

To all shareholders

 24th November, 2020

Dear Shareholder,

Audited Financial Statements for the Year Ended 31st March, 2020

Following the recent sign off by our auditors, RSM, Tissuemed's audited financial statements to 31st March, 2020 have now been uploaded onto Tissuemed's web-site (www.tissuemed.com/investors). Those shareholders who wish to review the full set of accounts should access them on the Company's web-site, but set out below is a summary of the audited results for the year to 31st March, 2020 compared with the audited results for the year to 31st March, 2019: -

	2019 £'000's	2020 £'000's
Turnover	<u>1,740</u>	<u>2,629</u>
Gross Profit (% of turnover)	1,563 (89.8)	2,375 (90.3)
Overheads, net of other income	<u>797</u>	<u>1,125</u>
Profit before R & D costs	766	1,250
Research & Development	<u>301</u>	<u>337</u>
Pre-Tax Profit	<u>425</u>	<u>913</u> *
Year End Cash Balances	<u>1,343</u>	<u>1,259</u> **

***: Due to prior years trading losses the company is not currently liable to pay corporation tax**

****: This is the year end balance AFTER payment of £1,183,000 during the year by way of a return of capital**

Shareholders will see that the audited numbers for the year to 31st March, 2020 are identical to the unaudited numbers for the year to 31st March, 2020 that I reported to shareholders by way of my letter dated 4th August, 2020.

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General Trading Update

As I advised shareholders in August, Covid-19 has had a significant effect on the Company's sales. As hospitals around the world transitioned to handle Covid-19 cases, most non-Covid cases have been delayed. Unfortunately, the Company's products are not used in any Covid-19 related procedures so many countries in the world did not order from Tissuemed during the first six months of the current financial year and sales to all countries, excluding China, are well down on last year. Fortunately, China is emerging before most other countries from its Covid-19 experience and Tissuemed's sales to China during the first six months were up on the comparable period last year. In part this was due to our Chinese distributor's perceived 'Covid-19 supply fear'. Due to this element of over-stocking in the first six months, I do not expect to see the same level of orders from China in the second half of this financial year. For the rest of the world (including the UK), it is even more difficult to predict sales during the remainder of our financial year. Overall, I expect that our final sales for the year ending 31st March, 2021 will end up somewhere between our 2019 and 2020 levels.

I can confirm that we have managed to keep our manufacturing facilities fully operating throughout both 'lock-down' periods and the Company has been able to supply all orders. In addition, I do not believe the slow down we are experiencing in sales to China during the second half of this year is the start of a trend – our growth prospects in China remain positive. I think it is fair to say that Covid-19 has held back our expected growth this year, but none the less we remain profitable and we are well prepared to move on again when the Covid pandemic subsides.

Regulatory Matters

The Company has recently secured a renewal of its key license to sell its products in China. The new license is a five-year license, the maximum permitted. In addition, the Company has recently secured the renewal of its CE certificate which enables it to sell its products in the EU and many other parts of the world. Whilst your Board considers these are major steps in securing the Company's future, the regulatory environment in which the Company operates is becoming more complex and the Company has recently decided to increase the resources it dedicates to maintaining the regulatory approvals to sell its products in its key markets around the World.

Manufacturing Enhancements

Such is the lead time for implementation and securing relevant regulatory approval, the Company has continued to invest in important projects that will enable significant manufacturing capacity increases in line with projected demand.

Share Buy-Back and Dividend

I can confirm that the Company successfully completed the buy-back of 39,100,000 shares from M S Pace LP during September as previously circulated. These shares have now been cancelled, with the result that there remain 355,277,862 Tissuemed shares in issue.

Despite ongoing challenges, as evidenced above, your Company has made significant progress and so the Board has decided to declare an interim dividend of 0.17p per share to be paid to shareholders on the Company's share register as at today's date. The total cost of this dividend is just over £600,000 and together with the cost of the buy-back amounts to an overall return to shareholders this year (in cash or pro-rata increase in shareholding) of nearly £1.1M. This compares with the £1.18M paid to shareholders during 2019. The dividend of 0.17p per share will be paid on or around 2 December, 2020.

I intend to write again following the actual outcome for the current financial year in the Spring of 2021.

I would like to thank all our hardworking employees for their continuing dedication to the Company during these difficult times and, as always, thank you for your continuing support.

A handwritten signature in black ink, appearing to read 'Paul Banner', with a stylized flourish at the end.

Paul Banner
Chairman