

Press Information

Interim results for the six months ended 30 June 2006

London, UK, 11 September 2006 – Lombard Medical Technologies PLC (AIM: LMT), the specialist medical device company, today announces its interim results for the six months ended 30 June 2006.

Operational highlights

- European CE Mark approval and launch of improved version of Aorfix™ in April
- Strengthening of sales and marketing infrastructure in UK and key European markets
- Release of positive 24-month clinical data for Aorfix™
- Retention of world-wide rights to Aorfix™
- Start of pivotal US clinical trial for Aorfix™ to treat abdominal aortic aneurysms (AAAs)
- Establishment of US infrastructure to support US clinical trials
- European CE Mark submission of endovascular stapler in June
- Research agreement with Amgen and University of Sheffield to develop new combination of drug and drug eluting polymer to treat coronary stent restenosis

Financial highlights

- 117% increase in H1 revenue to £180,000 (H1 2005: £83,000) – exceeds sales in whole of 2005 (£169,000)
- Operating loss before goodwill amortisation, share based compensation and exceptional items increased by £1.7m to £4.5m (H1 2005: £2.8m)
- Net cash at 30 June 2006 of £9.6m

Commenting on the results, Alistair Taylor, Chairman of Lombard, said:

“Sales of Aorfix™ have continued to show good growth in the first half of the year and this has accelerated in July and August. There has been a solid increase in demand for the product as we expand our own sales and marketing efforts throughout Europe.

We have outstanding 12 and 24 month clinical data, which shows that Aorfix™ has 100% freedom from migration, fracture, rupture and device related endoleak, and we are confident that our product remains on course to become the product of choice for the treatment of AAA.”

Enquiries:

Lombard Medical Technologies PLC

Alistair Taylor, Executive Chairman
Brian Howlett, Chief Executive Officer
Tim Hall, Finance Director

Tel: 01235 750 800

Financial Dynamics

David Yates / John Gilbert

Tel: 020 7831 3113

Notes to editors

About Lombard Medical

Lombard Medical Technologies is a medical devices company developing stent grafts and other medical products for use in the treatment of vascular disease. The Company's lead product, Aorfix™, is a stent graft for the treatment of aortic aneurysms, a balloon-like enlargement of the aorta which, if untreated, may rupture and cause death. Abdominal and thoracic aortic aneurysms are the 13th largest cause of death in the US and the market is estimated to be worth approximately US\$2 billion by 2010. Aorfix™ is currently being commercialised in the EU, with US clinical trials expected to commence during 2006. The Company also has a research programme running with Amgen and the University of Sheffield to develop a drug eluting stent with a new drug and polymer combination to treat coronary stent restenosis.

Lombard Medical has recently successfully completed its initial public offering on AIM and was admitted to listing in December 2005, raising £23.9 million, net of expenses. The Company, based in Oxfordshire & Yorkshire, currently employs 85 people.

Further background on the Company can be found at www.lombardmedical.com.

Chairman and Chief Executive's Review

We recently announced in respect of our agreement with Boston Scientific Limited ("Boston") that it was not in the interests of either party at the present time for Boston to exercise its option to act as exclusive distributor of the Company's Aorfix™ abdominal and thoracic stent grafts outside the USA.

In anticipation of this possibility, we have been strengthening our sales and marketing infrastructure in the UK and in key European markets over the past few months, notably in Italy, France, Spain and Germany. We have also recently signed up several new local distributors in Italy, Poland, Slovenia, Spain and Turkey, which will further widen our geographic presence and bring the total number of countries in which Aorfix™ is sold to 16.

Orders for Aorfix™ have started to show promising growth in the summer months as the investment in sales and marketing infrastructure started to bear fruit and clinicians become increasingly aware of the growing body of superior clinical data for the product. Sales of Aorfix™ in the two months to 31 August 2006 exceeded those in the whole of H1 2006. The twenty-four month clinical data presented just this past Saturday at the Cardiovascular and Interventional Radiological Society of Europe (CIRSE) meeting in Rome is exceptionally good with 100 per cent (n=18) of cases showing freedom from AAA-related mortality, aneurysm rupture, stent migration, stent fracture and device related endoleak. Furthermore, there were no device related clinical treatments in any of the samples and a decrease in aneurysm diameter was measured in 83 per cent (n=18) of cases. This excellent clinical data taken together with the growing body of evidence suggesting that Aorfix™ is the only stent graft that can successfully treat abdominal aortic aneurysms in severely angulated necks, gives grounds for considerable optimism for the prospects for Aorfix™. An improved, more flexible, delivery system for Aorfix™, which facilitates the use of the device in patients with tortuous vasculature, was launched in April 2006 and has been well received.

One of the Company's key objectives is the maintenance of high standards of production reliability and continuous quality improvement. It has experienced some delays in recent months in certain product shipments as a result of meeting the challenges of moving from development to commercial manufacturing operations. These challenges have now been met and overcome and the Company is in the process of confirming plans to ensure that we have sufficient capacity to meet forecast demand in the long-term.

- ***Developments within the Cardiovascular Devices Division***

Although later than planned, due to delays in negotiating clinical contracts and a short-term OEM supply problem, the pivotal US clinical trial of the Aorfix™ endovascular stent graft in the treatment of abdominal aortic aneurysms (PYTHAGORUS) is now gaining momentum as nine of the anticipated initial ten centres have signed up. A meeting of key US clinical investigators took place in August in which support for Aorfix™ was expressed with particular interest being shown for the product's unique ability to treat aneurysms with tortuous iliac arteries or with neck angulations of 60+ degrees (approximately 40 per cent of cases). Dr Peter Phillips the former Managing Director of the Cardiovascular Devices Division has been appointed President of the Company's US operations and relocated to Boston during the summer. This appointment along with the recruitment of the first of two clinical specialists is expected to add further impetus to the trial's progress in coming months. The Company is aiming to complete all anticipated implants by the end of 2007. Approval of Aorfix™ in the treatment of AAA cases in the USA is anticipated in 2009.

The Arbiter II trial in Europe that will result in Aorfix™ being licensed for use in aneurysms with neck angulations of greater than 60 degrees (no competing stent grafts are currently licensed for use in such cases) has recently commenced with most centres due to start recruiting in October.

Progress on the stent graft for thoracic aortic aneurysms (TAAs) has been slower than anticipated. However, preclinical experience with this device has been very positive and the Company expects

both European and US clinical trials to start in the second half of next year with European approval being received in H1 2009 followed by US approval up to two years later.

European CE Mark submission of the endovascular stapler occurred in June and approval is expected by the end of the year with FDA approval now expected in the second half of 2007. The Company is currently in late-stage contract negotiations with a major medical device company with respect to the distribution and licensing of certain rights to this product. This product has potential in a range of different applications and, as such, it is considered to be in the Company's interests to retain certain rights for the time being. Heads of terms have been agreed that could allow the Company to retain more rights than originally envisaged and could lead to the receipt of a \$3m milestone payment upon FDA approval in 2007. Furthermore, subsequent to FDA approval, the Company expects to enjoy appropriate margins as volumes increase and US sales become subject to agreed minima. A joint product launch is anticipated in November 2006.

Anticipated timings for the development of the devices within the cardiovascular division are summarised in the table below:

	<i>Aorfix™</i>		<i>Endostapler</i>
	<i>AAA</i>	<i>TAA</i>	
Device development	Complete	Complete	Complete
EU clinical trials	Complete	H2 2007	n/a
EU approval and commercialisation	Complete	H1 2009	H2 2006
US clinical trials	Ongoing	Commence Q4 2007	Q1 2007
US FDA submission	Q1 2009	~ 2010	Q2 2007
US approval	Q4 2009	~ 2010	H2 2007

- ***Developments within the Polymer Coatings Division***

There have been several positive developments at the Company's Polymer Coatings Division including:

- a collaboration with Amgen relating to the use of the Company's technology to deliver Amgen's proprietary anti-inflammatory drug via a drug eluting stent for the prevention of coronary restenosis. Pre-clinical trials are due to start later this year;
- the signing of a letter of intent to enter into a collaboration with Axordia Ltd, a UK stem cell company spun-out of the University of Sheffield, to develop a new generation of stent technology that combines Axordia's unique proprietary stem-cells with Lombard's PEP™ polymer coating on drug eluting stents.

Financial Review

Revenues in the first half of 2006 increased by 117% to £180,000 (H1 2005: £83,000) of which £21,000 (H1 2005: £nil) related to contract development work performed at our Polymer Coatings Division.

The gross profit of £36,000 (H1 2005: loss of £47,000) generated by these revenues was depressed by costs related to moving Aorfix™ into commercial manufacture.

Investment in research and development increased by £1.1m to £2.2m (H1 2005: £1.1m) primarily due to costs relating to the PYTHAGORUS trial in the USA and the testing of the improved version of Aorfix™ prior to its launch in April.

Administrative expenses increased by £1.4m to £3.5m (H1 2005: £2.1m). Part of this increase arose from the adoption of FRS 20 "Share-based payment" that resulted in a share based compensation expense, primarily related to the Company's share options, of £0.6m in H1 2006 (H1 2005: £nil). The increase also reflected the ramping-up of sales and marketing activities with such costs increasing by £0.6m over the prior period. The remainder of the increase arose from foreign exchange losses on US dollar deposits, an increase in goodwill amortisation and increases in general and administrative expenses to support the increased activity in manufacturing, R&D and sales and marketing.

Net interest receivable of £0.4m compared positively to the net interest payable on loans and preference shares of £1.0m in H1 2005.

R&D tax credits are only recorded on receipt of confirmation of a claim. In the first half of 2006 a R&D tax credit of £0.1m (H1 2005: £nil) was received in respect of 2004.

The loss for the period was £5.2m a 21% increase over the prior period (H1 2005: £4.3m).

The net loss per share fell to 10.6p (H1 2005: 76.0p) despite the increased losses as the weighted average number of shares increased from 5.7m in H1 2005 to 49.3m in H1 2006 arising from the conversion of preference shares and the placing on admission to AIM in December 2005.

The net cash outflow in the period was £6.8m of which £2.0m arose from the distribution to minority shareholders of Lombard Medical Plc upon its members' voluntary liquidation. As at 30 June 2006 the Company had cash and short-term deposits of £9.6m. Headcount at 30 June 2006 was 73 (31 December 2005: 49).

Summary and Outlook

The Company has transitioned this year from a primarily development organisation with the addition of growing manufacturing and marketing functions. We have already successfully implanted over 170 Aorfix™ stent grafts and have an increasing demand pipeline of over 80 units. We have shown continued progression in our coatings division with exciting projects with Amgen and Axordia in the \$6 billion drug eluting stent market and we are in the final stages of negotiation with a major medical devices company for the marketing and distribution of our award winning endostapler.

Aorfix™ remains the only commercially available AAA stent graft in the world able to handle tortuous iliacs and aortic aneurysms with angulations of greater than 60 degrees, and since we have retained the worldwide distribution rights, our growing number of distributors in the EU have showed increased interest and confidence.

The Company's prospects look promising with the continued strong sales growth of Aorfix™ as it further expands into Europe and progresses its US clinical trial, the announcement of a distribution and licensing agreement for our endostapler with a major medical devices company, and the exciting developments in the Company's coatings division.

Consolidated Profit and Loss Account
for the six months ended 30 June 2006

		6 months ended 30 June 2006 (unaudited)	6 months ended 30 June 2005 (audited)	Year ended 31 December 2005 (audited) Restated
	Note	£'000	£'000	£'000
Turnover	2	180	83	169
Cost of sales		(144)	(130)	(87)
Gross profit/(loss)		36	(47)	82
Research and development expenses		(2,210)	(1,132)	(3,157)
Administrative expenses (including exceptional items)		(3,540)	(2,147)	(6,932)
Development and administrative expenses (inc. exceptional items)		(5,750)	(3,279)	(10,089)
<i>Operating loss before goodwill amortisation, share based compensation and exceptional items</i>		(4,459)	(2,786)	(6,749)
<i>Share based compensation expense</i>		(631)	-	(223)
<i>Exceptional items</i>		-	-	(1,754)
<i>Amortisation of goodwill</i>		(624)	(540)	(1,281)
Operating loss		(5,714)	(3,326)	(10,007)
Net interest receivable/(payable) and similar income/(charges)		397	(973)	(1,949)
Loss on ordinary activities before taxation		(5,317)	(4,299)	(11,956)
Tax credit on loss on ordinary activities		107	-	-
Loss for the period	4	(5,210)	(4,299)	(11,956)
Basic and diluted loss per share (pence)	3	(10.56)	(76.02)	(151.23)

All activity relates to continuing operations.

The Group has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the period stated above, and their historical cost equivalents.

Prior periods have been restated in accordance with FRS 20 "Share-based payment" (see Note 1).

Consolidated Balance Sheet
as at 30 June 2006

		30 June 2006 (unaudited)	30 June 2005 (audited)	31 December 2005 (audited)
	Note	£'000	£'000	£'000
Fixed assets				
Intangible assets		1,567	2,115	2,215
Tangible assets		332	291	301
Investments – unquoted		2,825	2,825	2,825
		4,724	5,231	5,341
Current assets				
Stocks		443	343	318
Debtors		436	488	475
Cash at bank and in hand		9,574	20	16,342
		10,453	851	17,135
Creditors: amounts falling due within one year		(1,855)	(20,071)	(2,893)
Net current assets/(liabilities)		8,598	(19,220)	14,242
Net assets/(liabilities)		13,322	(13,989)	19,583
Capital and reserves				
Called up share capital	4	4,222	114	4,201
Share premium account	4	25,537	-	25,420
Other reserves	4	11,118	-	11,118
Profit and loss account	4	(27,555)	(15,542)	(22,976)
Shareholders' funds/(deficit)		13,322	(15,428)	17,763
Equity minority interests		-	1,439	1,820
Capital employed		13,322	(13,989)	19,583

Consolidated Cash Flow Statement
for the six months ended 30 June 2006

	6 months ended 30 June 2006 (unaudited)	6 months ended 30 June 2005 (audited)	Year ended 31 December 2005 (audited)	
Note	£'000	£'000	£'000	
Net cash outflow from operating activities	5	(5,135)	(2,621)	(7,637)
Returns on investment and servicing of finance				
Interest received	282	2	49	
Interest paid	-	(77)	(452)	
Net cash inflows/(outflows) from returns on investments and servicing of finance	282	(75)	(403)	
Taxation received	107	59	209	
Capital expenditure and financial investment				
Purchase of investments	-	(230)	(231)	
Purchase of intangible fixed assets	-	-	(423)	
Purchase of tangible fixed assets	(148)	(37)	(94)	
Net cash outflow from capital expenditure and financial investment	(148)	(267)	(748)	
Acquisitions and disposals				
Payment arising from the distribution to the minority shareholders of Lombard Medical Plc upon its members' voluntary liquidation	(2,013)	-	-	
Net cash outflows from acquisitions and disposals	(2,013)	-	-	
Net cash outflow before financing	(6,907)	(2,904)	(8,579)	
Financing				
Issue of ordinary shares	157	-	26,181	
Issue of preference shares	-	-	3,150	
Share issue expenses	(18)	-	(2,121)	
Loans advanced	-	1,346	1,550	
Repayment of loans	-	-	(3,342)	
Net cash inflow from financing	139	1,346	25,418	
(Decrease)/increase in cash in the period	(6,768)	(1,558)	16,839	

Notes to the Financial Information

for the six months ended 30 June 2006

1 Basis of Preparation of Interim Financial Information

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full proceeding year is based on the statutory accounts for the financial year ended 31 December 2005. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The accounting policies applied are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2005, except for the adoption of Financial Reporting Standard 20 "Share-based payment" which is mandatory for annual periods beginning on or after 1 January 2006. A charge arises in respect of the fair value of share options and warrant instruments, and prior amounts have been restated for the application of this standard.

2 Revenue Analysis

	6 months ended 30 June 2006	6 months ended 30 June 2005	Year ended 31 December 2005
Turnover by business:	£'000	£'000	£'000
Cardiovascular devices	159	83	169
Polymer coatings	21	-	-
	180	83	169
Turnover by destination:			
United Kingdom and Europe	173	83	160
United States of America	7	-	9
	180	83	169

Analyses by business are based on the Group's management structure and turnover between business segments is immaterial.

3 Loss per Share

The diluted earnings per ordinary share are identical to those used for the basic earnings per ordinary share as the exercise of share options and conversion of preference shares would have had the effect of reducing the loss per ordinary share and are therefore not dilutive.

Reconciliations of the losses and weighted average number of shares used in the calculations are set out below:

	6 months ended 30 June 2006	6 months ended 30 June 2005	Year ended 31 December 2005
Loss attributable to ordinary shareholders (£'000)	(5,210)	(4,299)	(11,956)
Weighted average number of ordinary shares ('000)	49,344	5,655	7,906
Basic and diluted loss per share (pence)	(10.56)	(76.02)	(151.23)

4 Reconciliation of Shareholders' Funds and Movements on Reserves

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Other reserves £'000	Share- holders' funds £'000
At 31 December 2005	4,201	25,420	(22,976)	11,118	17,763
Loss for the period	-	-	(5,210)	-	(5,210)
Issue of ordinary shares	21	136	-	-	157
Share based compensation expense	-	-	631	-	631
Share issue expenses	-	(19)	-	-	(19)
At 30 June 2006	4,222	25,537	(27,555)	11,118	13,322

5 Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	6 months ended 30 June 2006 £'000	6 months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Operating loss	(5,714)	(3,326)	(10,007)
Amortisation of goodwill	624	540	1,281
Depreciation and amortisation of licences	141	93	171
Foreign exchange loss on loan	-	49	-
Share based compensation expense	631	-	223
Increase in stocks	(127)	(196)	(171)
Decrease/(increase) in debtors	34	(130)	(267)
(Decrease)/increase in creditors	(724)	349	1,133
Net cash outflow from operating activities	(5,135)	(2,621)	(7,637)

6 Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)

	6 months ended 30 June 2006 £'000	6 months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
(Decrease)/increase in cash in the period	(6,768)	(1,558)	16,839
Net cash movement in loans and preference share liabilities	-	(1,346)	(1,200)
Changes in net cash resulting from cash flows	(6,768)	(2,904)	15,639
Conversion of loans to equity	-	-	1,550
Reclassification of preference share interests as liabilities	-	(11,126)	(11,707)
Conversion of preference shares to ordinary shares	-	-	14,699
Foreign exchange loss on loan	-	(49)	-
Movement in net funds in the period	(6,768)	(14,079)	20,181
Net funds/(debt) brought forward	16,342	(3,839)	(3,839)
Net funds/(debt) at end of period	9,574	(17,918)	16,342

Preference share net proceeds were reclassified to liabilities in accordance with FRS 25 "Financial instruments: disclosures and presentation" and converted to ordinary shares during 2005.