

28 March 2014

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

**Trading Statement**

Kromek, a supplier of patented radiation detection technologies to the medical, security and nuclear markets, provides the following update on trading ahead of its year end on 30 April 2014.

Despite strong revenue growth year-on-year, the Company expects revenue for the period to be significantly below current market expectations. The shortfall for the year is due to a delay in a number of large contracts. Specifically, these include UK and US Government programmes, orders from the Japanese market for nuclear detection products and further large orders in the medical and security markets.

Furthermore it has taken longer than expected to set up distribution channels for nuclear radiation products, which are now in place in many of our important markets, and more work is ongoing to widen the channels through the expansion of our commercial teams.

These combined factors will also impact the performance of the Company in the next financial year but the Board believes the medium term fundamentals remain strong, with the technology addressing broader markets. The pipeline includes substantial new orders that we hope to announce in the near future, which could materially impact our growth expectations going forward.

Whilst the Company had anticipated breaking even in the current financial year, it does not now expect to be profitable, however cash balances at the year-end continue to be strong and the Directors believe that the business has sufficient capital required to execute the business plan and deliver growth in the years ahead.

Importantly, during the last half of the year the Company has also achieved some significant efficiency improvements to its manufacturing processes, which would allow a much broader acceptance of its products in mainstream medical diagnostic markets and lower its capital investment requirements. Based on the improved manufacturing processes the Company is expanding production capability in the UK with the cost partly supported by the Regional Growth Fund.

Kromek continues to win contracts across its three target markets and has seen substantial growth in current order booking. In medical imaging, Kromek's \$5.3m mutually exclusive contract for developing and supplying CZT based multispectral (colour) detectors for the CT market with one of the top four OEMs continues to progress well. During the year Kromek has also been awarded substantial contracts in the SPECT and the BMD markets.

Changes to EU legislation continue to present the Company with new opportunities within the security screening markets. The Kromek bottle scanners have now been widely adopted in the EU and continue to attract opportunities in the Asian and Middle Eastern markets.

**Commenting on trading, Arnab Basu, Chief Executive of Kromek said:** “I am disappointed that we will not meet market expectations but I am confident that we will harvest real value from our technology going forward. The build up of our sales and marketing resources since the IPO has been slower than expected which has also been a contributory factor in the shortfall. We have executed important commercial deals during the year and achieved significant technical developments which will lead to a much wider adoption of our products in our target markets. The demand, both for using our technology as a component and for our products remains strong and I am confident that we will continue to add substantially to our order book in the months ahead and realise value for our shareholders in the years that follow.”

**Kromek Chairman, Richard Morgan, added,** “The management team have demonstrated their ability to rapidly grow the business and yet I know they are disappointed that growth will be slower than they had forecast. The Board is confident in the medium term prospects for Kromek and the recent advances in our technology development only add to the already substantial market opportunities to create a technology leader and a profitable and valuable business.”

-Ends-

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**About Kromek**

Kromek Group plc is a UK technology company (global HQ in County Durham) and a leading developer of high performance radiation detection products based on cadmium zinc telluride (“CZT”). Using its core CZT technology Kromek designs, develops and produces x-ray and gamma ray imaging and radiation detection products for the medical, security screening and nuclear markets.

The Group’s products provide high resolution information on material composition and structure and are used in multiple applications, ranging from the identification of cancerous tissues to hazardous materials, such as explosives, and the analysis of radioactive materials.

Kromek uses multiple technologies in its manufacturing processes, including the established methods of ‘liquid phase’ detector production, and also ‘vapour phase’ production methods, which allow the

production of high quality, high performance detectors on an industrial scale. Kromek has an intellectual property portfolio of more than 70 granted patents and 110 pending applications.

The Group's business model provides a vertically integrated technology offering to customers, from the growth of CZT crystals to finished products or detectors, including software, electronics and application specific integrated circuits ("ASICs").

The Board believes that the vertical integration offered by Kromek, combined with the benefit of 25 years of research into CZT production and the patents and trade secrets accumulated by the Group, are unparalleled in the market place.

The Group has operations in the UK, Germany and US (California and Pennsylvania), and is selling internationally through a combination of distributors and direct OEM sales.

Currently, the Group has over a hundred full time employees across its global operations.