fundraising of £13.2 million (before expenses) in April 2015
- Loss before taxation £3.5 million (2014: £3.0 million)
- Cash and cash equivalents of £12.8 million (2014: £6.3 million) at 30 June 2015
- Research and Development tax credit of £0.6 million received after period end

Commenting on these interim results, Dr Wolfgang Rencken, Chief Executive Officer of Sphere Medical, said:

"Good progress has already been made this year on commercialising the Company's lead product, Proxima. In addition we have strengthened the Company's balance sheet through the equity financing which was well supported by existing and new institutional shareholders including Woodford Investment Management and The Wales Life Sciences Investment Fund.

"Sphere is at an exciting stage of its development as it transitions into a commercial organisation centred on serving its customers, growing revenues and moving towards profitability. We will be focused on ensuring revenue builds as we go into 2016, particularly once Proxima 4 is launched. The coming months will also bring discussions with potential partners on the worldwide commercialisation of Proxima. We look forward to continuing the development of Sphere Medical into a commercially successful company."



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CHIEF EXECUTIVE'S REPORT

Introduction

Good progress has already been made this year on commercialising the Company's lead product, Proxima. In addition we have substantially strengthened the Company's balance sheet. I am pleased to report that we have reached the important milestone of the first commercial sale of Proxima, and a growing number of hospital approval processes are under way. We are also making good progress towards obtaining CE-marking for Proxima 4, the next generation system which incorporates additional analytes and significantly expands the range of conditions for which Proxima is suitable.

In April 2015 we raised £13.2 million (before expenses), providing funds for this important phase of the Company's development. I am grateful to investors, both existing and new, who share our enthusiasm and am very pleased with the progress we are making towards becoming a commercially successful company.

Commercialisation Progress

Proxima is being sold in the UK directly by the Company's own sales team. During the first half of 2015 we recruited sales managers for Germany and for the Netherlands and Belgium. We are looking for a commercial partner to take the product into other markets worldwide. We are also making good progress with bringing Proxima 4 to the market.

Sales Progress

We made the first commercial sale of Proxima 3 in June 2015. A growing number of hospitals have been evaluating the product and have approval processes under way. This already includes hospitals in Germany and The Netherlands. Key learnings have been made on positioning Proxima within the hospital workflow and also receiving customer input for future product enhancements. There has been significant interest in managing patient flow from pre-operative to post-operative care, particularly in cardiac and emergency surgery. Interest has also been cited in Proxima's ability to contribute to blood conservation programmes. However, as the lead time to complete a sale can typically be six to nine months, we do not expect significant revenue in the remainder of 2015.

Development Progress

Proxima 4 is Sphere Medical's next generation of patient attached blood gas analyser. Development work is aimed at product improvements, expanding the analytes on the sensor panel and facilitating connectivity to hospital systems. These enhancements are expected to lead to stronger market penetration, particularly as the extra analytes, glucose and sodium, will significantly expand the list of conditions for which monitoring with Proxima is best suited. We expect to submit the data file for CE mark registration of Proxima 4 before the end of 2015 with the aim to complete CE-mark registration and launch Proxima 4 during 2016.



We will continue to develop and enhance Proxima in the future and are already looking at further improvements such as additional analytes.

Partnering Progress

Following the decision in August 2015 by Ortho Clinical Diagnostics to focus on its core business and not pursue a global commercialisation deal with Sphere Medical, we are free to enter commercial discussions with other potential partners. A number of discussions have already commenced, and we are hopeful of concluding an agreement with a company which is well placed to sell into the attractive, global critical care market.

Production

Plans are well advanced to set up a production facility in Wales. A preferred site has been identified and it is expected that production will be transferred from Harston early in 2016. Our production plans are focusing on quality, reliability and yield and work continues to lower the cost of goods.

Financial Review

In the six months ended 30 June 2015 revenue was £10,000 (H1 2014: £8,000).

Operating expenses were £3.5 million (H1 2014: £3.1 million). Included in operating expenses are product development and product realisation costs of £2.0 million (H1 2014: £1.5 million) associated with the development of the Proxima disposable patient-attached arterial blood gas analyser. Administrative expenses were £0.9 million (H1 2014: £1.1 million) and selling and marketing costs were £0.5 million (2014: £0.3 million).

The loss for the period was £3.5 million (H1 2014: £3.0 million). The basic and fully diluted loss per share for the period was 4.0 pence (H1 2014: 5.0 pence).

The placing and open offer in April 2015 raised £13.2 million before expenses, £12.3 million net. Net cash and cash equivalents at 30 June 2015 was £12.8 million (30 June 2014: £6.3 million) and after the period end a £0.6 million research and development tax credit was received.

The Sphere Medical Team

In May 2015 Dr Anthony Martin stood down from his post as Non-Executive Chairman after 10 years at the helm. We thank Tony for his valuable service to the Company. Dr Martin was replaced as Non-Executive Chairman by Dr David Martyr who, along with Meinhard Schmidt, joined the Board as Non-Executive Directors in January 2015. Brenig Preest joined the Board as Non-Executive Director in May 2015, representing the Wales Life Science Investment Fund, following the equity financing.



In August 2015 Richard Wright joined the Board as Chief Financial Officer, replacing Matthew Hall. We thank Matthew for his considerable contribution to the Company over the past four years.

Sphere Medical continues to benefit from the hard work and expertise of its employees who, with the Board, are fully committed to transforming Sphere Medical into a successful commercial medical device company.

We would like to take this opportunity to thank all our employees and management for their continued commitment and shareholders for their on-going support of Sphere Medical.

Outlook

The Company is at an exciting stage of its development as it transitions into a commercial organisation centred on serving its customers, generating growing revenues and moving towards profitability. We will be focused on ensuring revenue builds as we go into 2016, particularly once Proxima 4 is launched. The coming months will also bring discussions with potential partners on the worldwide commercialisation of Proxima. We look forward to continuing the development of Sphere Medical into a commercially successful company.

Dr Wolfgang Rencken
Chief Executive Officer



Consolidated Statement of Comprehensive Income for the 6 months to 30 June 2015

	6 months to 30 June 2015 £000 Unaudited	6 months to 30 June 2014 £000 Unaudited	12 months to 31 December 2014 £000 Audited
Notes			
Revenue	10	8	14
Cost of sales	-	-	(4)
Gross profit	10	8	10
Product development	(1,397)	(1,031)	(2,260)
Product realisation	(627)	(506)	(1,123)
Selling and marketing expenses	(506)	(304)	(572)
Administrative expenses	(939)	(1,097)	(1,754)
Employee share-based compensation	(26)	(119)	(236)
Operating expenses (net)	(3,495)	(3,057)	(5,945)
Operating loss	(3,485)	(3,049)	(5,935)
Finance income	19	47	65
Finance costs	-	(1)	(1)
Loss before taxation	(3,466)	(3,003)	(5,871)
Tax credit	-	-	524
Loss and total comprehensive income for the period attributable to the equity holders of the parent	(3,466)	(3,003)	(5,347)
Loss per share attributable to the equity holders of the parent			
Basic and diluted	4 (4.0p)	(5.0p)	(9.0p)

Total comprehensive income equates to the loss for the period reported above.

All amounts derive from continuing operations.

The accompanying notes form an integral part of this Consolidated Statement of Comprehensive Income.



Consolidated Statement of Financial Position

at 30 June 2015

	Notes	30 June 2015 £000 Unaudited	30 June 2014 £000 Unaudited	31 December 2014 £000 Audited
ASSETS				
Non-current assets				
Property, plant and equipment		101	162	108
Intangible assets		13	6	12
		114	168	120
Current assets				
Inventories		275	175	215
Trade and other receivables		182	178	204
Cash and cash equivalents		12,751	6,320	3,703
Total assets		13,322	6,841	4,242
EQUITY				
Called up share capital	5	1,418	594	594
Share premium account		58,102	46,580	46,580
Other reserve		2,835	2,929	2,933
Profit and loss account		(49,845)	(44,230)	(46,503)
Equity shareholders' funds		12,510	5,873	3,604
LIABILITIES				
Current liabilities				
Trade and other payables		812	958	635
Obligations under finance leases		-	10	3
		812	968	638
Total liabilities		812	968	638
Total equity and liabilities		13,322	6,841	4,242

The accompanying notes form an integral part of this Consolidated Statement of Financial Position.



Consolidated Statement of Cash Flow for the 6 months to 30 June 2015

	Notes	6 months to 30 June 2015 £000 Unaudited	6 months to 30 June 2014 £000 Unaudited	12 months to 31 December 2014 £000 Audited
Operating activities	6	(3,253)	(2,986)	(5,584)
Cash flows from investing activities				
Purchase of property, plant and equipment		(57)	(9)	(26)
Purchase of intangible assets		(7)	–	(12)
Interest received		19	47	65
		(45)	38	27
Cash flows from financing activities				
Issue of share capital		13,176	26	26
Issue expenses		(830)	–	–
(Discharge) of finance lease liabilities		-	(8)	(17)
Interest payable		-	(1)	(1)
		12,346	17	8
Net change in cash and cash equivalents in the period		9,048	(2,931)	(5,549)
Cash and cash equivalents at beginning of period		3,703	9,251	9,251
Cash and cash equivalents at end of period		12,751	6,320	3,703

The accompanying notes form an integral part of this Consolidated Statement of Cash Flow.



Consolidated Statement of Changes in Equity

for the 6 months to 30 June 2015

	Share capital (Note 5) £000	Share premium £000	Other reserve £000	Retained loss £000	Total equity £000
12 months ended 31 December 2014 – Audited					
Balance as at 31 December 2014	592	46,556	2,854	(41,271)	8,731
Loss for the year ended 31 December 2014	–	–	–	(5,347)	(5,347)
Total comprehensive income for the year ended 31 December 2014	–	–	–	(5,347)	(5,347)
Employee share-based compensation	–	–	194	–	194
Issue expenses	–	–	–	–	–
Issue of share capital	2	24	–	–	26
Reclassification following lapse of options	–	–	(115)	115	–
Transactions with owners	2	24	79	115	220
Balance as at 31 December 2014	594	46,580	2,933	(46,503)	3,604
6 months ended 30 June 2015 - Unaudited					
Total comprehensive income for the 6 months ended 30 June 2015	–	–	–	(3,466)	(3,466)
Issue of share capital	824	12,352	–	–	13,176
Issue expenses	–	(830)	–	–	(830)
Employee share-based compensation	–	–	26	–	26
Reclassification following lapse of options	–	–	(124)	124	–
Transactions with owners	824	11,522	(134)	124	12,372
Balance as at 30 June 2015	1,418	58,102	2,799	(49,809)	12,510
6 months ended 30 June 2014 – Unaudited					
Balance as at 31 December 2013	592	46,556	2,854	(41,271)	8,731
Total comprehensive income for the 6 months ended 30 June 2014	–	–	–	(3,003)	(3,003)
Issue of share capital	2	24	–	–	26
Employee share-based compensation	–	–	119	–	119
Reclassification following lapse of options	–	–	(44)	44	–
Transactions with owners	2	24	75	44	145
Balance as at 30 June 2014	594	46,580	2,929	(44,230)	5,873

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity.



Notes to the Interim Financial Statements

1. Nature of financial information

These half year financial statements, which were approved by the Board on 21 September 2015, are unaudited and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs) as adopted by the European Union. These interim financial statements do not contain all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at the year ended 31 December 2014.

Statutory accounts for the Group and the Company for the year ended 31 December 2014, which contain an unqualified audit report from Grant Thornton UK LLP, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or section 498(3) of the Companies Act 2006. The comparative financial information for that period has been extracted from such accounts.

The comparative information for the six months ended 30 June 2014 has been extracted from the unaudited management accounts and is correspondingly shown as unaudited.

2. Significant accounting estimates and judgements

Share options and warrants

Share options are granted over a discretionary period and vest in tranches over a three-year period. The fair value of options is determined using the Black-Scholes valuation model, which requires a number of estimates and assumptions. The significant inputs into the model are the share price at the date of grant, the exercise price, the expected option life, the expected volatility and the risk-free interest rate.

Deferred tax asset

The Board uses its judgement in the assessment of the extent, if any, to which to recognise the deferred tax asset, based on the forecast trading performance and the expected use of trading losses.

Research and development expenditure

The Board uses its judgement in the assessment of the extent, if any, to which expenditure is identified as development expenditure rather than research expenditure. Development expenditure has not been capitalised as regulatory and other uncertainties relating to the current stage of the



Group's development projects mean that all the criteria for capitalisation of development expenditure as required by International Financial Reporting Standards have not been met.

3. Principal accounting policies

The accounting policies for the six months ended 30 June 2015 are unchanged from those set out in the financial statements for the year ended 31 December 2014.

The financial statements consolidate the financial statements of Sphere Medical Holding plc and its subsidiary undertaking Sphere Medical Limited.

4. Loss per share

Fully diluted loss per share is calculated after showing the effect of outstanding options in issue. As the effect of the options would be to reduce the loss per share, the diluted loss per share is the same as the undiluted loss per share.

Calculation of loss per share is based on the following loss and numbers of shares:

	6 months to 30 June 2015 £000 Unaudited	6 months to 30 June 2014 £000 Unaudited	12 months to 31 December 2014 £000 Audited
Loss attributable to equity holders in the Company	(3,466)	(3,003)	(5,347)
	Number ('000)	Number ('000)	Number ('000)
Weighted average number of equity shares in issue:			
For basic loss per share	86,704	59,250	59,328



5. Share capital

Number of shares	6 months to 30 June 2015 Unaudited		6 months to 30 June 2014 Unaudited		12 months to 31 December 2014 Audited	
	Start of period	End of period	Start of period	End of period	Start of period	End of period
Issued and fully paid						
Ordinary Shares of £0.01	59,405,290	141,757,872	59,208,660	59,405,290	59,208,660	59,405,290
Nominal value						
Ordinary Shares of £0.01	£594,052	1,417,579	£592,087	£594,052	£592,087	£594,053

Share issues

82,352,582 ordinary shares of £0.01 each were issued and allotted in the period.

6. Reconciliation of operating loss to operating cash flows

	6 months to 30 June 2015 £000 Unaudited	6 months to 30 June 2014 £000 Unaudited	12 months to 31 December 2014 £000 Audited
Operating activities – loss for the period before interest and tax	(3,485)	(3,049)	(5,935)
Depreciation included in expenses	64	73	144
Amortisation included in expenses	6	7	13
Share-based payments	26	119	194
Change in inventory	(60)	(138)	(178)
Change in trade and other receivables	22	(92)	(118)
Change in trade and other payables	174	94	(228)
Taxes received	-	-	524
	(3,253)	(2,986)	(5,584)