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Kromek Group PLC
31 January 2023

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Kromek Group plc
("Kromek" or the "Group")

Interim Results

Kromek Group plc (AIM: KMK), a leading developer of radiation and bio-detection technology solutions for the advanced imaging and CBRN detection segments, announces its interim results for the six months ended 31 October 2022.

Financial Summary & Outlook

- Revenue increased by 44% to £6.8m (H1 2022: £4.7m)
- Gross margin of 40.4% (H1 2022: 46.8%)
- Adjusted EBITDA* was £2.7m loss (H1 2022: £0.6m loss), primarily reflecting FX impact and inflation related costs
- Substantial order book and good visibility into H2, with 91% of forecast FY revenue already awarded, contracted, shipped or provided by regular repeat business
- Expect to be EBITDA positive and broadly cashflow neutral in H2
- Cash and cash equivalents at 31 October 2022 were £1.0m (30 April 2022: £5.1m)
  - Cash position improved post period, with cash and cash equivalents of £1.3m at 23 January 2023
- Expecting strong revenue growth in H2 with continued contract wins in both the CBRN detection and advanced imaging segments. Engaged with eight tier 1 and tier 2 OEMs in key target area of medical imaging and Board expects to announce a number of contracts across the Group in the near term
- On track for record revenue for FY 2023: Kromek expects to report over 45% year-on-year growth

**A reconciliation of adjusted EBITDA can be found in the Financial Review.*

Operational Summary

Advanced Imaging

- Strong revenue growth with delivery under component supply agreements and increased customer engagement for future projects
- Excellent progress in medical imaging:
  - Significant expansion in customer engagement for development programmes in key target areas of single photon emission computed tomography ("SPECT") and photon-counting computed tomography ("CT")
  - Launch by Spectrum Dynamics Medical ("Spectrum Dynamics") of the world's first digital SPECT/CT scanner for higher energy imaging, which uses Kromek detectors
  - Won two new orders worth a total of $751k from existing OEM customers
  - Post period, received £2.5m in funding from Innovate UK for two programmes to further develop a low dose molecular breast imaging ("MBI") technology based on Kromek's CZT-based SPECT detectors

Chemical, Biological, Radiological and Nuclear ("CBRN") Detection

- Significant momentum in nuclear security, with the winning and delivery of new and repeat orders, participation in a greater number of tenders and establishing key distribution partnerships:
  - Received and delivered two orders from existing US customers totalling $2m for the Group's D3S-ID and D3M wearable nuclear radiation detectors
  - Secured a distribution agreement with Smiths Detection to distribute the Group's nuclear security solutions to North and South American markets, which was expanded post period to include the Middle East and certain key markets in Asia and Australasia
  - Post period, the Group was awarded and delivered two contracts, totalling £1.5m, for the supply of its D3M and D3S-based product lines to European government end-users; and received a repeat order, for $836k, from a US government customer for the D3S-ID

· Post period, received a £4.9m contract from a UK government department for a three-year programme to deliver bio-security solutions

Manufacturing and IP

· Expanded production capabilities and implemented several productivity improvements leading to further cost efficiency in CZT manufacturing
· 4 new patents filed and 2 granted during the period

Dr Arnab Basu, CEO of Kromek, said: *"This has been a record six months for Kromek. We've generated our highest ever revenue in an interim period while building our substantial pipeline for the full year and beyond. Our engagement with customers and potential customers in advanced imaging and CBRN detection has grown significantly. In our key target market of SPECT/CT, we are now working with eight tier 1 and tier 2 OEMs to get qualified and designed into their next-generation medical imaging systems - which reflects our position as the only large-scale, independent provider of CZT. At the same time, the geopolitical conflict continues to drive strong demand for our nuclear security products as governments increase their defence spending.*

"Whilst we have been significantly impacted during the period by the inflationary environment and currency pressures, we are seeing this ease in the second half and, combined with strong revenue growth, expect to be EBITDA positive for H2 2023. Accordingly, with the excellent revenue momentum and highest ever levels of customer engagement, we look to the future with confidence."

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Kromek Group plc

Kromek Group plc is a leading developer of radiation detection and bio-detection technology solutions for the advanced imaging and CBRN detection segments. Headquartered in County Durham, UK, Kromek has manufacturing operations in the UK and US, delivering on the vision of enhancing the quality of life through innovative detection technology solutions.

The advanced imaging segment comprises the medical (including CT and SPECT), security and industrial markets. Kromek provides its OEM customers with detector components, based on its core cadmium zinc telluride (CZT) platform, to enable better detection of diseases such as cancer and Alzheimer's, contamination in industrial manufacture and explosives in aviation settings.

In CBRN detection, the Group provides nuclear radiation detection solutions to the global homeland defence and security market. Kromek's compact, handheld, high-performance radiation detectors, based on advanced scintillation technology, are primarily used to protect critical infrastructure and urban environments from the threat of 'dirty bombs'.

The Group is also developing bio-security solutions in the CBRN detection segment. These consist of fully automated and autonomous systems to detect a wide range of airborne and liquid-based pathogens.

Kromek is listed on AIM, a market of the London Stock Exchange, under the trading symbol 'KMK'. Further information is available at www.kromek.com.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the

Regulatory Information Service, this inside information is now considered to be in the public domain.

Operational Review

During the six months to 31 October 2022, Kromek made excellent progress in both the advanced imaging and CBRN detection segments of the business. The Group delivered on its existing contracts and development programmes, won new and repeat orders and experienced significantly increased customer engagement regarding future projects. Revenue for H1 2023 was 44% higher than the same period of the prior year, representing significant growth in both the advanced imaging and CBRN detection segments.

Advanced Imaging Segment

The advanced imaging segment comprises the medical imaging, security screening and industrial screening markets. Kromek provides its OEM customers with detector components, based on its core cadmium zinc telluride ("CZT") platform, to enable better detection of diseases such as cancer and cardiac conditions, contamination in industrial manufacture and explosives in aviation settings.

In this segment, commercial engagement with customers consists of an initial design phase followed by incorporation of the Group's detectors and technologies into a customer's system and then the award to the Group of a multi-year supply contract, which provides long-term revenue visibility.

Medical Imaging

During the period, Kromek continued to fulfil its existing supply orders in medical imaging and progress its development programmes. A key milestone was the introduction by Spectrum Dynamics of the VERITON-CT 400 Series, the world's first digital SPECT/CT scanner capable of high energy imaging, which uses Kromek's CZT detector technology. Kromek believes that this product is receiving wide-ranging interest and the Group's shipments to Spectrum Dynamics are ramping up as expected.

In its regular repeat business, Kromek received two new orders worth a total of $751k from existing OEM customers. One order was for the supply of detectors for bone mineral densitometry applications and the other was from a US medical imaging customer that is using Kromek's CZT detectors in their gamma probes for nuclear medical applications, with this system having received FDA approval last year.

Under Kromek's development programme for ultra-low dose MBI technology that is based on the Group's CZT-based SPECT detectors, work progressed with the Group's OEM partner to prepare the system for clinical trials in the US. This technology can significantly improve the early detection of breast cancer in women with dense breast tissues. Post period, as also announced today, the Group received approximately £2.5m in funding from Innovate UK for two programmes to further develop an MBI system. The projects are being conducted in collaboration with the Newcastle-upon-Tyne Hospitals NHS Foundation Trust, the University of Newcastle-Upon-Tyne and University College London.

Over the last eighteen months, the Group has received a significant increase in interest from partners for development programmes in the medical imaging market with the Group now working with eight tier 1 and tier 2 OEMs in its key target areas of SPECT and CT. As a result, the Board remains confident in the growth prospects for this market and the Board expects some of these engagements to transition to formal significant contracts for the supply of CZT detectors and modules. The Board expects to announce significant contract wins for the Group in the near term.

Security & Industrial Screening

In security and industrial screening, Kromek continued to deliver under its existing component supply agreements and development programmes. The Group also secured a new OEM partner in security screening.

CBRN Detection Segment

In CBRN detection, the Group provides nuclear radiation detection solutions to the global homeland defence and security market, which are primarily used to protect critical infrastructure and urban environments from the threat of 'dirty bombs'. Kromek's portfolio also includes a range of high-resolution detectors and measurement

systems used for civil nuclear applications, primarily in nuclear power plants and research establishments. In addition, the Group is developing bio-security solutions to detect a wide range of airborne pathogens.

Nuclear Security

The Group received strong demand for its nuclear security platforms - D3S and D5 - which consist of a family of products designed to cater for the varying demands of homeland security and defence markets. Kromek was awarded multiple orders, participated in an increasing number of tenders and established key distribution partnerships to support continued expansion in this market. Accordingly, the Group is on track for a record year in detector delivery in nuclear security.

During the period, the Group received, and delivered, a $1.3m contract from a US customer for the D3M and a $695k order from a US federal entity for the D3S-ID, both of which were repeat orders. Since period end, the Group has received, and delivered, two contracts, totalling £1.5m, for the supply of its D3M and D3S-based nuclear security products to European government end-users - with the contracts having been secured with Kromek distribution and procurement partners. The Group is also in the process of delivering a $836k order from a US government customer for the D3S-ID, which is a repeat order secured post period. The large proportion of repeat orders reflects the increasingly regular nature of the Group's business in this market.

The Group is expanding channels-to-market for its nuclear security products, as well as supporting the generation of regular, repeat business, through the establishment of a distribution partnership with Smiths Detection, a global leader in threat detection and security screening technologies for aviation, ports and borders, defence and urban security markets. During the period, the Group signed a distribution agreement for Smiths Detection to distribute Kromek's nuclear security products - with a focus on the D3 and D5 series - to North and South American markets and, post period, a further agreement was signed for distribution to the Middle East and certain key markets in Asia and Australasia. To date, the Group has delivered over 1,400 detectors under this partnership.

Civil Nuclear

Business in the civil nuclear market progressed as expected, with regular sales through the Group's distributor network and customers. During the period, the Group served 48 customers in this market.

Biological-Threat Detection

Kromek is developing bio-security solutions consisting of fully automated and autonomous systems to detect a wide range of airborne and liquid-based pathogens for the purposes of national security and protecting public health.

During the period, the Group continued to deliver on its development programmes. This includes a long-running programme with the Defense Advanced Research Projects Agency, an agency of the US Department of Defense, for a system that is designed to be networkable and provide wide-area monitoring capability in near real-time. The Group's work with the UK government resulted in the award of a contract, post period, by a UK government department for a three-year programme worth £4.9m to develop and supply biological threat detection systems. The contract also includes an option for extended maintenance services after the initial term.

The Group continues to work with the UK government and government agencies regarding policy concerning biological screening and its implementation. The Group is also engaging with US authorities as well as with private sector organisations to develop and finalise a number of use applications for this technology.

R&D, IP and Manufacturing

Kromek continued to execute on its programmes for the expansion of production capacity and increased process automation, with particular progress being made at its CZT manufacturing facility in the US. These programmes are on track and are resulting in greater manufacturing productivity and cost efficiencies.

Kromek is focused on developing the next generation of products for commercial application in its core markets. As noted, during the period the Group continued to advance development programmes with a number of partners, with particular progress in medical imaging and biological-threat detection.

In H1 2023, Kromek applied for 4 new patents and had 2 patents granted across 5 patent families, bringing the total number of patents held by the Group to in excess of 240. The new applications cover innovations in both of

the Group's segments.

Financial Review

Revenue for the six-month period ended 31 October 2022 increased by 44% to £6.8m (H1 2022: £4.7m) In particular, product revenue increased significantly and accounted for 96% of the revenue for the half.

	H1 2023 (Unaudited)		H1 2022 (Unaudited)	
	£'000		**£'000**	
Product	£6,540	96%	£3,786	80%
R&D	£245	4%	£921	20%
Total	£6,785	100%	£4,707	100%

Gross profit increased to £2.7m (H1 2022: £2.2m) as result of the higher revenue. Gross margin was 40.4% compared with 46.8% for H1 2022, with the increase in cost of sales being due to revenue mix and component price inflation as supply chain pressures persisted.

Administrative expenses and distribution costs, including the adverse impact of foreign exchange in the period, increased to £8.0m (H1 2022: £6.4m). This is substantially due to an increase in staff costs reflecting pay rises in line with the wider economy and modest increased headcount to drive future revenue growth; an increase in amortisation and depreciation; and higher other overhead costs due to current inflationary pressures. Of the £1.6m increase year-on-year, £0.5m represents the foreign exchange impact of translating USD denominated expenses in the period due to the weaker GBP against the USD in H1 2023 compared to H1 2022.

In the first half of the prior year period, the Group benefited from a one-off forgiveness of £1.3m of Paycheck Protection Loans in the US, which was reported in other operating income. This was non-recurring income, and the current period did not benefit from this category of income, which accordingly impacted loss before tax and adjusted EBITDA on a comparable basis.

As a result of the increased operating costs and lower other operating income, operating loss was £5.2m (H1 2022: £2.9m loss). After net finance costs of £0.5m (H1 2022: £0.3m), loss before tax was £5.7m (H1 2022: £3.1m loss).

The adjusted EBITDA loss for the period was £2.7m (H1 2022: £0.6m loss). Adjusted EBITDA is calculated as follows:

	H1 2023 (Unaudited)	H1 2022 (Unaudited)	FY 2022 (Audited)
	£'000	**£'000**	**£'000**
Loss before tax	**(5,671)**	**(3,056)**	**(6,129)**
EBITDA adjustments:-			
Net interest	458	276	548
Depreciation	962	854	1,751
Amortisation	1,465	1,265	2,569
Share-based payments	120	120	236
COVID-19 related items			
Exceptional items	-	(89)	(132)
Adjusted EBITDA*	(2,666)	(630)	(1,157)

**Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, exceptional items and share-based payments. Share-based payments are added back when calculating the Group's adjusted EBITDA as this is currently an expense with a zero direct cash impact on financial performance.*

Investment in product development was £2.6m for the six-month period ended 31 October 2022 (H1 2022: £3.1m). The expenditure in H1 2023 was in technology and product developments, reflecting the continuing investment and commitment in new and enhanced products, platforms and CZT productivity improvements that can be commercially marketed. Amortisation of such development activity in the period was £1.2m (H1 2022: £1.0m).

Cash and cash equivalents at 31 October 2022 were £1.0m (30 April 2022: £5.1m). The £4.1m decrease in cash over the six-month period is the net result of:

- £(2.7)m - operating loss for the period
- £(1.4)m - net working capital movements and income taxes received, including a £1.9m reduction in trade payables
- £(2.8)m - investment in development costs and capital expenditure
- £2.0m - net new funds raised less debt and interest payments
- £0.8m - effect of foreign exchange rate changes

Since period end, the cash position has remained largely stable, with the Group having cash and cash equivalents of £1.3m at 23 January 2023. This reduced cash burn reflects an increase in revenue run rate as expected; inflation beginning to stabilise; the GBP strengthening against the USD; and that no debt repayments have been required to be made in the second half to date.

At 31 October 2022, total borrowings included in current liabilities were £5.7m (30 April 2022: £5.7m), of which £5.0m related to bank borrowings. The Board is currently working towards the refinancing of the £5.0m banking facility and expects to complete this in the short term.

Inventories increased by £0.4m in the period from £10.5m at 30 April 2022 to £10.9m at 31 October 2022, and significantly higher than the £7.3m at 31 October 2021. The increase in inventories over the six-month period reflects a £0.6m impact of foreign exchange as most of the Group's inventories are USD denominated. Adjusting for the foreign exchange impact, inventories reduced by £0.2m in the period. As noted previously, the increase compared with the same date of the prior year is due to the Group increasing its inventory level to secure surety of supply, against a backdrop of supply chain disruption, for delivering its full year revenues.

Outlook

The revenue momentum of the first half of the year has carried through to the second half with Kromek on track to deliver record revenues for the full year 2023, the highest in the history of the Group.

The Group has excellent visibility over full year revenue forecasts of 91% comprising 84% contracted or already shipped, 5% awarded and going through contract negotiation and 2% being provided by its regular repeat order business, and with the remaining 9% representing a gap to forecast that is anticipated to be closed by known pipeline of opportunities. As a result, the Group expects to report year-on-year revenue growth of over 45%, reflecting substantial growth in both its advanced imaging and CBRN detection segments. The order book continues to grow giving good visibility well into next year.

Specifically, the anticipated growth in the advanced imaging segment is based on delivery under the Group's existing long-term contracts, such as Spectrum Dynamics, which is ramping up the roll out of its next generation SPECT/CT scanners; new orders won last year; and the sustained demand being received for Kromek's CZT products. Since becoming the only independent large-scale supplier of CZT, Kromek has been approached by an increasing number of customers that are looking for an independent manufacturer of CZT. As noted, Kromek is in an active engagement process with eight tier 1 and tier 2 OEMs and expects to announce a number of contracts across the Group in the near term.

The current geo-political environment is driving increased interest in the Group's products in the CBRN detection segment from public authority suppliers, governments and government agencies. In the past year, Kromek has sold thousands of detectors that have been deployed to protect events such as gatherings of heads of states and the football World Cup as well being used in conflict zones. Kromek expects this growth to continue in the second half and beyond.

In the first half of the year, the Group experienced cost inflation that, together with the strengthening of the USD against the GBP, had an adverse impact on EBITDA. In the second half, the Group has seen inflation stabilising and the GBP strengthening against the USD. The Group also anticipates improvement in gross margin based on the reduction in cost pressures and a normalised revenue mix. This, along with the substantial increase in revenue in the second half, is expected to see the Group become EBITDA positive and broadly cashflow neutral for H2. However, this is expected to only partially offset the H1 2023 EBITDA loss. The Group continues to look at every opportunity to control its costs, improve collections and manage cash flow.

With the excellent revenue momentum, highest ever levels of customer engagement and the fundamentals of the business remaining strong, the Board continues to look to the future with confidence.

Consolidated condensed income statement
For the six months ended 31 October 2022

	Note	Six months ended 31 October 2022 £'000 (Unaudited)	Six months ended 31 October 2021 £'000 (Unaudited)	Year ended 30 April 2022 £'000 (Audited)
Continuing operations				
Revenue	4	6,785	4,707	12,055
Cost of sales		(4,046)	(2,503)	(6,419)
Gross profit		2,739	2,204	5,636
Other operating income	5	-	1,343	1,410
Distribution costs		(319)	(273)	(551)
Administrative expenses (including operating expenses)		(7,633)	(6,143)	(12,208)
Operating loss		(5,213)	(2,869)	(5,713)
Exceptional impairment reversal on trade receivables and amounts recoverable on contract	6	-	89	132
Operating results (post exceptional items)		(5,213)	(2,780)	(5,581)
Finance income		-	6	34
Finance costs		(458)	(282)	(582)
Loss before tax		(5,671)	(3,056)	(6,129)
Tax	7	601	707	1,211
Loss from continuing operations		(5,070)	(2,349)	(4,918)
Losses per share				
-basic (p)	9	(1.2)	(0.5)	(1.1)

Consolidated condensed statement of comprehensive income
For the six months ended 31 October 2022

	Six months ended 31 October 2022 £'000 (Unaudited)	Six months ended 31 October 2021 £'000 (Unaudited)	Year ended 30 April 2022 £'000 (Audited)
Loss for the period	(5,070)	(2,349)	(4,918)

Items that may be recycled to the income statement			
Exchange gains/(losses) on translation of foreign operations	2,017	1,154	2,063
Total comprehensive loss for the period	(3,053)	(1,195)	(2,855)

Consolidated condensed statement of financial position

	Note	31 October 2022 £'000 (Unaudited)	31 October 2021 £'000 (Unaudited)	30 April 2022 £'000 (Audited)
Non-current assets				
Goodwill		**1,275**	1,275	1,275
Other intangible assets		**30,539**	26,240	28,375
Property, plant and equipment	10	**10,796**	10,884	10,944
Right-of-use asset		**4,263**	3,884	3,874
		46,873	42,283	44,468
Current assets				
Inventories		**10,866**	7,336	10,503
Trade and other receivables		**6,692**	7,166	6,429
Current tax assets		**349**	422	942
Cash and bank balances		**956**	10,243	5,081
		18,863	25,167	22,955
Total assets		**65,736**	67,450	67,423
Current liabilities				
Trade and other payables		**(5,986)**	(5,959)	(7,855)
Lease obligation		**(413)**	(389)	(375)
Borrowings		**(5,693)**	(4,813)	(5,716)
		(12,092)	(11,161)	(13,946)
Net current assets		**6,771**	14,006	9,009
Non-current liabilities				
Deferred income		**(1,071)**	(1,221)	(1,131)
Lease obligation		**(4,505)**	(4,111)	(4,161)
Borrowings		**(3,565)**	(1,977)	(749)
Total liabilities		**(21,233)**	(18,470)	(19,987)
Net assets		**44,503**	48,980	47,436
As at 31 October 2022				
Equity				
Share capital	12	**4,319**	4,319	4,319
Share premium account		**72,943**	72,943	72,943
Merger reserve		**21,853**	21,853	21,853
Translation reserve		**4,080**	1,154	2,063
Accumulated losses		**(58,692)**	(51,289)	(53,742)
Total equity		**44,503**	48,980	47,436

Consolidated condensed statement of changes in equity
For the six months ended 31 October 2022

	Equity attributable to equity holders of the Group					
	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Translation Reserve £'000	Accumulated Losses £'000	Total £'000
Balance at 1 May 2022	**4,319**	**72,943**	**21,853**	**2,063**	**(53,742)**	**47,436**
Loss for the period	-	-	-	-	(5,070)	**(5,070)**
Other comprehensive income for the period	-	-	-	2,017	-	**2,017**
Total comprehensive loss for the period	-	-	-	4,080	(5,070)	**(990)**
Transactions with shareholders recorded in equity						
Credit to equity for equity-settled share-based payments	-	-	-	-	120	**120**
Balance at 31 October 2022	**4,319**	**72,943**	**21,853**	**4,080**	**(58,692)**	**44,503**
Balance at 1 May 2021	4,319	72,943	21,853	-	(49,060)	**50,055**
Loss for the period	-	-	-	-	(2,349)	(2,394)
Other comprehensive income for the period	-	-	-	1,154	-	1,154
Total comprehensive loss for the period	-	-	-	1,154	(2,349)	**(1,195)**
Transactions with shareholders recorded in equity						
Credit to equity for equity-settled share-based payments	-	-	-	-	120	**120**
Balance at 31 October 2021	**4,319**	**72,943**	**21,853**	**1,154**	**(51,289)**	**48,980**
Balance at 1 May 2021	4,319	72,943	21,853	-	(49,060)	**50,055**
Loss for the period	-	-	-	-	(4,918)	(4,918)
Other comprehensive income for the period	-	-	-	2,063	-	2,063
Total comprehensive loss for the year	-	-	-	2,063	(4,918)	**(2,855)**
Transactions with shareholders recorded in equity						
Credit to equity for equity-settled share-based payments	-	-	-	-	236	**236**
Balance at 30 April 2022	**4,319**	**72,943**	**21,853**	**2,063**	**(53,742)**	**47,436**

Consolidated condensed statement of cash flows

For the six months ended 31 October 2022

	Note	Six months ended 31 October 2022 £'000 (Unaudited)	Six months ended 31 October 2021 £'000 (Unaudited)	Year ended 30 April 2022 £'000 (Audited)
Net cash used in operating activities	11	**(4,026)**	(2,213)	(3,530)
Investing activities				
Interest received		**-**	6	34
Purchases of property, plant and equipment		**(186)**	(260)	(651)
Purchases of patents and trademarks		**(82)**	(96)	(179)
Capitalisation of research and development costs		**(2,580)**	(3,125)	(5,619)
Net cash used in investing activities		**(2,848)**	(3,475)	(6,415)
Financing activities				
New borrowings		**3,840**	560	760
Interest paid		**(326)**	(162)	(340)
Payment of loan and borrowings		**(1,047)**	(704)	(1,340)
Finance lease repayments		**(347)**	(322)	(646)
Net cash generated from / (used in) financing activities		**2,120**	(628)	(1,566)
Net decrease in cash and cash equivalents		**(4,754)**	(6,316)	(11,511)
Cash and cash equivalents at beginning of period		**5,081**	15,602	15,602
Effect of foreign exchange rate changes		**629**	957	990
Cash and cash equivalents at end of period		**956**	10,243	5,081

Notes to the unaudited interim statements
For the six months ended 31 October 2022

1. Basis of preparation

This interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditors reported on the Kromek Group plc financial statements for the year ended 30 April 2022, their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's consolidated annual financial statements for the year ended 30 April 2022 have been filed with the Registrar of Companies and are available on the Group's website: www.kromek.com.

2. Going concern

The Directors have a reasonable expectation that the going concern basis of accounting remains appropriate and that the Group has adequate resources and facilities to continue in operation for the next 12 months based on its cash flow forecasts prepared. Accordingly, the Group's unaudited interim statements for the six months ended 31 October 2022 have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities and commitments in the normal course of operations.

3. Interim report

This interim financial report will be available from the Group's website at www.kromek.com.

4. Business and geographical segments

Products and services from which reportable segments derive their revenues

For management purposes, the Group is organised into two business units (UK and USA) and it is on these operating segments that the Group is providing disclosure.

The chief operating decision maker is the Board of Directors who assess performance of the segments using the following key performance indicators; revenue, gross profit, operating profit and EBITDA. The amounts provided to the Board with respect to assets and liabilities are measured in a way consistent with the Financial Statements.

The turnover, profit on ordinary activities and net assets of the Group are attributable to one business segment, i.e. the development of digital colour x-ray imaging enabling direct materials identification, as well as developing a number of detection products in the industrial market. Whilst results are not measured by end market, the Group currently categorises its customers as belonging to the advanced imaging and CBRN detection markets.

4. Business and geographical segments (continued)

A geographical analysis of the Group's revenue by destination is as follows:

	Six months ended 31 October 2022 £'000 (Unaudited)	**Six months ended 31 October 2021 £'000 (Unaudited)**	**Year ended 30 April 2022 £'000 (Audited)**
United Kingdom	**298**	928	2,033
North America	**3,306**	1,916	5,807
Asia	**424**	125	1,556
Europe	**2,726**	1,695	2,601
South America	**5**		
Middle East	**26**		
Australasia	**-**	43	58
Total revenue	**6,785**	4,707	12,055

A geographical analysis of the Group's revenue by origin is as follows:

Six months ended 31 October 2022

	UK Operations £'000	**USA Operations £'000**	**Total for Group £'000**
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	5,621	7,313	12,934
-Revenue from grants	38	-	38
-Revenue from contract customers	110	55	165
Total sales by segment	5,769	7,368	13,137
Removal of inter-segment sales	(5,126)	(1,226)	(6,352)
Total external sales	643	6,142	6,785
Segment result - operating loss	(2,251)	(2,962)	(5,213)
Net interest	(325)	(133)	(458)
Loss before tax	(2,576)	(3,095)	(5,671)
Tax credit	601	-	601

Loss for the period	(1,975)	(3,095)	(5,070)
Other information			
Property, plant and equipment additions	21	165	186
Depreciation of property, plant and equipment	526	436	962
Intangible asset additions	1,510	1,152	2,662
Amortisation of intangible assets	782	683	1,465
Balance Sheet			
Total assets	34,693	31,043	65,736
Total liabilities	(15,225)	(6,008)	(21,233)

4. Business and geographical segments (continued)

Inter-segment sales are charged at prevailing market prices.

No impairment losses were recognised in respect of property, plant and equipment and goodwill.

Six months ended 31 October 2021

	UK Operations	USA Operations	Total for Group
	£'000	£'000	£'000
Revenue from sales			
Revenue by segment:			
-Sale of goods and services	3,487	3,813	7,300
-Revenue from grants	409	-	409
-Revenue from contract customers	374	142	516
Total sales by segment	4,270	3,955	8,225
Removal of inter-segment sales	(2,459)	(1,059)	(3,518)
Total external sales	1,811	2,896	4,707
Segment result - operating loss	(2,382)	(398)	(2,780)
Net interest	(162)	(114)	(276)
Loss before tax	(2,544)	(512)	(3,056)
Tax credit	707	-	707
Loss for the period	(1,837)	(512)	(2,349)
Other information			
Property, plant and equipment additions	65	195	260
Depreciation of property, plant and equipment	506	348	854
Intangible asset additions	2,627	594	3,221
Amortisation of intangible assets	751	514	1,265
Balance Sheet			
Total assets	41,942	25,508	67,450
Total liabilities	(11,911)	(6,559)	(18,470)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss earned by each segment without allocation of the share of profits or losses of associates, central administration costs including Directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

5. Other Operating Income

In the prior period to 31 October 2021, other operating income comprised the forgiveness of PPP loans granted by the US Government and grants received from the Coronavirus Job Retention Scheme provided by the UK Government in response to COVID-19's economic impact on businesses. There is no other operating for the period to 31 October 2022.

6. Exceptional Items

The Group has reversed £nil in relation to an item impaired in the full year 2020 financial statements (six months ended 31 October 2021: £89k).

7. Tax

The Group has recognised R&D tax credits of £601k for the six months ended 31 October 2022 (six months ended 31 October 2021: £707k).

8. Dividends

The Directors do not recommend the payment of a dividend (six months ended 31 October 2021: £nil).

9. Losses per share

The calculation of the basic and diluted loss per share is based on the following data:

Losses

	Six months ended 31 October 2022 £'000 (Unaudited)	**Six months ended 31 October 2021 £'000 (Unaudited)**	**Year ended 30 April 2022 £'000 (Audited)**
Losses for the purposes of basic loss per share being net loss attributable to owners of the Group	**(5,070)**	(2,349)	(4,918)

	Six months ended 31 October 2022 '000 (Unaudited)	**Six months ended 31 October 2021 '000 (Unaudited)**	**Year ended 30 April 2022 '000 (Audited)**
Number of shares			
Weighted average number of ordinary shares for the purposes of basic loss per share	**431,852**	431,852	431,852
Effect of dilutive potential ordinary shares:			
Share options and warrants	**315**	618	351
Weighted average number of ordinary shares for the purposes of diluted loss per share	**432,167**	432,470	432,203
Basic (p)	**(1.2)**	(0.5)	(1.1)

Basic earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year. IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease earnings per share or increase the loss per share. For a loss-making company with outstanding share options, net loss per share would be decreased by the exercise of options. Therefore, the anti-dilutive potential ordinary shares are disregarded in the calculation of diluted EPS.

10. Property, plant and equipment

During the six months ended 31 October 2022, the Group acquired property, plant and equipment with a cost of £186k (six months ended 31 October 2021: £260k).

11. Notes to the cash flow statement

	Six months ended 31 October 2022 £'000 (Unaudited)	Six months ended 31 October 2021 £'000 (Unaudited)	Year ended 30 April 2022 £'000 (Audited)
Loss for the period	**(5,070)**	(2,349)	(4,918)
Adjustments for:			
Finance income	**-**	(6)	(34)
Finance costs	**458**	282	582
Income tax credit	**(601)**	(707)	(1,211)
Depreciation of property, plant and equipment	**962**	854	1,751
Amortisation of intangible assets	**1,465**	1,265	2,569
Share-based payment expense	**120**	120	236
PPP loan forgiveness	**-**	(1,253)	(1,443)
Impairment of intangible asset	**-**	-	-
Loss on disposal	**-**	-	-
Operating cash flows before movements in working capital	**(2,666)**	(1,794)	(2,468)
Increase in inventories	**(363)**	(1,134)	(4,301)
(Increase) / decrease in receivables	**(263)**	(524)	215
(Decrease) / increase in payables and deferred income	**(1,929)**	(61)	1,741
Cash used in operations	**(5,221)**	(3,513)	(4,813)
Income taxes received	**1,195**	1,300	1,283
Net cash used in operating activities	**(4,026)**	(2,213)	(3,530)

12. Share capital

During the period, no ordinary shares (six months ended 31 October 2021: nil) were issued to satisfy the exercise of employee share options.

13. Events after the balance sheet date

There are no significant or disclosable post-balance sheet events.

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