

23 September 2009

Lifeline Scientific, Inc
(“Lifeline” or “the Company”)
Interim Results for the Six Months Ended 30 June 2009

Addressing the global challenge of human organ shortages

Delivers Maiden Operating Profit

Lifeline Scientific, the medical technology company, announces unaudited interim results for the six months ended 30 June 2009. Lifeline is focused on commercialising its LifePort[®] Kidney Transporter, (and associated single use consumable items), an advanced organ preservation and transport system, designed to address the global challenge of human donor organ shortages.

Financial Highlights

- Revenues increase by 123% to \$7.8 million (2008: \$3.5 million)
- \$6.7 million of revenue stemmed from sales of single use consumable items (86%)
- Gross Profit increased by 168% to \$4.3 million (2008: \$1.6 million)
- Maiden Interim Operating Profit of \$73,080 (2008: loss of \$3.1 million)
- Cash of \$1.2 million at period end

Operational Highlights

- Landmark Study published in the New England Journal of Medicine demonstrates benefits of LifePort versus current practice
- Approximately 326 LifePorts are now in use globally; 11 were sold in the first half of 2009
- LifePorts are now used in 93 transplant centres, across 15 countries
- Further positive results from the Machine Preservation Trial presented at the American Transplant Congress demonstrating long-term cost effectiveness of LifePorting donor kidneys and benefits of preserving kidneys from donors over the age of 65
- The Company has established a depository interest facility to enable qualifying shares to be traded in electronic form within the CREST system

Post Period Events

- Several scientific papers were presented by independent researchers at the European Society of Transplantation in late August demonstrating further benefits of LifePort for kidney preservation
- In August, Lifeline announced a two-year \$1.5 million working capital facility with Silicon Valley Bank
- The first sales of LifePort in Italy were achieved with transplant centres in the Bologna region. Italy is one of Europe's largest markets for renal transplant procedures.
- Lifeport recognized as one of the 30 top medical devices in the last 30 years by Medical Device and Diagnostic Industry Magazine (MDDI), a leading medical industry trade publication
- Trading from the end of the interim period has continued to be strong and management is confident of a good performance in the second half of the year

David Kravitz, Chief Executive of Lifeline, said:

“Lifeline has made significant commercial strides so far this year as underlined by recording our maiden interim operating profit. Also significant is the continued strength of scientific evidence supporting the benefits of LifePort as reported by clinical investigators of the European Machine Preservation Trial.

“Trading was in-line with management's expectations during the first half and the Board is confident of strong performance by the Company through the balance of the year.”

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About the LifePort Kidney Transporter

Created with the challenges of organ recovery and transport in mind, LifePort Kidney Transporter is designed to provide improved kidney preservation, evaluation and transport prior to transplantation. LifePort provides a sealed, sterile, protected environment where a solution is gently pumped through the kidney at cold temperatures to minimize damage while the organ is outside the body. LifePort is lightweight and portable, allowing organs to be perfused from the

time of recovery until transplant. It is designed to travel unaccompanied by land or air, safely transporting the kidneys across town or between countries. While the kidney is being perfused, the LifePort records data on temperature, flow rate vascular resistance and pressure every 10 seconds providing surgeons with additional data prior to transplant.

About Lifeline Scientific Inc.

Lifeline Scientific, Inc. is a Chicago-based global medical technology company with European headquarters located in Brussels. Its primary focus is to commercialise its FDA approved, CE marked, clinically validated and revenue generating LifePort Kidney Transporter. Devices for preservation of the heart, lung pancreas and liver are in late stage pre-clinical development.

Chief Executive's Review

At the end of the period, approximately 326 LifePort Kidney Transporters were in service within 93 centres and were employed in over 2,000 transplant procedures across 15 countries in the first half. 11 of these LifePorts were sold during the six months ended 30 June 2009. We believe that LifePort is steadily becoming an accepted standard in many transplant centres for preserving and transporting kidneys from deceased human donors.

Revenues in the period increased by 123% to \$7.75 million (2008: \$3.48 million) reflecting the sale of 11 new machines and continued increases in the revenue derived from the sale of consumable items as a result of increased utilisation of the installed base of LifePorts, new pricing, and broader adoption of the Company's organ preservation and flushing solutions.

Gross profit increased by 168% and a maiden operating profit of \$73,080 was recorded against a loss of \$3.13 million in the same period last year.

We were especially pleased with new territories being opened for LifePort, namely the Bologna region of Italy, Manchester, UK, and Halifax, Canada which now brings all Canadian provinces as LifePort users.

Scientific evidence demonstrating clinical benefits of LifePort for renal preservation and evaluation continues to be reported by clinicians at major transplant symposia throughout the US and Europe.

Outlook

The global shortage in human donors continues to increase with the forecast US and EU official waiting lists for a donor kidney to reach over 100,000 patients by 2014 and demand also increasing from the major emerging markets. Each year tens of thousands of people die waiting for a transplant and many more on the waiting list endure inconvenient and expensive dialysis. The continued dissemination of scientific evidence of LifePort's ability to improve renal transplant outcomes and help lower the overall costs of transplant should encourage further LifePort adoption and usage.

The commercial roll out of the LifePort is still at an early stage and we believe that sales growth can be maintained as transplant centres throughout the world start to adopt LifePort as part of their standard practices for kidney preservation.

Grant funding from the US National Institutes of Health and other agencies continues to drive research and development of the LifePort platform for extra-renal organs.

Lifeline continues to perform in line with our expectations and we are confident of delivering another strong performance in the second half of 2009.

David Kravitz
Chief Executive
23 September 2009

Consolidated Balance Sheets

	30-Jun-09 Unaudited	30-Jun-08 Unaudited
Current Assets		
Cash and cash equivalents	\$ 1,180,213	\$ 3,141,612
Receivables		
Customers (net of allowance for doubtful accounts of \$0 in 2009 and 2008)	2,172,128	761,711
Other	35,513	34,791
Notes receivable (net of unamortised discounts of \$13,491 and \$0 in 2009 and 2008, respectively)	108,220	-
Inventories	857,999	687,743
Prepaid expenses and deposits	284,795	273,895
Total Current Assets	<u>4,638,868</u>	<u>4,899,752</u>
Property and Equipment (net of accumulated depreciation and amortisation)	<u>631,948</u>	<u>973,537</u>
Other Assets		
Notes receivable (net of portion included in current assets)	58,289	-
Intangibles (net of accumulated amortisation)	1,250,897	1,090,121
Goodwill	64,710	64,710
Total Other Assets	<u>1,373,896</u>	<u>1,154,831</u>
Total Assets	<u>\$ 6,644,712</u>	<u>\$ 7,028,120</u>

	30-Jun-09 Unaudited	30-Jun-08 Unaudited
Current Liabilities		
Accounts payable	\$ 1,758,120	\$ 1,868,759
Long-term debt due within one year	85,346	9,666
Capital lease obligations due within one year	11,097	23,723
Accrued expenses		
Interest - due within one year	52,196	-
Salaries and other compensation	453,642	38,487
Other	337,730	869,526
Deferred revenue	71,276	100,776
Total Current Liabilities	<u>2,769,407</u>	<u>2,910,937</u>
Non-current Liabilities		
Long-term debt (net of portion included in current liabilities)	938,814	1,150,468
Accrued interest (net of portion included in current liabilities)	289,815	277,647
Capital leases (net of portion included in current liabilities)	4,386	15,076
Total Non-current Liabilities	<u>1,233,015</u>	<u>1,443,191</u>
Total Liabilities	<u>4,002,422</u>	<u>4,354,128</u>
Stockholders' Equity		
Common stock, \$.01 par value; authorised – 30,000,000 shares; issued and outstanding 16,279,876 and 15,792,332 shares in 2009 and 2008, respectively	162,798	157,923
Additional paid-in capital	87,464,770	87,445,896
Other accumulated comprehensive loss	(268,515)	(398,943)
Accumulated deficit	(84,716,763)	(84,530,884)
Total Stockholders' Equity	<u>2,642,290</u>	<u>2,673,992</u>
	<u>\$ 6,644,712</u>	<u>\$ 7,028,120</u>

Consolidated Statements of Operations

	Six months ended 30-Jun-09 Unaudited	Six months ended 30-Jun-08 Unaudited
Revenue		
Fee and sales revenue	\$ 7,111,033	\$ 2,895,152
Contract revenue	-	48,000
Grant revenue	640,863	537,768
Total Revenue	7,751,896	3,480,920
Cost of Revenue	3,486,046	1,837,544
Gross Profit	4,265,850	1,643,376
Operating Expense		
Research and development	208,104	487,519
Selling, general and administrative	4,019,194	4,078,977
Loss on abandonment of patents	-	201,200
(Gain) loss from disposal of property and equipment	(34,530)	9,160
Total Operating Expense	4,192,768	4,776,856
Income (Loss) from Operations	73,082	(3,133,480)
Other Expense (Income)		
Interest expense	37,332	61,217
Interest income	(9,272)	(33,834)
Total Other Expense, Net	28,060	27,383
Net Income (Loss)	\$ 45,022	\$ (3,160,863)

**Consolidated Statement of
Stockholders' Equity**

	Total	Common Stock		Additional Paid-in Capital	Other Accumulated Comprehensive Loss	Accumulated Deficit
		Shares	Amount			
Balance, December 31, 2007	\$5,997,954	15,721,340	\$157,213	\$87,500,564	(\$289,802)	(\$81,370,021)
Professional fees in connection with AIM initial public offering (IPO)	(82,488)	-	-	(82,488)	-	-
Issuance of common stock under a cashless exercise of warrants	-	71,000	710	(710)	-	-
Foreign currency translation adjustment	(109,141)	-	-	-	(109,141)	-
Stock based compensation under FAS 123-R	28,530	-	-	28,530	-	-
Net loss	(3,160,863)	-	-	-	-	(3,160,863)
Balance, June 30, 2008	<u>\$2,673,992</u>	<u>15,792,340</u>	<u>\$157,923</u>	<u>\$87,445,896</u>	<u>(\$398,943)</u>	<u>(\$84,530,884)</u>
Balance, December 31, 2008	\$2,452,957	15,792,332	\$157,923	\$87,320,921	(\$264,102)	(\$84,761,785)
Issuance of common stock under a cashless exercise of warrants	-	487,544	4,875	(4,875)	-	-
Foreign currency translation adjustment	(4,413)	-	-	-	(4,413)	-
Stock based compensation under FAS 123-R	148,724	-	-	148,724	-	-
Net income	45,022	-	-	-	-	45,022
Balance, June 30, 2009	<u>\$2,642,290</u>	<u>16,279,876</u>	<u>\$162,798</u>	<u>\$87,464,770</u>	<u>(\$268,515)</u>	<u>(\$84,716,763)</u>

Consolidated Statements of Cash Flows

	Six months ended 30 June, 2009 Unaudited	Six months ended 30 June, 2008 Unaudited
Cash Flows from Operating Activities		
Net income (loss)	\$ 45,022	\$ (3,160,863)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities		
Depreciation	115,912	219,014
Amortisation	42,446	44,232
Amortisation of discount on notes receivable	(8,770)	-
Stock based compensation	148,724	28,530
(Gain) Loss on disposal of property and equipment	(34,530)	9,160
Loss on abandonment of patents	-	201,200
(Increase) decrease in		
Receivables	(797,595)	67,292
Subscription receivables	-	9,616,001
Inventories	(54,521)	(271,103)
Prepaid expenses and deposits	(110,143)	(100,850)
Increase (decrease) in		
Accounts payable	305,266	(3,018,464)
Accrued expenses	(182,082)	(302,078)
Accrued salaries and other compensation	(107,574)	3,164
Accrued interest	39,858	74,238
Deferred revenue	(40,167)	(104,393)
Total Adjustments	(683,176)	6,465,943
Net Cash (Used in) Provided by Operating Activities	(638,154)	3,305,080
Cash Flows from Investing Activities		
Payments for patents	(133,575)	(119,095)
Capital expenditures	(16,741)	(97,863)
Proceeds from sale of property and equipment	34,530	-
Net Cash Used in Investing Activities	(115,786)	(216,958)
Cash Flows from Financing Activities		
Repayments under capital lease obligations	(8,675)	(10,022)
Principal payments on long-term debt	-	(25,509)
Payments received on notes receivable	50,000	-
Payment of legal fees relating to initial public offering	-	(82,488)
Net Cash Provided by (Used in) Financing Activities	41,325	(118,019)
Effect of Foreign Currency Exchange Rate Changes on Cash	6,339	(60,483)
Net (Decrease) Increase in Cash and Cash Equivalents	(706,276)	2,909,620
Cash and Cash Equivalents, Beginning of Period	1,886,489	231,992
Cash and Cash Equivalents, End of Period	\$ 1,180,213	\$ 3,141,612

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation

The company is consolidated with the following subsidiaries as of 30 June, 2009:

Organ Recovery Systems, Inc. *

Bowman Research, Inc. *

ORS Europe, NV *

Cell and Tissue Systems, Inc. **

* A wholly owned subsidiary

** 49% owned

Intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The company considers all money market accounts and short-term investments with an original maturity of three months or less to be cash equivalents. The majority of cash and cash equivalents as of 30 June, 2009 were held at a single financial institution and the company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables

Receivables are carried at original invoice or closing statement amount less estimates made for doubtful receivables. Management determines the allowances for doubtful accounts by reviewing and identifying troubled accounts on a monthly basis and by using historical experience applied to an aging of accounts. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Depreciation and Amortisation

The company's policy is to depreciate or amortise the cost of furniture and equipment over the estimated useful lives of the assets using the straight-line method. The cost of leasehold improvements is amortised over the estimated useful lives, or the applicable lease term, if shorter. The cost of tooling and molds is depreciated by the units of production method.

	<u>Years</u>
Computer equipment	3-5
Furniture and fixtures	5-7
Equipment under capital lease	5-7
Laboratory equipment	5-7
Leasehold improvements	5-12
Tooling and molds	Varies by units produced
Vehicles	5

Intangibles

The cost of intangible assets is being amortised over the remaining lives of the assets acquired as follows:

	<u>Years</u>
Patents	17
Other	5

Legal fees associated with filings for patents that are pending are capitalized, if management believes that it is probable that such patent applications will be successful. Patent costs are not amortized until the patent is obtained.

Revenue Recognition

Product sale revenue is recognized upon shipment of product to the client. Service fee revenues are recognized when services are performed.

Contract research service revenue is recognized using the proportional performance model. Revenue from such contracts is recognized as the services are performed using the straight-line method over the life of the contract. The company periodically reviews its estimates of contract life and modifies them as appropriate.

Government grant revenues are recognized when earned. Grant revenues are deemed earned to the extent of the total allowable expenditures incurred, which are specified in the grant contract.

Deferred and unbilled revenue is recognized in the consolidated balance sheets. Advances are deferred and recognized on a straight-line basis over the contract term as services are performed. Unbilled services are recorded for revenues recognized to date and relate to amounts that are currently unbillable to the client pursuant to contractual terms.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment, bad debts, intangibles and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for net operating losses, which are available to offset future taxable income.

Stock Options

The company has adopted SFAS 123R, "Share-Based Payment," which focuses primarily on accounting for transactions in which an entity obtains employee services in exchange for share-based payments. Under SFAS 123R, the cost of employee services received in exchange for an award of equity instruments is generally measured based on the grant-date fair value of the award. Under SFAS 123R, share-based awards that do not require future service (i.e., vested awards) are expensed immediately. Share-based employee awards that require future service are amortized over the relevant service period. The company adopted SFAS 123R under the modified perspective adoption method. Under the method of adoption, the provisions of SFAS 123R are generally applied only to share-based awards granted subsequent to adoption and consolidated financial statements for periods prior to adoption are not restated for the effects of adopting SFAS 123R.

Stock Warrants

The company accounts for nonemployee stock-based awards in which goods or services are the consideration received for the equity instruments based on the fair value of the consideration or the fair value of the equity instruments issued, whichever is more readily measurable.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Research and Development

Expenditures relating to the development of new products and procedures are expensed as incurred.

Foreign Currency Translation

The financial position and results of operations of the company's foreign subsidiaries in Europe are measured using the subsidiary's local currency as the functional currency. Assets and liabilities of the foreign subsidiaries are translated to U.S. dollars using exchange rates in effect as of the consolidated balance sheet dates. Income and expense items are translated at monthly average rates of exchange. The resultant translation gains or losses are included in the components of stockholders' equity designated as foreign currency translation adjustment.

Note 2 Inventories

	30 June, 2009	30 June, 2008
Medical devices	\$ 857,999	\$ 588,743
Supplies	-	99,000
	<u>\$ 857,999</u>	<u>\$ 687,743</u>

Note 3 Property and Equipment

	30 June, 2009	30 June, 2008
Computer equipment	\$ 196,309	\$ 225,889
Furniture and fixtures	406,387	378,288
Equipment under capital lease	224,950	238,633
Laboratory equipment	1,303,145	1,603,020
Leasehold improvements	932,912	920,165
Tooling and molds	540,089	536,919
Vehicles	31,702	53,858
	<u>3,640,874</u>	<u>3,956,772</u>
Accumulated depreciation and amortisation	<u>(3,008,926)</u>	<u>(2,983,235)</u>
	<u>\$ 631,948</u>	<u>\$ 973,537</u>

Note 4 Intangibles

Intangible assets consist of the following:

	30 June, 2009	30 June, 2008
Patents	\$ 811,233	\$ 782,016
Patents pending	893,186	683,410
	<u>1,704,419</u>	<u>1,465,426</u>
Less accumulated amortisation	<u>(453,522)</u>	<u>(375,305)</u>
	<u>\$ 1,250,897</u>	<u>\$ 1,090,121</u>

During the six months ended June 30, 2009 and June 30, 2008, the company abandoned \$0 and \$201,200, respectively, of patents issued and patents pending.

Note 5 – Long-Term Debt

	30 June, 2009	30 June, 2008
Subordinated loan payable by ORS Europe, NV to IWT; principal and interest payable on a quarterly installment basis beginning May 2010 through February 2013; interest charged at an annual rate of 8.43%; debt subordinated to the intercompany payable to Lifeline Scientific, Inc.	\$ 1,024,160	\$ 1,150,468
Capital lease obligations, payable in monthly installments, including interest at various annual rates, due in January 2008 through November 2010; secured by the underlying equipment.	15,483	38,799
Long term debt, net	<u>1,039,643</u>	<u>1,189,267</u>
Less current maturities	<u>96,443</u>	<u>23,723</u>
	<u>\$ 943,200</u>	<u>\$ 1,165,544</u>

Maturities on long-term debt other than capital leases are as follows as of 30 June 2009:

Twelve Months Ending June 30:

2011	\$	341,384
2012		341,384
2013		256,046
Total minimum payments required	\$	<u>938,814</u>

Note 6 – Stock Options

A summary of option activity under the Plan as of 30 June 2009, and the changes during the six months ended 30 June 2009, and 30 June 2008 is as follows:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of 31 December, 2007	0	£ 0		
Granted	250,000	1.50		
Outstanding as of 30 June, 2008	<u>250,000</u>	<u>£ 1.50</u>	<u>9.53</u>	<u>£ -</u>
Outstanding as of 31 December, 2008	250,000	£ 1.50		
Granted	932,000	.39		
Outstanding as of 30 June, 2009	<u>1,182,000</u>	<u>£ .62</u>	<u>9.43</u>	<u>£ -</u>
Options exercisable as of 30 June, 2009	<u>472,000</u>	<u>£ .54</u>	<u>9.52</u>	<u>£ -</u>

A summary of the company's nonvested options as of 30 June, 2009 and changes during the six months ended 30 June, 2009 and 30 June, 2008 is presented as follows:

	Shares	Weighted- Average Grant-Date Fair Value
Nonvested options, 31 December, 2007	0	£ 0
Granted	250,000	.67
Vested	-	
Nonvested options as of 30 June, 2008	<u>250,000</u>	<u>£ .67</u>
Nonvested options as of 31 December, 2008	250,000	£ .67
Granted	932,000	.14
Vested	(472,000)	.21
Nonvested options as of 30 June, 2009	<u>710,000</u>	<u>£ .28</u>

The company recognised compensation expense of \$148,274 and \$28,530 for the six months ended 30 June, 2009 and 30 June, 2008, respectively. As of 30 June, 2009, there was approximately \$149,000 of total unrecognised compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognised over a weighted-average period of five and a half years.

No options were exercised during the six months ended 30 June, 2009 and 30 June, 2008.

Fair value was estimated as of the grant date based on a Black-Scholes option pricing model using the following weighted average assumptions for the six months ended 30 June, 2009 and 30 June, 2008:

	30 June, 2009	30 June, 2008
Risk-free interest rate	2.23%	2.88%
Expected volatility rate	34.9%	44.1%
Dividend yield	-	-
Expected Life	5.6	5.6

Note 7 – Warrants

Warrant activity for the six months ended 30 June, 2009 and 30 June, 2008 is as follows:

	Issuable Common Stock
Outstanding as of 31 December, 2007	5,498,687
Granted	26,000
Exercised	(236,522)
Adjustment due to currency and share price changes	607,176
Outstanding as of 30 June, 2008	5,895,341
Outstanding as of 31 December, 2008	12,676,529
Granted	-
Exercised	(2,298,838)
Expired	(1)
Adjustment due to currency and share price changes	(1,473,936)
Outstanding as of 30 June, 2009	8,903,754

Of the warrants described above, warrants in the money represented 4,974,313 and 2,196,156 issuable common stock as of 30 June 2009 and 30 June 2008, respectively. On a cashless exercise basis, these warrants in the money represented 1,492,294 and 659,009 issuable common stock as of 30 June 2009 and 30 June 2008, respectively.