

UNAUDITED INTERIM RESULTS 2017

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Aortech International Plc.

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Aortech International Plc.

CHAIRMAN'S STATEMENT

I am pleased to set out below the key financial figures for the six months to 30 September 2017 and, more importantly, provide an update on some very positive developments at AorTech.

Unaudited results for the six months to 30 September 2016

Over the six month period to 30 September 2017, revenues increased to \$271,000 from the \$240,000 achieved in the corresponding period last year. Administration costs were again tightly controlled at \$239,000 - a reduction of \$110,000 compared to the same period last year - and at similar levels to the second half of the last financial year.

A profit of \$32,000 was achieved before charging exceptional costs and amortisation, a substantial improvement on the loss of \$109,000 in the corresponding period last year.

The working capital position also improved with cash increasing, as anticipated, from \$114,000 at 31 March 2017 to \$286,000 at 30 September 2017 (30 September 2016: \$216,000).

Overall, the trading results reflect a continuation of the stabilisation of the Company's financial position reported in the audited results for the year ended 31 March 2017.

Resolution of Dispute

As previously stated, AorTech has always been keen to resolve the litigation with its former Chief Executive and related parties. I am therefore pleased that we have been able to announce that the parties have amicably resolved their dispute and the terms of settlement have been incorporated into a confidential settlement agreement. The confidentiality terms limit our ability to disclose fully the terms of the settlement, but I can say that AorTech is satisfied with the outcome.

This dispute has consumed a considerable amount of management time and resources and diverted energy that would have been better focused on developing the business. One major benefit, however, is that the litigation process has resulted in a much deeper understanding of the technical benefits of AorTech's Intellectual Property portfolio ("IP") and where efforts should in future be focused in capitalising on the core properties of Elast-Eon™ to generate value for shareholders.

Platform Technology

Elast-Eon™ polymers are now widely accepted as being the most biostable of all polyurethane materials and, as such, are being used in long term implantation. With several million implants and ten years of successful clinical use, AorTech polymers are used in cardiology and urological applications, including pacing leads, cardiac cannulae and coronary artery stents. Devices manufactured from AorTech polymers have numerous US FDA PMA approvals, 510ks, and CE Marks. Elast-Eon™ is approved for long term human implants in all major markets.

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CHAIRMAN'S STATEMENT (*continued*)

The business model has not really changed over the 15 years since AorTech withdrew from medical device manufacturing in Scotland and focused on licensing its polymer technology to medical device companies. AorTech has however simplified its operations by subcontracting polymer manufacture to Biomerics rather than operate its own polymer plant. This change has dramatically improved the fundamental economics of the business and has resulted in long term contractual revenue streams that are secure as long as the licensees continue to market the devices that have been enabled by incorporating into their designs the Elast-Eon™ technology.

Our licensees have generated considerable value by utilising Elast-Eon™. One example of this is a cardiovascular device that differs only from competing devices by having a thin Elast-Eon™ coating. This coating provides the device with superior properties and allows a sales price of many multiples of standard devices. The cost of materials and license fees, however, are less than 5% of the device's sales value.

The value added to licensees is not only greater than licence fees payable, but the value of the licence fees to our customers is significantly more than the market capitalisation of AorTech.

A New Chapter

The long-running litigation dispute created a number of uncertainties for AorTech and its shareholders and at the time of announcing results for the year to 31 March 2017 the share price was implying that AorTech was likely to fail.

The recent trading results should indicate to shareholders that the business is on a more stable footing and the risk of failure diminished. The cash position improved during the six months to 30 September 2017 and at the end of November 2017 had further increased to \$328,000. As a result of the conclusion of the litigation, AorTech will have certain costs to pay and make reimbursements to our insurance provider. However, we anticipate that the net cash position should improve further.

The Board has conducted a thorough review of the Company's IP and where it fits into the medical device market, leading to the conclusion that there are a number of opportunities available to grow AorTech's business. A detailed strategic plan to allow AorTech to commercialise its platform technology is currently being considered and we will report to shareholders when the process is concluded.

We have the opportunity of putting past issues behind us and building on the core IP within the business. As part of this "fresh start", I am delighted to welcome Stockdale Securities as our new Nominated Adviser and broker and look forward to working with them to help AorTech reach its true potential.

**BILL BROWN,
CHAIRMAN**

11 December 2017

Aortech International Plc.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Six months ended 30 September 2017

		Unaudited	Unaudited	Audited
	Note	Six months to 30 Sept 2017 US\$000	Six months to 30 Sept 2016 US\$000	Twelve months to 31 March 2017 US\$000
Revenue		271	240	614
Administrative expenses		(239)	(349)	(571)
Exceptional administrative expenses	2	(1)	(49)	12
Other expenses - amortisation of intangible assets	4	(146)	(152)	(292)
Operating loss		(115)	(310)	(237)
Loss attributable to owners of the parent company		(115)	(310)	(237)
Taxation		-	-	-
Loss attributable to equity holders of the parent company		(115)	(310)	(237)
Loss per share (basic and diluted) – US cents		(2.07)	(5.58)	(4.27)

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	Unaudited	Audited
		Six months to 30 Sept 2017 US\$000	Six months to 30 Sept 2016 US\$000	Twelve months to 31 March 2017 US\$000
Loss for the period		(115)	(310)	(237)
Other comprehensive income:				
Exchange differences		85	(122)	(204)
Income tax relating to other comprehensive income		-	-	-
Other comprehensive income for the period, net of tax		85	(122)	(204)
Total comprehensive income for the period, attributable to equity holders of the parent company		(30)	(432)	(441)

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Unaudited 30 Sept 2017 US\$000	Unaudited 30 Sept 2016 US\$000	Audited 31 March 2017 US\$000
Assets			
<i>Non current assets</i>			
Intangible assets	828	1,093	914
Total non current assets	828	1,093	914
Current assets			
Trade and other receivables	249	145	392
Cash and cash equivalents	286	216	114
Total current assets	535	361	506
Total assets	1,363	1,454	1,420
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	(75)	(127)	(102)
Total current liabilities	(75)	(127)	(102)
Net assets	1,288	1,327	1,318
Equity			
Issued capital	16,235	15,769	15,189
Share premium	3,349	3,253	3,133
Other reserve	(2,684)	(2,607)	(2,511)
Foreign exchange reserve	7,748	8,230	8,752
Profit and loss account	(23,360)	(23,318)	(23,245)
Total equity attributable to equity holders of the parent company	1,288	1,327	1,318

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CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months to 30 Sept 2017 US\$000	Unaudited Six months to 30 Sept 2016 US\$000	Unaudited Twelve months to 31 March 2017 US\$000
Cash flows from operating activities			
Group loss after tax	(115)	(310)	(237)
<i>Adjustments for:</i>			
Amortisation of intangible assets	146	152	292
Decrease / (increase) in trade and other receivables	143	98	(149)
Decrease in trade and other payables	(2)	(38)	(106)
Net cash flow from operating activities	172	(98)	(200)
Cash flows from investing activities			
Purchase of intangible assets	-	-	-
Net cash flow from investing activities	-	-	-
Net increase / (decrease) in cash and cash equivalents	172	(98)	(200)
Cash and cash equivalents at beginning of period	114	314	314
Cash and cash equivalents at end of period	286	216	114

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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 2016	17,426	3,595	(2,881)	6,627	(23,008)	1,759
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(310)	(310)
Other comprehensive income						
Exchange difference	(1,657)	(342)	274	1,603	-	(122)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	(1,657)	(342)	274	1,603	(310)	(432)
Balance at 30 September 2016	15,769	3,253	(2,607)	8,230	(23,318)	1,327
Transactions with owners	-	-	-	-	-	-
Profit for the period	-	-	-	-	73	73
Other comprehensive income						
Exchange difference	(580)	(120)	96	522	-	(82)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	(580)	(120)	96	522	73	(9)
Balance at 31 March 2017	15,189	3,133	(2,511)	8,752	(23,245)	1,318
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(115)	(115)
Other comprehensive income						
Exchange difference	1,046	216	(173)	(1,004)	-	85
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	1,046	216	(173)	(1,004)	(115)	(30)
Balance at 30 September 2017	16,235	3,349	(2,684)	7,748	(23,360)	1,288

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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 2017, 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 2017.

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 2017. They were approved for issue by the Board of Directors on 11 December 2017.

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 2017 and the comparative figures for the six months ended 30 September 2016 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 2017.

These extracts do not constitute statutory accounts under section 434 of the Companies Act 2006. The financial statements for the year ended 31 March 2017, 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 currency of AorTech International Plc is GBP as this is where all sales arise. However, to reflect the substance of transactions Directors have chosen to use US\$ as their

presentational currency. Exchange differences therefore arise in each period representing the retranslation of reserves from a functional currency of GBP to their presentational currency of US\$.

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 5,557,695. 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 2017.

2. EXCEPTIONAL ADMINISTRATIVE EXPENSES

This comprises the exceptional administrative expense represented by the ongoing 10% cost of litigation against the Company's former CEO.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

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 2017 US\$000	Six months to 30 Sept 2016 US\$000	Twelve months to 31 March 2017 US\$000
Analysis of revenue by products and services			
Licence fees - services	70	52	125
Royalty revenue	201	188	489
	271	240	614

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. INTANGIBLE ASSETS

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

	Intellectual property US\$000	Development costs US\$000	Total US\$000
At 1 April 2016	1,052	315	1,367
Exchange rate adjustment	(94)	(28)	(122)
Amortisation	(109)	(43)	(152)
At 30 September 2016	849	244	1,093
Exchange rate adjustment	(31)	(8)	(39)
Amortisation	(100)	(40)	(140)
At 1 April 2017	718	196	914
Exchange rate adjustment	47	13	60
Amortisation	(105)	(41)	(146)
At 30 September 2017	660	168	828

5. INTERIM ANNOUNCEMENT

The interim results announcement was released on 11 December 2017. A copy of this Interim Report is also available on the Company's website www.aortech.net.

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