



The small company specialists

COMPANY INFORMATION

AorTech International plc (LSE:AOR)

Info sheet compiled March 2006

Company Eye Ranking

25/50

EDITOR'S NOTE

AorTech International owns the intellectual property surrounding the polymer Elast-Eon. The company has shown a range of lucrative applications for Elast-Eon from artificial heart valves to second generation breast implant. The company has increased turnover and gross profit in the last year, although is still loss making.

In our opinion AorTech has a good starting point and if any of the second generation products in development take off profits will quickly follow. However, the company, although it was formed in 1997, must be viewed as being in the early stages of development and therefore it is a high risk investment.

2 YEARS CHART/RSI - 14



FUNDAMENTALS

Company Name	AorTech International plc
Current Price	565 p..
Status	AIM
Market Cap	£21.05 m
Price-To-Book Ratio	4.2
Shares in Issue	3,810,278
Activities	Development and exploitation of a range of innovative biomaterials
Sector	Pharmaceuticals & Biotechnology
Corporate advisor	Evolution Securities Ltd
Registrar	Lloyds TSB

HISTORY

AorTech Biomaterials was formed in July 1997 to commercialise a range of medical grade polyurethanes for medical implants developed by the Commonwealth Scientific and Industrial Research Organization (CSIRO). The company owns all of the intellectual property to

exploit Elast-Eon polyurethanes. It was fully acquired by AorTech in March 2000. In January 2003 the board of AorTech decided to concentrate future activity on the Company's biomaterials business and its research and development programme for the polymer heart valve.

THE BUSINESS

AorTech International plc, through its subsidiaries, is engaged in ownership of tri-leaflet heart valve intellectual property and the development of new biostable polyurethanes, operating principally in

Australia. The Company's subsidiaries include AorTech Biomaterials Limited (formerly AorTech Europe Limited), AorTech Critical Care Limited and AorTech Biomaterials Pty Limited.



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ACTIVITIES

The Group's principal activity is developing and exploiting a range of innovative biomaterials. The Group's operation focuses on commercialising a range of medical grade polyurethanes for medical implants known as Elast-Eon. The Group provides a wide range of high performance Elast-Eon materials to be used in a variety of application specific formulations and densities, for use in medical devices. The applications comprise long-term implantable life supporting devices in the fields of cardiovascular surgery, interventional cardiology, drug-eluting stents and cardiac rhythm management. The Group operates in the United Kingdom and Australia.

Elast-Eon

The remarkable biostability of Elast-Eon materials makes them ideally suited for use in a vast range of common medical devices, where silicon or silicon gel can no longer be used due to the possibility of implant deterioration or adverse allergic reactions.

Though Elast-Eon is created by combining both polyurethane elastomers and silicon gel, the resultant copolymers are robust, biologically stable and compatible with the human body. This presents manufacturers with exiting new product development prospects that could revolutionize the medical device market.

Elast-Eon products are now available in a wide variety of formulations, ranging from very flexible to rigid. What's more the density and mechanical

properties of these materials can be further refined to meet the precise requirements of clinicians and medical device designers.

The first generation of Elast-Eon products were developed for critical, life supporting applications in the fields of cardiovascular surgery, interventional cardiology, cardiac rhythm management and drug delivery.

The second generation of Elast-Eon products is currently being developed within the framework of a strategic alliance with the Molecular Science Division of the Commonwealth Scientific and Industrial Research Organization (CSIRO).

These new materials are suitable for applications in a wide a range of therapy areas including orthopaedic and plastic surgery.

A grade of Elast-Eon has also been developed with the specific intent of addressing the strength and safety concerns that exist with the current breast implant products.

A gel grade of Elast-Eon has been developed to address the need for breast implant filler which has a natural feel but without the problem of gel bleed which has traditionally plagued silicone gel fillers. The viscoelastic profile of the gel can be tailored across a wide range, and a soft elastic gel has been selected to resemble the properties of natural breast tissue. Feasibility and prototype device phases are complete and the company is actively seeking a corporate partner.

STRATEGY

The Company is starting to re-emerge as an early stage biomaterials business with the opportunity to grow into a more substantial company operating in a number of high growth markets.

The Strategy of Aortech is to build a profitable, cash positive, polymer licensing and supply business and to leverage that base with selected device

development projects with high potential returns, such as heart valves and breast implants.

At present revenue from the licensing and supply of Elast-Eon materials is currently generated through:

- Up-front license fees
- Milestone payments
- Product Royalties
- Material Supplies

DEVELOPMENT HIGHLIGHTS

30th October 2006 – Victorian Treasurer, Mr John Brumby, opens AorTech Biomaterials' new Research, Development and Synthesis Centre at Scoresby, Victoria, Australia.

25th November 2005 – FDA Approval of a long-term implantable, life sustaining device utilizing its polymer technology, Elast-Eon™.



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NEW GROWTH OPPORTUNITIES

AorTech is firmly focused on the development and refinement of polymeric material technologies for the medical community. Its aim is to provide a wide

range of high performance Elast-Eon materials, in a variety of application specific formulations and densities, for use in medical devices.

DIRECTORS

Jon Pither - Chairman

Jon is a graduate of Cambridge University. He was formerly the Managing Director of Amari plc and a Director of Selection Trust plc, Glynweld International plc and the London Metal Exchange as well as a Council Member of the the CBI and President of The Aluminium Federation. He is currently Chairman or a Director of a number of public companies including Jourdan plc, Active Capital Trust plc and The Alumasc Group plc.

He is Chairman of the Audit committee and a member of the Remuneration and Nominations Committees. Jon is 69 years old

Frank Maguire - CEO

Frank has 25 years of business development and general management medical device experience with companies such as American Hospital Supply Corporation, C.R. Bard, and Baxter Healthcare and more recently as President of Imaging and Power Systems. He participated in the start up of Symbion

as Director of Operations and as the Vice-President and General Manager of Baxter Research Medical. He holds a BA in Economics from the State University of New York where he attended as a Regent's Scholar and an MBA from Golden Gate University, San Francisco, CA.

Frank joined AorTech on 1 July 2002 and was appointed to the Board as CEO on 1 July 2003. Frank is 51 years old.

James Gordon Wright – Non-Executive Director

James represents Caricature Investments Limited which owns 447,107 shares in the Company, being approximately 11.7% of the issued share capital.

Edward McDaid - Non-Executive Director

Edward represents Melody Investments Limited and PKF Trustees Limited, which have a combined interest in 499,383 shares, being approximately 13.1% of the issued share capital.

OUTLOOK

Over the coming year the early adopters of Elast-Eon technology are expected to be in the fields of cardiology, orthopaedics and urology. This should provide the momentum for moving this segment of the business forward. The company has prepared operations for this new business and are confident of its product quality, capacity of manufacturing and new cost basis.

During the same period, the Company expects to be

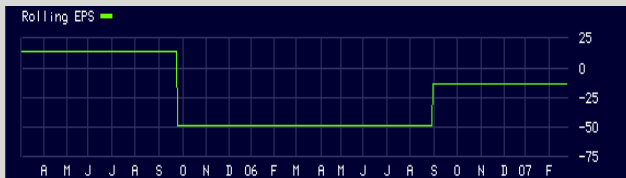
announcing significant developments in the use of Elast-Eon in orthopaedic applications and anticipates the formation of a co-development partnership with an industry partner for their heart valve technology. During the second half of the current financial year, the Board expects revenues to begin to increase meaningfully and anticipates that this trend will continue into the next financial year. Current trading remains in line with the Board's expectations.



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2 YEARS ROLLING EPS



2 YEARS MONEY FLOW



SHAREHOLDINGS

	Number	%
ISIS Asset Management	950,000	24.93
Edward McDaid	375,383	9.85

	Number	%
Gordon Wright	347,107	9.11
Man Financial Ltd	115,543	3.03

FINANCIAL HISTORY

Profit and loss account for 6 months to 30th Sept 2006

£	6 months to 30th Sept 2006	Year ended 31st March 2006
Turnover	119,078	1,424,944
Cost of sales	(78,771)	(222,751)
Gross profit	40,307	1,202,193
Net operating expenses	(1,127,807)	(1,867,740)
Development expenditure	(371,353)	(634,292)
Amortisation of intangible fixed assets	(47,855)	(99,491)
Loss on ordinary activities before interest	(1,087,500)	(665,547)
Interest receivable	53,334	142,199
Loss on ordinary activities before taxation	(1,034,166)	(523,348)
Taxation	-	-
Loss for the financial period	(1,034,166)	(523,348)
Loss per ordinary share	(27.14p)	(13.74p)

Balance Sheet as at 30th September 2006

£	As at 30th September 2006	As at 31st March 2006
Intangible assets	1,269,267	1,360,209
Tangible assets	537,466	239,775
Fixed assets	1,806,733	1,599,984
Stocks	91,144	139,637
Debtors	315,406	1,304,424
Cash at bank	2,335,526	2,715,804
Current assets	2,742,076	4,159,865
Creditors: amounts falling due within one year	(284,349)	(508,371)
Net current assets	2,457,727	3,651,494
Total assets less current liabilities	4,264,460	5,251,478
Creditors: amounts falling due after more than one year	(279,050)	(144,297)
Net assets	3,985,410	5,107,181
Capital and reserves	-	-
Called up share capital	9,525,695	9,525,695
Other reserve	(2,003,143)	(2,003,143)
Profit & Loss account	(3,537,142)	(2,415,371)
Equity shareholders' funds	3,985,410	5,107,181

RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its

recipients. Before making an investment decision, prospective investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on



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the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no

certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

CONTACT

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Barclays Bank House,
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Surbiton,
Surrey,
KT6 4NS

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	30
Customers	20
Low cost	30
Management	35
- corporate governance	
- quality	
- shareholding	
Product	30
Sector	30
Financial evaluation	
Early and profitable exit potential	
Financial strength	10
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	15
Risk	
Overall average rating	25



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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's value chain of activities, such as

easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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