AORTECH INTERNATIONAL PLC ("Aortech" or "the Group")

Unaudited Interim Results

For the six months ended 30 September 2013

CHAIRMAN'S STATEMENT

I am pleased to be able to report on a period of considerable progress for the Group in our strategy of transitioning from a manufacturer of biostable polymers towards our goal of becoming a pure play Intellectual Property exploitation business. The results for the six months to September 2013 represent a period of transition and do not reflect the revenue potential nor the reduced cost base that we will have once the transition has been completed by the end of this financial year.

Results for the Six Months to 30 September 2013

During the period, Group revenue amounted to $336,000 which was a significant fall from the corresponding period last year, during which period the Group was still manufacturing material at the Rogers facility in Minneapolis, United States. The revenue achieved in the current period was a combination of the sale of inventory, production of materials from a smaller manufacturing operation and licence fees from customers. Over the period, our total overheads and development expenditure fell by almost 50% from just over $1.4 million to $740,000. The loss for the period was reduced by more than half to $720,000 from $1.5 million. Our cash position at the end of September 2013 stood at $1,023,000, up from the position at the year end and more importantly significantly higher than the $295,000 at September 2012.

Biomerics, LLC Manufacturing Licence

One of the key objectives of your Board during 2013 has been to ensure that we are in a position to benefit from developments being carried out by existing licensees and to assure their ongoing supply of polymer as well as creating a model for bringing our polymers to a much wider medical market. For this reason, we were delighted to announce on 1 October 2013 a licence with Biomerics for the manufacture and distribution of our patented materials. We are currently undertaking a process of transferring our manufacturing process to Biomerics and once this process has been validated Biomerics will supply the polymer requirements for AorTech's current licensees. Just as importantly, Biomerics will also promote the use of AorTech's Elast-Eon™ and ECSil™ polymers in other fields of medical devices and will offer components manufactured from AorTech's Elast-Eon™ polymers to the medical device community.

This agreement will provide AorTech with future income streams from a combination of a share of gross margin achieved on Elast-Eon™ polymer supply and a revenue share on components manufactured with Elast-Eon™ polymers. It will also provide royalty fees and fees under licences issued by Biomerics to their existing or future customers for the use of Elast-Eon™ polymers in medical devices.

This relationship is still in the early stages of development, however we are happy with the progress being made in organising the process for future polymer manufacture. The reaction from both existing and potential customers that had considered Elast-Eon™ in the past but were concerned by the subscale manufacturing facilities that had been operated has been extremely positive.

Syncardia Dispute Settlement

I am pleased that we were also able to announce the conclusion to the dispute with SynCardia shortly after the period end. As previously announced, AorTech had agreed to a mediation process to resolve the dispute with SynCardia which produced a satisfactory settlement. The terms of the settlement are confidential. However, AorTech can confirm that there will be no adjustment required to the AorTech Group balance sheet as a result of the Settlement Agreement.

Business Model

The exit from polymer manufacture has provided the opportunity to develop a more attractive business model of concentrating on exploiting the IP held by the Group on a significantly lower cost base. By the end of the current financial year this period of change will be concluded. Within the next month AorTech will cease all operations in the US, including manufacturing, which will result in cost savings due to the significantly lower cost base of operating the Group from the UK.

With the implementation of the new business model coming close to its conclusion, Frank Maguire, the Chief Executive, decided to resign at the end of November 2013 to pursue other business opportunities. To ensure a smooth handover of responsibilities, Frank remains available to the Group on a consultancy basis.

The structure of the Board has therefore been changed to reflect the new business structure. Eddie McDaid has been appointed as Chief Executive Officer of the Group and Roy Mitchell, who remains non-executive, will take on the role previously performed by Eddie as Finance Director.

Heart Valve

We re-acquired our Heart Valve patents and IP two years ago. Since that time we have held discussions with various parties regarding our valve design patents and the polymer potential in this area. We remain of the view that the valve has opportunities in both surgical and Trans Catheter (TAVI) manifestations. We will report on any developments in this area in due course.

Financial Implications of the New Business Model

We anticipate that over the second half of the financial year the Group will continue to report a loss but, with the changes made, a substantially better trading performance should be enjoyed in the following financial year.

We anticipate that the level of administration costs that had fallen by around 50% from $1.4 million to $740,000 in the six months to September 2013 will show a further significant decrease in the next financial year. We will have continuing yearly amortisation charges on our IP portfolio of some $250,000 resulting in estimated annual overheads of approximately $1 million before any exceptional costs.

As an IP company, we incur significant costs each year in maintaining our patent portfolio and insuring those patents; these costs alone represent almost a quarter of our total administration expenses. In total, AorTech holds approximately 70 worldwide patents, split broadly 50:50 between our polymer portfolio and our device portfolio including the Heart Valve.

The licences signed with existing customers include a combination of milestone payments, annual licence fees and royalty fees based on a share of the sales revenues of customers selling devices incorporating our materials. Good clinical progress has been made by a number of our customers over the past six months with first human implant of an Elast-Eon™ based mitral valve repair, continuing progress of a neuro stimulation device and an Elast-Eon™ coated stent about to have first human use.

We have received forecast revenues from the majority of our licensees which, if all were successful could generate royalties of $4 to $5 million per annum in future years. It is however difficult to forecast and impossible to have any control over the timings and success of each of these projects and, as a result, we have sought to forecast the business on a conservative basis based on known minimum payments. During the next financial year, we currently anticipate that payments due under royalties and licence

milestones together with our anticipated share of margin on polymer to be supplied by Biomerics to AorTech's existing licensees should generate sufficient revenue to make the Group profitable before amortisation charges and close to break even after those charges.

Your Board believes that the repositioning of the business into a position where it can trade at close to break even on a base case revenue assumption is a dramatic turnaround from the position we faced only 12 months ago. I should emphasise that the future profitability of the Group will be driven by the success of our existing licensees, together with the new business development activities of our manufacturing licensee, Biomerics.

Conclusion

I believe the Group is now in a much more stable position as a result of the difficult changes made over the past year. Overheads have been substantially reduced; after the closure of our American facility the Group will be less complicated to manage; base case revenues should result in a break-even position and any success from current licensees or from Biomerics development will leverage profit growth.

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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Six months ended 30 September 2013	**Unaudited**	Unaudited	Audited
	Six months to 30 Sept 2013 US$000	Six months to 30 Sept 2012 US$000	Twelve months to 31 March 2013 US$000
Revenue	**336**	822	3,795
Other income	**-**	-	2,560
Cost of sales	**(157)**	(806)	(2,054)
Administrative expenses	**(740)**	(1,332)	(2,744)
Profit on disposal of property, plant and equipment	**-**	-	138
Other expenses - development expenditure	**-**	(72)	(239)
Other expenses - amortisation of intangible assets	**(112)**	(122)	(250)
Operating (loss) / profit	**(673)**	(1,510)	1,206
Finance (expense) / income	**(47)**	1	(2,053)
Loss before taxation	**(720)**	(1,509)	(847)
Taxation	**-**	-	-
Loss attributable to equity holders of the parent company	**(720)**	(1,509)	(847)
Loss per share (basic and diluted) – US cents	**(14.90)**	(31.23)	(17.53)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	Unaudited	Audited
	Six months to 30 Sept 2013 US$000	Six months to 30 Sept 2012 US$000	Twelve months to 31 March 2013 US$000
Loss for the period	**(720)**	(1,509)	(847)
Other comprehensive income:			
Exchange differences on translating foreign operations	**(99)**	45	(130)
Income tax relating to other comprehensive income	**-**	-	-
Other comprehensive income for the period, net of tax	**(99)**	45	(130)
Total comprehensive income for the period, attributable to equity holders of the parent company	**(819)**	(1,464)	(977)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Unaudited	Unaudited	Audited
	30 Sept 2013	30 Sept 2012	31 March 2013
	US$000	US$000	US$000
Assets			
Non current assets			
Intangible assets	**1,603**	1,994	1,840
Property, plant and equipment	**7**	567	4
Total non current assets	**1,610**	2,561	1,844
Current assets			
Inventories	**56**	178	-
Trade and other receivables	**1,027**	1,171	1,820
Cash and cash equivalents	**1,023**	295	987
Total current assets	**2,106**	1,644	2,807
Total assets	**3,716**	4,205	4,651
Liabilities			
Current liabilities			
Trade and other payables	**(242)**	(422)	(406)
Total current liabilities	**(242)**	(422)	(406)
Non current liabilities			
Trade and other payables	**-**	(159)	-
Change of control redemption premium	**(182)**	-	(134)
Total non current liabilities	**(182)**	(159)	(134)
Total liabilities	**(424)**	(581)	(540)
Net assets	**3,292**	3,624	4,111
Equity			
Issued capital	**19,550**	19,529	18,351
Share premium	**3,786**	3,782	3,555
Other reserve	**(3,241)**	(3,238)	(3,043)
Foreign exchange reserve	**4,353**	4,649	5,684
Profit and loss account	**(21,156)**	(21,098)	(20,436)
Total equity attributable to equity holders of the parent company	**3,292**	3,624	4,111

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	Unaudited	Audited
	Six months to 30 Sept 2013	Six months to 30 Sept 2012	Twelve months to 31 March 2013
	US$000	US$000	US$000
Cash flows from operating activities			
Group loss after tax	**(720)**	(1,509)	(847)
Adjustments for:			
Depreciation of property, plant and equipment	**-**	11	84
Gain on disposal of property, plant and equipment	**-**	-	(138)
Amortisation of intangible assets	**112**	122	250
Finance (income) / expense	**-**	(1)	2,053
Decrease / (increase) in trade and other receivables	**793**	(67)	(864)
(Increase) / decrease in inventories	**(56)**	25	203
Decrease in trade and other payables	**(164)**	(20)	(215)
Net cash flow from operating activities	**(35)**	(1,439)	526
Cash flows from investing activities			
Purchase of property, plant and equipment	**(3)**	-	(11)
Proceeds from disposal of property, plant and equipment	**-**	-	682
Purchase of intangible assets	**(62)**	(55)	(72)
Interest received	**-**	1	-
Net cash flow from investing activities	**(65)**	(54)	599
Cash flows from financing activities			
Interest paid	**-**	-	(5)
Proceeds from issue of loan notes	**-**	-	1,914
Repayment of loan notes	**-**	-	(1,914)
Redemption premium paid to loan note holders	**-**	-	(1,914)
Net cash flow from financing activities	**-**	-	(1,919)
Net decrease in cash and cash equivalents	**(100)**	(1,493)	(794)
Foreign exchange movements on cash held in foreign currencies	**136**	(129)	(136)
Cash and cash equivalents at beginning of period	**987**	1,917	1,917
Cash and cash equivalents at end of period	**1,023**	295	987

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Share capital US$000	Share premium account US$000	Other reserve US$000	Foreign exchange reserve US$000	Profit and loss account US$000	Total equity US$000
Balance at 1 April 2012	**19,319**	**3,742**	**(3,203)**	**4,819**	**(19,589)**	**5,088**
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(1,509)	(1,509)
Other comprehensive income						
Exchange difference on translating foreign operations	210	40	(35)	(170)	-	45
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	210	40	(35)	(170)	(1,509)	(1,464)
Balance at 30 September 2012	**19,529**	**3,782**	**(3,238)**	**4,649**	**(21,098)**	**3,624**
Transactions with owners	-	-	-	-	-	-
Profit for the period	-	-	-	-	662	662
Other comprehensive income						
Exchange difference on translating foreign operations	(1,178)	(227)	195	1,035	-	(175)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	(1,178)	(227)	195	1,035	662	487
Balance at 31 March 2013	**18,351**	**3,555**	**(3,043)**	**5,684**	**(20,436)**	**4,111**
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(720)	(720)
Other comprehensive income						
Exchange difference on translating foreign operations	1,199	231	(198)	(1,331)	-	(99)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	1,199	231	(198)	(1,331)	(720)	(819)
Balance at 30 September 2013	**19,550**	**3,786**	**(3,241)**	**4,353**	**(21,156)**	**3,292**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements are for the six months ended 30 September 2013, and have been prepared with regard to the requirements of IAS 34 on "Interim Financial Reporting". They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2013.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and expected to be effective at 31 March 2014. They were approved for issue by the Board of Directors on 12 December 2013.

After considering the period end cash position, making appropriate enquiries and reviewing budgets and profit and cash flow forecasts for a period of at least twelve months from the date of signing these financial statements, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason the Directors consider the adoption of the going concern basis in preparing the condensed consolidated interim financial statements is appropriate.

The financial information for the six months ended 30 September 2013 and the comparative figures for the six months ended 30 September 2012 are unaudited and have been prepared on the basis of the accounting policies set out in the consolidated financial statements of the Group for the year ended 31 March 2013.

These extracts do not constitute statutory accounts under section 434 of the Companies Act 2006. The financial statements for the year ended 31 March 2013, prepared under IFRS, received an unqualified audit report, did not contain statements under sections 498(2) and 498(3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

Loss per share has been calculated on the basis of the result for the period after tax, divided by the weighted average number of ordinary shares in issue in the period of 4,832,778. The comparatives are calculated by reference to the weighted average number of ordinary shares in issue which were 4,832,778 for the period to 30 September 2012 and 4,832,778 for the year ended 31 March 2013.

2. SEGMENTAL REPORTING

The principal activity of the AorTech International Plc Group currently is the development and exploitation of a range of innovative biomaterials.
During the first six months of financial year 2013/14 US$176,000 of revenue originated in the USA and US$160,000 originated in the United Kingdom.

	Unaudited	Unaudited	Audited
	Six months to 30 Sept 2013	Six months to 30 Sept 2012	Twelve months to 31 March 2013
	US$000	US$000	US$000
Analysis of revenue by destination			
Geographical segments			

United Kingdom:			
St Jude Medical transaction – licence fee income	**-**	-	1,990
Licence fees - services	**-**	9	313
United States of America:			
Supply of materials and finished goods	**184**	813	1,492
Royalty revenue	**25**	-	-
Licence fees	**127**	-	-
	336	822	3,795

	Unaudited	Unaudited	Audited
	Six months to 30 Sept 2013	Six months to 30 Sept 2012	Twelve months to 31 March 2013
	US$000	US$000	US$000
Analysis of result - operating (loss) / profit			
Geographical segments			
United Kingdom	**(35)**	(462)	1,732
Australia	**-**	(71)	(101)
United States of America – including cost of transfer of operations in 2012	**(638)**	(977)	(425)
Operating (loss) / profit	**(673)**	(1,510)	1,206
Finance (expense) / income – all UK	**(47)**	1	(2,053)
Loss before taxation	**(720)**	(1,509)	(847)

3. FINANCE (EXPENSE) / INCOME

	Unaudited	Unaudited	Audited
	Six months to 30 Sept 2013	Six months to 30 Sept 2012	Twelve months to 31 March 2013
	US$000	US$000	US$000
Bank interest income / (expense)	**1**	1	(5)
Loan premium payable on redemption	**-**	-	(1,914)
Change of control redemption premium	**(48)**	-	(134)
	(47)	1	(2,053)

3. INTANGIBLE ASSETS

The following table shows the impact of exchange rate adjustments and amortisation on intangible assets.

	Intellectual property
	US$000
At 1 April 2012	2,012
Additions during period	55
Exchange rate adjustment	49
Amortisation	(122)
At 30 September 2012	**1,994**

Additions during period	17
Exchange rate adjustment	(43)
Amortisation	(128)
At 1 April 2013	**1,840**
Additions during period	62
Exchange rate adjustment	(187)
Amortisation	(112)
At 30 September 2013	**1,603**

4. EVENTS SUBSEQUENT TO THE PERIOD END

On 1 October 2013, it was announced that the recently adopted strategy of AorTech is to exploit the value of the Company's IP, Patents and know-how without incurring the further substantial expenditure required to maintain and develop manufacturing facilities, product development expertise and sales and marketing resources.

To this end, the Board was pleased to announce that AorTech had signed an agreement with Biomerics, LLC of Salt Lake City, Utah ("Biomerics") to licence the rights to manufacture and distribute the patented silicone/ urethane copolymers Elast-Eon™ and ECSil™. AorTech will assist Biomerics in transferring the manufacturing know-how and, once the products are validated, Biomerics will supply the polymer requirements of AorTech's current licensees.

In addition to supplying AorTech's existing customers, Biomerics will promote the use of AorTech's Elast-Eon™ polymers in other fields of medical devices and will offer components manufactured from AorTech's Elast-Eon™ polymers to the medical device community.

This Agreement will provide AorTech with future income streams from a combination of a share of gross margin achieved on Elast-Eon™ polymer supply and a revenue share on components manufactured with Elast-Eon™ polymers. It will also provide royalty fees and licence fees under licences issued by Biomerics to their existing and future customers for the use of Elast-Eon™ polymers in medical devices. AorTech will continue to be entitled to all royalty and licence fees due under existing Licence agreements.

The Company had agreed to a mediation process to resolve the dispute with SynCardia. On 8 October 2013, AorTech was able to announce that a settlement had been reached. The terms of the settlement are confidential. However, AorTech can confirm that there will be no adjustment required to the AorTech Group balance sheet as a result of the Settlement Agreement.