



19 December 2016

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

**Half Year Report
*Interim Results for the six months ended 30 September 2016***

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 2016.

Financial Highlights

- Revenue and other income increased by 30% to £1,891,001 (H1 2015: £1,460,218)
- Adjusted LBITDA* of £418,308 (H1 2015: £79,376)
- Pre-tax loss of £983,313 (H1 2015: £356,537)
- Basic and diluted loss per share of 0.60p (H1 2015: 0.26p)
- Cash and cash equivalents of £1,657,193 at 30 September 2016 (31 March 2016: £2,493,146)

*excluding separately identifiable items

Operational Highlights

- Appointment of a new CEO, Jamal Rushdy
- Progress with lead "finished device" (ChondroMimetic) towards initiating 6-year retrospective study and re-establishing manufacturing and European approvals
- Initiated two additional "finished device" projects for wound repair and bone healing, addressing significant commercial opportunities in the orthopaedic and wound care markets
- Global commercial team has been strengthened with new hires in sales and marketing
- Commercial offices have been opened in Seoul, South Korea and Minneapolis, USA
- Completed several strategic initiatives to build sustainability and scalability in sales, marketing, OEM process and supply chain, including a Global branding launch
- Continued progress with our distribution channels in Asia and in China via our Cre8ive JV
- Invited to participate in a second Horizon 2020 grant funded research programme worth c. €500k to the Company over five years

Post Period End

- The management team has been strengthened by appointment of Kevin Darling as New Zealand General Manager.
- Distribution agreements have been signed for research markets in South Korea and Japan.

Jamal Rushdy, Chief Executive Officer of Collagen Solutions, commented: *"I am pleased to report on the continued momentum in our core biomaterials contract development, supply, and manufacturing business. Recent investment in sales and marketing, and in particular talent, systems and processes, has resulted in improved operational efficiency. In addition, our integration of R&D efforts globally has resulted in a more focused pipeline of near-term finished device projects that will address major markets in orthopaedics and wound care, including our flagship ChondroMimetic programme. We are on track to initiate a six-year retrospective study for ChondroMimetic with new data to demonstrate long-term tissue regeneration with 3D MRI analysis as well as sustainability of the early positive functional results, and in parallel obtain the CE mark in 2017. Together, we believe that the progress made during the period set the strategic foundations on which we will base our objective to grow our revenue by 5x within 5 years."*

About Collagen Solutions:

Collagen Solutions Plc is a global provider of medical grade collagen formulations and components for use in regenerative medicine, medical devices and in-vitro diagnostics and research. The capabilities of the Company include the provision of native, soluble and powdered collagen formulations, processed and semi-processed tissues such as pericardium, bone, and blood vessels, and expertise in the development and contract manufacture of collagen components for use as engineered tissue scaffolds and other medical devices. These products are used in a wide variety of applications including orthopaedics, cardiovascular, dental, plastic surgery, wound healing, neurology and urology. Collagen Solutions' unique offering extends beyond material supply and contract services through the highly skilled staff who support customers through the various stages of development and regulatory approval. For additional information, please visit www.collagensolutions.com.

Collagen Solutions Plc

David Evans, Chairman
Jamal Rushdy, CEO / Gill Black, CFO

Via Walbrook

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Chairman's Statement

I am pleased to present Collagen Solutions' interim results for the six-month period ended 30 September 2016. During the period, we saw substantial progress made, not only in solidifying our core business and strategy, but also in establishing a strong R&D pipeline of finished devices that will create additional value in the next several fiscal years.

The Group's vision is to become the industry's first choice for regenerative biomaterials by assisting customers in expediting the transition of their products from development through to manufacture. Further, we aim to provide cost effective, functional medical grade collagen materials and devices and also to develop our own finished 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 (including other income) has increased by around 30% over the H1 2015/16. Revenue growth has come both from our material supply and contract manufacturing activities.

We have refined our goal to create significant shareholder value by setting an ambitious, but achievable, target to grow our revenue by 5x within 5 years, and set upon a detailed multi-phase approach to achieve this:

- Revenue acceleration of core business with business-to-business sales and marketing investments, and improved processes
- Establishing channel partners in selected segments, including distributors for the research markets based in the USA, UK, South Korea and Japan
- Geographic expansion, such as in China with the Cre8ive JV
- Commercialisation through licensing and partnering of "finished devices" including ChondroMimetic, which represents a significant value-creating opportunity, followed by next stage products for wound and bone healing.

In September 2016, the Group was invited to join a second Horizon 2020 grant funded research programme, related to cell-based tissue regeneration techniques. The project is expected to begin in early 2017 and will run for approximately five years, over which Collagen Solutions will receive approximately €500,000 of European Union funding.

Results

The Group's results for the six months ended 30 September 2016 are set out in the Consolidated Statement of Comprehensive Income. Revenue (including other income) for the first six months was up significantly to £1,891,001 (H1 2015: £1,460,218), driven by new products and customers as well as increased revenues from existing customers. Administrative expenses (excluding separately identifiable items) were £1,341,652 (H1 2015: £898,284) reflecting the increase in headcount over the comparable period in the areas of R&D, quality, operations and finance and administration, and also the increased costs of additional office and production space. Selling and marketing costs were £417,143 (H1 2015: £266,300) due to the strengthening of the global commercial team, with four new hires in sales and marketing, together with the execution of various marketing initiatives. Adjusted LBITDA for the first six months was £418,308 (H1 2015: £79,376), and the basic and diluted loss per share 0.60p (H1 2015: 0.26p).

Net cash used in operations during the period was £696,751. The Group's cash balance at 30 September 2016 was £1,657,193 (31 March 2016: £2,493,146).

Board and management

In May 2016, we announced a leadership change which will allow the Group to accelerate its strategic plans and initiatives. Jamal Rushdy, who originally joined the senior management team as Chief Business Officer and has over 20 years' experience in the medical device arena took on the role of Chief Executive Officer. He has a track record of building businesses with successful exits and transforming organisations through integration and performance improvement. Under his direction, the Executive Team will focus on execution of the strategic plan.

Moving to the role of Chief Scientific Officer, Dr Stewart White, Collagen Solutions' founder, now leads our R&D and product-related corporate activities and is focusing on the Company's product development and innovation platform, whilst also realising further opportunities from the portfolio of IP asset acquired from Orthomimetics.

In October 2016, we appointed Kevin Darling as General Manager of our New Zealand operations to succeed Geoff Bennett. Kevin has 20 years commercial, sales and marketing and operational experience with organisations such as 3M (Medical), ensuring the continued scalability of this critical segment of our core business.

Geoff will transition to a Non-Executive role on 1 January 2017, bringing a balance to the composition of the Board and providing continuity and oversight of our New Zealand business.

Current Outlook

We now have greater clarity and visibility not only into our core business and near-term pipeline, but also with respect to specific strategic initiatives. Over the coming years, these initiatives will build upon the strong foundation of customers, people and technologies we have developed since the inception of the Group. In particular I am encouraged by the focus and resource dedication to our three main finished device projects, including the exciting progress being made with ChondroMimetic.

While we are still early in the transformation and acceleration of the Company, I believe we have made prudent investments in our core business and the management team is focused on the right priorities for sustainable growth towards our goals for this fiscal year.

In the longer term, I feel confident that our target of 5x revenue within 5 years is achievable, based upon the strategy that the management team is executing against.

I continue to be excited about the vision for Collagen Solutions to become the industry's first choice for regenerative biomaterials and thank you for your support.

David E Evans
Chairman

16 December 2016

Collagen Solutions Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Unaudited six months ended 30 September 2016	Unaudited six months ended 30 September 2015	Audited year ended 31 March 2016
	Notes	£	£	£
REVENUE		1,830,662	1,441,866	3,129,862
Cost of sales		(525,512)	(351,010)	(811,327)
Gross profit		1,305,150	1,090,856	2,318,535
Share-based compensation		(25,002)	(24,000)	(35,831)
Administrative expenses (excluding separately identifiable items)		(1,341,652)	(898,284)	(2,473,689)
Separately identifiable items	4	(294,229)	-	152,365
Total Administrative expenses		(1,635,881)	(898,284)	(2,321,324)
Selling and marketing costs		(417,143)	(266,300)	(333,426)
Other income		60,339	18,352	114,395
LOSS BEFORE INTEREST TAX DEPRECIATION AND AMORTISATION		(712,537)	(79,376)	(257,651)
Amortisation and depreciation		(206,224)	(155,593)	(346,569)
Finance income		2,106	5,136	10,262
Finance expense		(66,658)	(126,704)	(272,332)
LOSS BEFORE TAXATION		(983,313)	(356,537)	(866,290)
Taxation		(53,326)	(92,950)	(114,174)
LOSS FOR THE PERIOD		(1,036,639)	(449,487)	(980,464)
Attributable to:				
Owners of the parent		(1,026,955)	(449,487)	(980,464)
Non-controlling interest		(9,684)	-	-
		(1,036,639)	(449,487)	(980,464)
Currency translation difference		1,387,568	(225,047)	(113,585)
Other comprehensive income/(loss)		1,387,568	(225,047)	(113,585)
TOTAL COMPREHENSIVE GAIN/(LOSS) FOR THE PERIOD		350,929	(674,534)	(1,094,049)
Attributable to:				
Owners of the parent		351,597	(674,534)	(1,094,049)
Non-controlling interest		(668)	-	-
		350,929	(674,534)	(1,094,049)
Basic and diluted loss per share – pence attributed to owners of the parent	3	(0.60p)	(0.26p)	(0.57p)

Collagen Solutions Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 March 2016
ASSETS				
Non-current assets	Notes			
		£	£	£
Intangible assets		14,326,420	12,883,225	12,971,078
Property, plant and equipment		1,250,552	892,443	1,160,852
		<u>15,576,972</u>	<u>13,775,668</u>	<u>14,131,930</u>
Current assets				
Inventories		410,081	213,842	264,074
Trade and other receivables		851,529	523,785	636,044
Cash and cash equivalents		1,657,193	3,104,230	2,493,146
		<u>2,918,803</u>	<u>3,841,857</u>	<u>3,393,264</u>
Total assets		<u><u>18,495,775</u></u>	<u><u>17,617,525</u></u>	<u><u>17,525,194</u></u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	5	1,841,213	1,759,038	1,759,038
Share premium		8,835,508	7,845,973	7,892,330
Share-based payment reserve		112,226	75,393	87,224
Shares to be issued reserve		1,025,353	-	2,050,706
Merger reserve		4,531,798	4,578,155	4,531,798
Non-controlling interest reserve		132,665	-	-
Translation reserve		1,537,970	47,956	159,418
Retained deficit		(3,611,009)	(2,053,077)	(2,584,054)
Total equity		<u>14,405,724</u>	<u>12,253,438</u>	<u>13,896,460</u>
Non-current liabilities				
Deferred tax		235,992	271,551	253,112
Other financial liabilities		2,538,779	2,541,703	2,437,100
Borrowings		60,138	64,542	62,837
		<u>2,834,909</u>	<u>2,877,796</u>	<u>2,753,049</u>
Current liabilities				
Trade and other payables		888,721	409,396	829,354
Income tax liabilities		15,293	74,392	-
Other financial liabilities		325,703	1,984,829	25,353
Borrowings		25,425	17,674	20,978
		<u>1,255,142</u>	<u>2,486,291</u>	<u>875,685</u>
Total liabilities		<u>4,090,051</u>	<u>5,364,087</u>	<u>3,628,734</u>
Total liabilities and equity		<u><u>18,495,775</u></u>	<u><u>17,617,525</u></u>	<u><u>17,525,194</u></u>

Collagen Solutions Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share Capital	Share Premium Account	Share-Based Payment Reserve	Shares to be issued Reserve	Merger Reserve	Translation Reserve	Retained Deficit	Total	Non-Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£	£	£
As at 1 April 2015	1,754,689	7,845,973	51,393	-	4,531,798	273,003	(1,603,590)	12,853,266	-	12,853,266
Issue of shares on acquisition of assets	4,349	-	-	-	46,357	-	-	50,706	-	50,706
Total transactions with owners in their capacity as owners	4,349	-	-	-	-	-	-	50,706	-	50,706
Share Based Compensation	-	-	24,000	-	-	-	-	24,000	-	24,000
Loss for period	-	-	-	-	-	-	(449,487)	(449,487)	-	(449,487)
Currency translation difference	-	-	-	-	-	(225,047)	-	(225,047)	-	(225,047)
Loss and total comprehensive income for period	-	-	-	-	-	(225,047)	(449,487)	(674,534)	-	(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	-	12,253,438
Shares to be issued to Collbio vendors as contingent consideration	-	-	-	2,000,000	-	-	-	2,000,000	-	2,000,000
Shares to be issued on acquisition of assets	-	46,357	-	50,706	(46,357)	-	-	50,706	-	50,706
Share Based Compensation	-	-	11,831	-	-	-	-	11,831	-	11,831
Loss for period	-	-	-	-	-	-	(530,977)	(530,977)	-	(530,977)
Currency translation difference	-	-	-	-	-	111,462	-	111,462	-	111,462
Loss and total comprehensive income for period	-	-	-	-	-	111,462	(530,977)	(419,515)	-	(419,515)
As at 31 March 2016	1,759,038	7,892,330	87,224	2,050,706	4,531,798	159,418	(2,584,054)	13,896,460	-	13,896,460
Issue of shares on acquisition of assets	2,175	23,178	-	(25,353)	-	-	-	-	-	-
Issue of shares to Collbio vendors	80,000	920,000	-	(1,000,000)	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	82,175	943,178	-	(1,025,353)	-	-	-	-	-	-
Share Based Compensation	-	-	25,002	-	-	-	-	25,002	-	25,002
Non-controlling interest share of net assets	-	-	-	-	-	-	-	-	133,333	133,333
Loss for period	-	-	-	-	-	-	(1,026,955)	(1,026,955)	(9,684)	(1,036,639)
Currency translation difference	-	-	-	-	-	1,378,552	-	1,378,552	9,016	1,387,568
Loss and total comprehensive income for period	-	-	-	-	-	1,378,552	(1,026,955)	351,597	(668)	350,929
As at 30 September 2016	1,841,213	8,835,508	112,226	1,025,353	4,531,798	1,537,970	(3,611,009)	14,273,059	132,665	14,405,724

Collagen Solutions Plc
CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2016

	Unaudited six months ended 30 September 2016	Unaudited six months ended 30 September 2015	Audited year ended 31 March 2016
	£	£	£
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation	(983,313)	(356,537)	(866,290)
Share based compensation	25,002	24,000	35,831
Depreciation	114,126	72,505	175,039
Amortisation	92,098	83,088	171,350
Increase/(decrease) in contingent consideration	294,229	-	(192,393)
Finance expense	66,658	126,704	272,332
Finance income	(2,106)	(5,136)	(10,261)
Loss on sale of property, plant and equipment	-	-	(689)
Increase in inventories	(136,061)	(5,289)	(47,773)
(Increase)/decrease in trade and other receivables	(140,561)	87,673	(9,954)
Increase in trade and other payables	22,056	75,427	479,308
CASH (USED IN)/GENERATED FROM OPERATIONS	(647,872)	102,435	6,680
Interest paid	(3,513)	(3,160)	(7,844)
Taxation paid	(45,366)	(63,831)	(193,657)
Net cash (used in)/generated from operations	(696,751)	35,444	(194,821)
INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	-	-	746
Payments to acquire property, plant and equipment	(98,915)	(149,245)	(464,327)
Payments to acquire licensed IP, patents and intangibles	(70,803)	(92,523)	(206,692)
Interest received	2,106	5,136	10,261
Payment of deferred consideration	(25,353)	-	-
Net cash used in investing activities	(192,965)	(236,632)	(660,012)
FINANCING ACTIVITIES			
Repayment of related party loan	(11,050)	(13,864)	(25,591)
NET CASH USED IN FINANCING ACTIVITIES	(11,050)	(13,864)	(25,591)
Net decrease in cash and cash equivalents	(900,766)	(215,052)	(880,424)
Effect of foreign exchange rates on the balance of cash held in foreign currencies	64,813	(72,074)	(17,786)
Net decrease in cash and cash equivalents	(835,953)	(287,126)	(898,210)
Cash and cash equivalents at the beginning of the financial period	2,493,146	3,391,356	3,391,356
Cash and cash equivalents at the end of the financial period	1,657,193	3,104,230	2,493,146

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 2016 were approved by the Board of Directors on 16 December 2016. 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 2016, 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 2016 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 2016	Unaudited six months ended 30 September 2015	Audited year ended 31 March 2016
	£	£	£
Europe	187,348	34,520	146,744
North America	979,984	846,036	1,808,103
Asia	663,330	561,310	1,175,015
	1,830,662	1,441,866	3,129,862

3. LOSS PER SHARE

The calculation of basic loss per ordinary share for the six months ended 30 September 2016 is based on losses of £1,026,955 and on 172,391,708 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 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 period ended 31 March 2016 is based on losses of £980,464 and on 171,210,108 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 2016, the six months ended 30 September 2015 and the year ended 31 March 2016 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 six months ended 30 September 2016 of £294,229 relate to unrealised translation losses on the conversion of deferred contingent consideration payments due in New Zealand Dollars for the acquisition of Southern Lights Ventures 2002 Limited in December 2014.

Separately identifiable items in the year ended 31 March 2016 of £152,365 related to the release of the contingent consideration provision due to the reassessment of the earn-out payable for the acquisition of Collagen Solutions LLC.

5. SHARE CAPITAL

On 9 September 2016, eight million ordinary shares were issued in relation to the first earn-out tranche to the vendors of the Collbio Group pursuant to our obligations under the Share Purchase Agreement dated January 2014.

Also on 9 September 2016, 217,475 ordinary shares were issued as part of the consideration for the ChondroMimetic assets. A further 217,475 ordinary shares will be issued in September 2017 as further deferred consideration for these assets.

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
15 December 2015	3,300,000	8.888	15 December 2018	14 December 2025
14 July 2016	2,700,000	8.125	14 July 2016	13 July 2026

6. INVESTMENT IN JOINT VENTURE – CRE8IVE COLLAGEN LIMITED

On 23 April 2016, the Company signed an agreement with China Resources & Investment Vehicle Limited to establish a company to carry on business within the People's Republic of China. The new entity, Cre8ive Collagen Limited, is a Hong Kong registered company. The Group holds a 60% shareholding in the new company and retains operational control, and as such has accounted for this company as a subsidiary. An investment of £200,000 has been made to fund initial operations.

7. INTERIM RESULTS

These results were approved by the Board of Directors on 16 December 2016. Copies of the interim report are available to the public from the Group's website, www.collagensolutions.com. 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.