



1 December 2015

Collagen Solutions Plc
(the "Company" or the "Group")

Half Yearly Report
Interim Results for the six months ended 30 September 2015

Collagen Solutions plc (AIM: COS), the developer and manufacturer of medical grade collagen components for use in regenerative medicine, medical devices and *in-vitro* diagnostics, announces results for the six months ended 30 September 2015.

Financial Highlights

- Revenue and other income increased to £1,460,218 (H1 2014: £143,213)
- LBITDA- £(79,376) (H1 2014: £(522,144))
- Pre-tax loss - £(356,537) (H1 2014: £(560,831))
- Basic loss per share - (0.26)p (H1 2014: (0.88)p)
- Net cash balances of £3,104,230 at 30 September 2015 (31 March 2015 : £3,391,356)

Operational Highlights

- Acquisition of assets and exclusive world licence for ChondroMimetic, a collagen based implant for treatment of small osteochondral (cartilage and underlying bone) defects, together with related IP for use in other clinical applications.
- Management team strengthened by appointment of Chief Operating Officer
- Supply agreement signed with Histogenics Corporation
- New US patent granted for processing of new biomaterial for heart patients
- Partnership with UCL and Oxford MEStar in grant award from Arthritis Research UK
- Joined €4 million Horizon 2020 grant funded research project to develop novel treatments for Parkinson's disease

Post Period End

- R&D headcount increased in San Jose to further develop new high value collagen products
- Management team strengthened by appointment of Chief Business Officer in USA

Dr Stewart White, Chief Executive Officer of Collagen Solutions, commented: *"I am pleased to report that trading for the period demonstrated a significant increase in revenue with reduction in LBITDA compared with the same period in 2014, whilst maintaining a healthy cash position. The Collagen Solutions value proposition received further external validation within the period via supply agreements signed with new customers, additional FDA approval of customers' products and our participation in cutting edge research programmes in new clinical areas such as the treatment for Parkinson's disease. These achievements have been possible through the hard work of our colleagues across the globe."*

Collagen Solutions Plc

David Evans, Chairman
Stewart White, CEO / Gill Black, CFO

Tel: 07740 084 452
Tel: 0141 648 9100

Panmure Gordon (Nominated Adviser and Broker)

Rob Naylor (Corporate Finance)
Maisie Atkinson (Corporate Sales)

Tel: 0207 886 2714
Tel: 0207 886 2905

Walbrook PR Ltd

Mike Wort
Anna Dunphy

Tel: 020 7933 8780 or collagen@walbrookpr.com
Mob: 07900 608 002
Mob: 07876 741 001

Chairman's Statement

I am pleased to present Collagen Solutions' interim results for the six month period ended 30 September 2015. During the period, we have made further progress in increasing revenue from new and existing customers and products across the Group.

The strategic objective is to build a significant global biomaterials business by assisting customers in expediting the transition of their products from development through to manufacture by the provision of cost effective, functional medical grade collagen materials and devices across a range of clinical indications, for the ultimate benefit of patients by providing effective and affordable treatments.

Overview

During this six month period, revenue has increased by 141% over the full year revenue for 2014/15. Revenue growth has come from both our material supply and contract manufacturing activities with the acquisition of Southern Lights Biomaterials making a significant contribution. We have continued to invest in our R&D teams, senior management team, internally generated IP; such as the new US patent granted in May, and our manufacturing facilities in the UK and New Zealand. We have also taken the opportunity to acquire the assets and exclusive worldwide IP licence to the ChondroMimetic product, a collagen based implant for treatment of cartilage and underlying bone defects. This IP family and platform technology also gives opportunities to develop a pipeline of additional products from the platform technologies for further clinical indications which we believe have the potential to create long-term shareholder value.

The senior management teams in Glasgow, San Jose and New Zealand have been successfully integrated and are working effectively as a cohesive unit to execute our strategic plan.

We have set ourselves a target by 2020 to create a biomaterials business with a value of £100 million, through a combination of organic growth, exploitation of licensed IP and appropriate acquisitions. In order to achieve this we have been putting in place the necessary resources to make this happen.

Results

The Group's results for the six months ended 30 September 2015 are set out in the Consolidated Statement of Comprehensive Income. Revenue (including other income) for the first six months was up significantly to £1,460,218 (2014: £143,213). Administrative expenses were £898,284 (2014: £467,672), selling and marketing costs were £266,300 (2014: £161,171), LBITDA for the first six months was (£79,376) (2014: (£522,144)), and the loss per share reduced to (0.26)p (2014: (0.88)p).

Net cash generated from operations during the period was £35,444. The Group's cash balances at 30 September 2015 were £3,104,230 (31 March 2015: £3,391,356).

Board and management

The team is working together well as a cohesive unit under Stewart's leadership, with the Scientific Advisory Board providing important input into our product development strategies through the stage gate process. At the start of the period, we appointed Tom Hyland as Chief Operating Officer. Tom has a wealth of knowledge and experience in collagen chemistry and GMP manufacturing. More recently we are delighted to welcome Jamal Rushdy as Chief Business Officer. He has over 20 years' experience in the medical device arena, specifically within two mid-size high growth public companies and three successful start-ups. Jamal has an impressive track record of building businesses with successful exits and transforming organisations through integration and performance improvement.

The Board and the employees of Collagen Solutions are deeply saddened by the recent death, after a short illness, of our Non-Executive Director, Dr Kevin Wilson. Kevin was both a close friend and colleague of mine of many years standing and he played a pivotal role in the formation of this Company. His humanity, wit, creativity and enthusiasm will be sadly missed. He never sought the limelight and I often felt he never got the credit he deserved from others outside his close circle of friends. Kevin's passing leaves a gap in our Board that will be enormously difficult to fill and we will update you in due course in this regard.

As a consequence of this, I will be assuming the role of Chairman of the Audit and Risk Committee.

Current Outlook

As I look forward in terms of the rest of this financial year and beyond I am encouraged by our continued progress and the overall direction of travel. As ever my desire for greater momentum and being able to execute the opportunities we have in a timely fashion remains a high priority.

The overall positive background and the ability to secure new contracts gives me comfort that the second half of the year will see further growth in our revenues. Our pipeline of opportunities continues to remain robust but with a degree of uncertainty prevailing regarding the exact timing of contract execution.

We have yet to reach a critical mass of manufactured product and consistent cash flow positivity. We anticipate, excluding investing activities we will be operationally cash positive by the year end, if not for the year as a whole.

There are a number of more significant growth opportunities which may crystallise in 2016;

- The building of a new facility in New Zealand to accommodate a specific customer requirement;
- The establishment of a joint-venture in China in order to work in the Chinese market with the right partner so that our products can service particular market segments cost effectively; and
- The commercialisation of the IP from ChondroMimetic, a treasure trove of value enhancing opportunities. This however will require its own dedicated management team if we are to retain our focus in our core business.

We continue to build our Company and its infrastructure in a relatively low risk manner by adopting a portfolio approach in a multi-product/customer/sector business model which monetises the embedded value in the business whilst enabling us to move up the value chain.

Thank you for your support

David E Evans
Chairman

1 December 2015

Collagen Solutions Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		Unaudited six months ended 30 September 2015	Unaudited six months ended 30 September 2014	Audited year ended 31 March 2015
	Notes	£	£	
REVENUE		1,441,866	143,213	972,846
Cost of sales		(351,010)	(24,190)	(213,920)
Gross profit		1,090,856	119,023	758,926
Share-based compensation		(24,000)	(12,324)	(26,746)
Administrative expenses (excluding separately identifiable items)		(898,284)	(467,672)	(1,265,918)
Separately identifiable items	4	-	-	(155,131)
Total Administrative expenses		(898,284)	(467,672)	(1,421,049)
Selling and marketing costs		(266,300)	(161,171)	(218,732)
Other income		18,352	-	62,654
LOSS BEFORE INTEREST TAX DEPRECIATION AND AMORTISATION		(79,376)	(522,144)	(844,947)
Amortisation and depreciation		(155,593)	(38,687)	(129,778)
Finance income		5,136	-	1,470
Finance expense		(126,704)	-	(129,122)
OPERATING LOSS BEFORE TAXATION		(356,537)	(560,831)	(1,102,377)
Taxation		(92,950)	-	(21,215)
LOSS FOR THE PERIOD		(449,487)	(560,831)	(1,123,592)
Currency translation difference		(225,047)	67,416	317,669
Other comprehensive income / (loss)		(225,047)	67,416	317,669
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(674,534)	(493,415)	(805,923)
Basic and diluted loss per share – pence	3	(0.26p)	(0.88p)	(1.17p)

Collagen Solutions Plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

		Unaudited 30 September 2015	Unaudited 30 September 2014	Audited 31 March 2015
ASSETS				
Non-current assets	Notes			
Intangible assets		12,883,225	7,018,228	12,918,911
Property, plant and equipment		892,443	280,547	793,725
		<u>13,775,668</u>	<u>7,298,775</u>	<u>13,712,636</u>
Current assets				
Inventories		213,842	105,938	218,544
Trade and other receivables		523,785	138,327	644,475
Cash and cash equivalents		3,104,230	927,094	3,391,356
		<u>3,841,857</u>	<u>1,171,359</u>	<u>4,254,375</u>
Total assets		<u><u>17,617,525</u></u>	<u><u>8,470,134</u></u>	<u><u>17,967,011</u></u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	5	1,759,038	683,260	1,754,689
Share premium		7,845,973	3,230,105	7,845,973
Share-based compensation		75,393	36,971	51,393
Merger reserve		4,578,155	2,842,683	4,531,798
Translation reserve		47,956	22,750	273,003
Retained deficit		(2,053,077)	(1,040,829)	(1,603,590)
Total equity		<u>12,253,438</u>	<u>5,774,940</u>	<u>12,853,266</u>
Non-current liabilities				
Deferred tax		271,551	-	285,022
Other financial liabilities		2,541,703	2,426,581	4,319,891
Borrowings		64,542	-	87,563
		<u>2,877,796</u>	<u>2,426,581</u>	<u>4,692,476</u>
Current liabilities				
Trade and other payables		409,396	268,613	359,273
Income tax liabilities		74,392	-	40,153
Other financial liabilities		1,984,829	-	-
Borrowings		17,674	-	21,843
		<u>2,486,291</u>	<u>268,613</u>	<u>421,269</u>
Total liabilities		<u>5,364,087</u>	<u>2,695,194</u>	<u>5,113,745</u>
Total liabilities and equity		<u><u>17,617,525</u></u>	<u><u>8,470,134</u></u>	<u><u>17,967,011</u></u>

Collagen Solutions Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Share Capital	Share Premium Account	Share- Based Payment Reserve	Merger Reserve	Translation Reserve	Retained Deficit	Total
As at 1 April 2014	683,260	3,230,105	24,647	2,842,683	(44,666)	(479,998)	6,256,031
Share Based Compensation	-	-	12,324	-	-	-	12,324
Loss for Period	-	-	-	-	-	(560,831)	(560,831)
Currency translation difference	-	-	-	-	67,416	-	67,416
Total comprehensive loss for the period	-	-	-	-	67,416	(560,831)	(493,415)
At 30 September 2014	683,260	3,230,105	36,971	2,842,683	22,750	(1,040,829)	5,774,940
Issue of shares for cash	857,143	5,142,857	-	-	-	-	6,000,000
Issue of consideration of shares on acquisition	214,286	-	-	1,740,000	-	-	1,954,286
Share issue costs	-	(526,989)	-	(50,885)	-	-	(577,874)
Total transactions with owners in their capacity as owners	1,071,429	4,615,868	-	1,689,115	-	-	7,376,412
Share Based Compensation	-	-	14,422	-	-	-	14,422
Loss for period	-	-	-	-	-	(562,761)	(562,761)
Currency translation difference	-	-	-	-	250,253	-	250,253
Loss and total comprehensive income for period	-	-	-	-	250,253	(562,761)	(312,508)
As at 31 March 2015	1,754,689	7,845,973	51,393	4,531,798	273,003	(1,603,590)	12,853,266
Issue of consideration shares on acquisition of ChondroMimetic assets	4,349	-	-	46,357	-	-	50,706
Total transactions with owners in their capacity as owners.	4,349	-	-	46,357	-	-	50,706
Share Based Compensation	-	-	24,000	-	-	-	24,000
Loss for period	-	-	-	-	-	(449,487)	(449,487)
Currency translation difference	-	-	-	-	(225,047)	-	(225,047)
Loss and total comprehensive income for period	-	-	-	-	(225,047)	(449,487)	(674,534)
As at 30 September 2015	1,759,038	7,845,973	75,393	4,578,155	47,956	(2,053,077)	12,253,438

Collagen Solutions Plc
CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2015

	Unaudited six months ended 30 September 2015	Unaudited six months ended 30 September 2014	Audited year ended 31 March 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation	(356,537)	(560,831)	(1,102,377)
Share based compensation	24,000	12,324	26,746
Depreciation	72,505	30,063	75,110
Amortisation	83,088	8,624	54,668
Finance expense	126,704	-	129,122
Finance income	(5,136)	-	(1,470)
Loss on sale of property, plant and equipment	-	-	4,834
Increase in inventories	(5,289)	(66,673)	(122,743)
Decrease / (increase) in trade and other receivables	87,673	28,709	(194,770)
Increase in trade and other payables	75,427	78,403	89,909
Foreign exchange	-	(13,095)	-
NET CASH GENERATED FROM / (USED IN) OPERATIONS	<u>102,435</u>	<u>(482,476)</u>	<u>(1,040,971)</u>
Interest paid	(3,160)	-	(3,822)
Taxation paid	(63,831)	-	(26,019)
Net cash generated from/ (used in) operations	<u>35,444</u>	<u>(482,476)</u>	<u>(1,070,812)</u>
INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	-	11,812	12,716
Payments to acquire property, plant and equipment	(149,245)	(41,959)	(158,792)
Payments to acquire licensed IP and patents	(92,523)	(51,943)	(68,222)
Payments to acquire Southern Lights Ventures 2002 Limited	-	-	(2,191,668)
Interest received	5,136	-	1,470
Net cash used in investing activities	<u>(236,632)</u>	<u>(82,090)</u>	<u>(2,404,496)</u>
FINANCING ACTIVITIES			
Net proceeds on issue of ordinary shares	-	-	5,422,126
Repayment of director's loan	-	-	(53,468)
Repayment of related party loan	(13,864)	-	(5,354)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	<u>(13,864)</u>	<u>-</u>	<u>5,363,304</u>
Net (decrease)/increase in cash and cash equivalents	(215,052)	(564,566)	1,887,996
Effect of foreign exchange rates on the balance of cash held in foreign currencies	(72,074)	-	11,700
Net (decrease)/increase in cash and cash equivalents	<u>(287,126)</u>	<u>(564,566)</u>	<u>1,899,696</u>
Cash and cash equivalents at the beginning of the financial period	3,391,356	1,491,660	1,491,660
Cash and cash equivalents at the end of the financial period	<u>3,104,230</u>	<u>927,094</u>	<u>3,391,356</u>

Collagen Solutions Plc

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim statement results for the six month period ending 30 September 2015 were approved by the Board of directors on 30 November 2015. The financial information contained in the interim report does not constitute statutory accounts within the meaning of section 434 (3) of the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the year ended 31 March 2015, upon which the auditors issued an unqualified opinion, did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006. The audited statutory accounts for the period ended 31 March 2015 have been lodged with the Registrar of Companies.

While the financial information included in this interim report has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, as adopted by the European Union (EU) (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS.

The Company is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The consolidated financial information of Collagen Solutions plc is presented in pounds sterling (£), which is also the functional currency of the Group.

2. SEGMENTAL REPORTING

Revenue information by geographical location:

	Unaudited six months ended 30 September 2015	Unaudited six months ended 30 September 2014	Audited year ended 31 March 2015
Europe	34,520	24,195	141,355
North America	846,036	119,018	545,659
Asia	561,310	-	285,832
	1,441,866	143,213	972,846

3. LOSS PER SHARE

The calculation of basic loss per ordinary share for the six months ended 30 September 2015 is based on losses of £449,487 and on 171,014,024 ordinary shares being the weighted average number of shares in issue during the period. The calculation of basic loss per ordinary share for the six months ended 30 September 2014 is based on losses of £560,831 and on 63,826,007 ordinary shares being the weighted average number of shares in issue during the period. The calculation of basic loss per ordinary share for the period ended 31 March 2015 is based on losses of £1,123,592 and on 96,409,178 ordinary shares being the weighted average number of shares in issue during the period.

The loss for the period and the weighted average number of ordinary shares for calculating the diluted loss per share for the six months ended 30 September 2015, the six months ended 30 September 2014 and the period ended 31 March 2015 are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per share and would therefore not be dilutive under the terms of International Accounting Standard ("IAS") No 33.

4. SEPARATELY IDENTIFIABLE ITEMS

Separately identifiable items in the period ended 31 March 2015 of £155,131 which related to the acquisition and integration costs of Southern Lights Ventures 2002 Limited are included within administrative expenses.

5. SHARE CAPITAL

On 11 September 2015, as part of the consideration for the acquisition of the ChondroMimetic assets, 434,950 ordinary shares were issued at a price of 11.658p. In addition, a further 434,950 ordinary shares will be issued over the subsequent two years as deferred consideration.

Options

At 30 September 2015, the Company had the following unissued ordinary shares of 1p each under the Company's share option schemes, details of which are as follows:-

Grant Date	Number	Option Price (pence)	Date from which exercisable	Expiry Date
29 March 2013	4,050,000	10	2 January 2014	28 March 2023
31 July 2014	388,349	7.88	2 January 2016	30 July 2024
24 November 2014	1,000,000	7.75	1 January 2017	23 November 2024
1 April 2015	500,000	9.625	1 April 2018	31 March 2025

Warrants

On 26 June 2015, the Company entered into a warrant instrument in respect of the subscription for 1,709,688 new ordinary 1p shares in Collagen Solutions Plc. Each warrant confers the right to subscribe for one ordinary share at a subscription price of 30p per ordinary share. The subscription rights under the warrants may be exercised at any time up to 25 June 2018.

6. INTERIM RESULTS

These results were approved by the Board of Directors on 30 November 2015. Copies of the interim report are available to the public from the Group's website, www.collagensolutions.co.uk. If you would like to receive a hard copy of the interim report please contact the Collagen Solutions Plc offices on +44 (0)141 648 9100 to request a copy.