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AorTech International PLC
22 November 2018

AorTech International plc
("AorTech" or the "Company")

Unaudited Interim Results
For the six months ended 30 September 2018

CHAIRMAN'S STATEMENT

I am pleased to set out in this report an overview of the key financial results of AorTech for the six months to 30 September 2018 together with an update on the progress being made on new product development.

Unaudited results for the six months to 30 September 2018
As previously reported, we have changed the Company's reporting currency from US$ to Sterling with effect from these results. While revenues from licensing our polymer technology continues to be earned in US$, with the new product development work all being undertaken in the UK, the switch to reporting in Sterling better reflects the currency of the primary economic environment in which the Company operates. This results in the figures which are provided within the financial statements for the period to 31 March 2018 being unaudited re-statements of US Dollar amounts which had been audited.

In the six months ended 30 September 2018, revenues increased by 13 per cent to £236,000 (2017: £209,000). As anticipated, in order to implement the strategy of turning AorTech into a medical device development business, administrative expenses increased in the period to £344,000 (2017: £184,000).

Amortisation of intangible assets amounted to £109,000 (2017: £113,000) resulting in a loss for the half year of £219,000 (2017: £89,000).

During the period, AorTech undertook a successful fundraising with net proceeds received after expenses of £2,547,000. Cash at the period end was £2,593,000 (2017: £213,000).

Platform technology drives strategy
Elast-Eon™ is a very high silicone content co-polymer of polyurethane and silicone macrodials which retains the physical and mechanical properties of conventional polyurethanes whilst demonstrating levels of biological stability that far surpasses rigid biostable polyurethanes. Elast-Eon™ has become a key component of a number of blood contacting long term medical implants including coronary artery stents and cardiac rhythm management pacing leads. We estimate that over six million patients have been implanted with life saving devices reliant on AorTech's polymer technology. AorTech continues to support other medical device companies by licensing this key technology and supplying through its partnership with Biomerics, Inc.

The value added by Elast-Eon™ to medical devices is significantly more than can be charged-for through material supply and licensing. In order to capture more of the value added, AorTech elected to directly develop medical devices into which the key properties of Elast-Eon™ can be embedded. A number of devices have been identified but initial efforts are being focused on the polymer heart valve and the textiles-based products of patches and grafts.

Update on development
Since completion of the fundraising, the Board has been strengthened, partnerships have been entered into with development partners for each of the heart valve and textile products, and regulatory consultants have been engaged. Overall, the team involved in product development is well into double figures. We have ambitious timelines for product development and, as a result, the focus is on detailed planning to anticipate regulatory hurdles, properly documented design inputs and anticipate problems and address them at the design phase.

Given the historic work carried out by AorTech on the heart valve project, it is at the more advanced stage of development and testing on this historic valve design looks extremely promising. Despite the design itself looking good, the design process and documentation thereof was unprofessional and severely lacking from a regulatory perspective. Rather than pick up where AorTech finished last time, with the associated risks, we have elected to circle back and optimise the design of the valve leaflet and then verify using state-of-the-art Finite Element Analysis and Computational Fluid Dynamics modelling, thus providing a much smoother regulatory pathway. We are now confident that the new leaflet and design process will be a major improvement on historic valve designs and provide us with a much better understanding of the transition from the opened to closed position and the dynamic changes to the leaflets. Bespoke design software code is being created utilising computational fluid dynamics to optimise the leaflet shape and ensure seamless export to both engineering and testing programmes. We believe that this process of designing a valve leaflet in four dimensions may well be patentable, adding to the IP protection around the valve. The design process is taking input on manufacturing issues, regulatory requirements, surgical likes and dislikes and commercial marketing issues to ensure that the final product can be commercially made and meets the requirements of the market and surgeons alike.

A similar level of detailed planning has been taking place with the textiles-based products. The design process is simpler in the sense that a number of the products will be very similar to products currently being used in hospitals. The design process is therefore focused on the tooling required, in particular, to manufacture the grafts. Tooling has been designed and ordered and the textile substrate and version of Elast-Eon™ identified. A key risk with textile-based products and vascular grafts, in particular, is the security of supply of all raw materials, with certain suppliers being reluctant to supply material for human implant. As a result, this risk is being mitigated by the intention of RUA Medical, the Company's development partner, to set up bespoke yarn manufacture, thereby providing a vertically-integrated process of taking polymer chips through to retail packed finished product. The main benefits being that yarns can be designed to maximise fabric performance, increased efficiency and traceability, and security of supply. The first yarns are due to be produced later this month which will satisfy the need for all material for development and testing of large bore vascular grafts. The processes of development for manufacturing patches is almost a by-product of the graft development and will follow on from early graft manufacture.

We have also made good progress in confirming both market need and interest in our products. At a recent European Cardiothoracic meeting of some 3,000 surgeons and industry players, we engaged with a number of parties, including key surgeons, large industry players and product distributors, and explained which products AorTech would be bringing to the market. Feedback was very positive and the market need was confirmed for both the valve and polymer coated textile products.

Conclusion

We have made considerable progress over the first half of the year against our strategic goals as evidenced by the successful fundraising and partnership agreements entered into. We look to the future with confidence reinforced by the quality of the team assembled, the quality of the core platform technology, the market opportunities in our chosen product areas and the potential to bring these ground breaking products to market.

Bill Brown, Chairman

21 November 2018

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Six months ended 30 September 2018	Note	**Unaudited Six months to 30 Sept 2018**	Unaudited Six months to 30 Sept 2017	Unaudited* Twelve months to 31 March 2018
		GB£000	GB£000	GB£000
Revenue		**236**	209	404
Administrative expenses		**(344)**	(184)	(474)
Exceptional administrative (expenses) / income (net)	**2**	**(2)**	(1)	255
Other expenses - amortisation of intangible assets	**5**	**(109)**	(113)	(219)
Operating loss		**(219)**	(89)	(34)
Loss attributable to owners of the parent company		**(219)**	(89)	(34)
Taxation		**-**	-	-
Loss attributable to equity holders of the parent company		**(219)**	(89)	(34)
Loss per share (basic and diluted) - GB Pence		**(1.96)**	(1.59)	(0.61)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 30 Sept 2018	Unaudited Six months to 30 Sept 2017	Unaudited* Twelve months to 31 March 2018
	GB£000	GB£000	GB£000
Loss for the period	**(219)**	(89)	(34)
Total comprehensive income for the period, attributable to equity holders of the parent company	**(219)**	(89)	(34)

*Figures for the twelve months to 31 March 2018 represent the translation of audited USD000 amounts into GB£000.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

Note		**Unaudited 30 Sept 2018**	Unaudited 30 Sept 2017	Unaudited* 31 March 2018
		GB£000	GB£000	GB£000
Assets				
Non current assets				
Tangible fixed assets	4	**1**	-	-
Intangible assets	5	**557**	617	527
Total non current assets		**558**	617	527
Current assets				
Trade and other receivables		**233**	186	133
Cash and cash equivalents		**2,593**	213	422
Total current assets		**2,826**	399	555
Total assets		**3,384**	1,016	1,082
Liabilities				
Current liabilities				
Trade and other payables		**(42)**	(56)	(68)
Total current liabilities		**(42)**	(56)	(68)
Net assets		**3,342**	960	1,014
Equity				
Issued capital	6	**12,574**	12,118	12,118
Share premium	6	**4,590**	2,499	2,499
Other reserve		**(2,003)**	(2,003)	(2,003)
Profit and loss account		**(11,819)**	(11,654)	(11,600)
Total equity attributable to equity holders of the parent company		**3,342**	960	1,014

*Figures as at 31 March 2018 represent the translation of audited USD000 amounts into GB£000.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	Unaudited	Unaudited*
	Six months to 30 Sept 2018 GB£000	Six months to 30 Sept 2017 GB£000	Twelve months to 31 March 2018 GB£000
Cash flows from operating activities			
Group loss after tax	**(219)**	(89)	(34)
Adjustments for:			
Amortisation of intangible assets	**109**	113	219
(Increase) / decrease in trade and other receivables	**(100)**	125	176
Decrease in trade and other payables	**(26)**	(26)	(14)
Net cash flow from operating activities	**(236)**	123	347
Cash flows from investing activities			
Purchase of equipment	**(1)**	-	-
Acquisition of subsidiary, net of cash acquired	**(139)**	-	-
Purchase of intangible assets	**-**	-	(16)
Net cash flow from investing activities	**(140)**	-	(16)
Cash flows from financing activities			
Proceeds of issue of share capital, net of issue costs	**2,547**	-	-
Net cash flow from operating activities	**2,547**	-	-
Net increase / (decrease) in cash and cash equivalents	**2,171**	123	331
Cash and cash equivalents at beginning of period	**422**	91	91
Cash and cash equivalents at end of period	**2,593**	213	422

*Figures for the twelve months to 31 March 2018 represent the translation of audited USD000 amounts to GB£000.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)	**Share capital GB£000**	**Share premium account GB£000**	**Other reserve GB£000**	**Profit and loss account GB£000**	**Total equity GB£000**
Balance at 1 April 2017	**12,118**	**2,499**	**(2,003)**	**(11,565)**	**1,049**
Transactions with owners	-	-	-	-	-
Loss for the period	-	-	-	(89)	(89)
Total comprehensive income for the period	-	-	-	(89)	(89)
Balance at 30 September 2017	**12,118**	**2,499**	**(2,003)**	**(11,654)**	**960**
Transactions with owners	**-**	**-**	**-**	**-**	**-**
Profit for the period	-	-	-	54	54
Total comprehensive income for the period	-	-	-	54	54
Balance at 31 March 2018	**12,118**	**2,499**	**(2,003)**	**(11,600)**	**1,014**
Issue of equity share capital (net of issue costs)	456	2,091	-	-	2,547
Transactions with owners	456	2,091	-	-	2,547
Loss for the period	-	-	-	(219)	(219)
Total comprehensive income for the period	456	2,091	-	(219)	2,328
Balance at 30 September 2018	**12,574**	**4,590**	**(2,003)**	**(11,819)**	**3,342**

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 2018, 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 2018.

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 effective at

31 March 2018. They were approved for issue by the Board of Directors on 21 November 2018.

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 interim financial statements, the Directors have formed a judgement at the time of approving the interim 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 2018 and the comparative figures for the six months ended 30 September 2017 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 2018.

These extracts do not constitute statutory accounts under section 434 of the Companies Act 2006. The financial statements for the year ended 31 March 2018, 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.

The functional and presentational currency of AorTech International Plc is GB£ as this is where all sales arise and from where the majority of costs now emanate. Previously, to reflect the substance of transactions, the Directors chose to use US$ as the Company's presentational currency. Exchange differences therefore arose in each prior period representing the retranslation of reserves from a functional currency of GB£ to their presentational currency at the time of US$. The exchange differences have been eliminated by this change in presentational currency.

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 11,144,789. The comparatives are calculated by reference to the weighted average number of ordinary shares in issue which were 5,557,695 for the year ended 31 March 2018.

2. EXCEPTIONAL ADMINISTRATIVE EXPENSES

This comprises the exceptional administrative expense of sundry disbursement costs associated with the now resolved litigation against the Company's former CEO.

3. SEGMENTAL REPORTING

The Company is an Intellectual Property (IP) holding company whose principal activity is exploiting the value of its IP and know-how.

All revenue and operating result originated in the United Kingdom.

	Unaudited	Unaudited	Audited
	Six months to 30 Sept 2018	Six months to 30 Sept 2017	Twelve months to 31 March 2018
	GB£000	GB£000	GB£000
Analysis of revenue by products and services			
Licence fees - services	**38**	54	90
Royalty revenue	**198**	155	314
	236	209	404

4. FIXED ASSET

Cost	
At 1 April 2018	**-**
Additions	**1**
At 30 September 2018	**1**
Depreciation	
At 1 April 2018	**-**
Charge for the period	**-**
At 30 September 2018	**-**
Net book value	
At 1 April 2018	**-**
At 30 September 2018	**1**

5. INTANGIBLE ASSETS

The following table shows the impact of additions and amortisation on intangible assets.

	Intellectual property	**Development costs**	**Total**
	GB£000	**GB£000**	**GB£000**
At 1 April 2017	574	156	730
Amortisation	(80)	(33)	(113)
At 30 September 2017	**494**	**123**	**617**
Additions	-	16	16
Amortisation	(81)	(25)	(106)
At 1 April 2018	**413**	**114**	**527**
Additions	139	-	139
Amortisation	(82)	(27)	(109)
At 30 September 2018	**470**	**87**	**557**

Additions to Intellectual property arise on consolidation of Cortech Medical Limited which was acquired during the period ended 30 September 2018. As previously disclosed to shareholders in the fundraising circular, Cortech was acquired from William Brown, a director of

the Company, and therefore represents a related party transaction.

6. ISSUED SHARE CAPITAL

During the 6 month period to 30 September 2018, the Company undertook a fundraising which included the issue of 9,128,913 new ordinary shares of 5 pence each, thereby increasing issued share capital by £456,000 and the share premium account by £2,091,000, net of costs.

7. INTERIM ANNOUNCEMENT

The interim results announcement was released on 22 November 2018. A copy of this Interim Report is also available on the Company's website www.aortech.net.

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