# Press release

**OXFORD BIOMEDICA PLC**
**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**Oxford, UK – 4 September 2019:** Oxford Biomedica plc ("Oxford Biomedica" or "the Group") (LSE: OXB), a leading gene and cell therapy group, today announces interim results for the six months ended 30 June 2019.

## FINANCIAL HIGHLIGHTS

- Revenues were £32.1 million, a decrease of 9% (H1 2018: £35.3 million) reflecting the significant licence income received in H1 2018. However, bioprocessing and commercial development revenues increased 23% over H1 2018
- Operating EBITDA[1] loss and operating loss of £1.4 million and £6.1 million respectively (H1 2018: £11.9 million and £9.4 million profit) were incurred due to lower revenues and increased expenditure to strengthen the Group's operational and strategic capacity in preparation for further volume growth in bioprocessing volumes
- £11.5 million ($15 million) Axovant milestone achieved in H1 2019 with the dosing of the first patient in the second cohort of the AXO-Lenti-PD Parkinson's disease clinical trial
- Novo Holdings A/S invested £53.5 million in the Group, representing 10.1% of the outstanding shares after the capital increase. The proceeds from the transaction were used to fully repay the debt facility of £43.6 million ($55 million) with Oaktree Capital Management in addition to providing funding to further develop Oxford Biomedica's platform and product portfolio. This leaves the Group with a simplified, stronger balance sheet and removed the lien over the Group's assets
- Cash generated from operations was £1.3 million compared to £18.3 million in H1 2018 reflecting the Axovant and Sanofi (Bioverativ) licence fees received in H1 2018
- Cash at 30 June 2019 was £26.1 million (31 December 2018: £32.2 million), reflecting expenditure in relation to the ongoing build and fit out of the new OxBox bioprocessing facility and the net cash inflow from the investment by Novo Holdings A/S after the loan facility repayment
- OxBox bioprocessing facility construction is progressing as planned with the Group's capital expenditure increasing to £14.9 million in H1 2019 compared to £6.0 million in H1 2018, the cost of which was partly offset by £2.0 million of Innovate grant funding received to support the UK's efforts to produce viral vectors and ensure adequate supply to service expected demand

[1]Operating EBITDA is defined as Earnings Before Net Finance Costs, Tax, Depreciation, Amortisation, Fair value adjustments of available-for-sale assets and share based payments. A reconciliation to GAAP measures is provided on page 8.

## OPERATIONAL HIGHLIGHTS

### Progress with proprietary product development

- The first patient of the second cohort in the SUNRISE-PD Phase 2 trial was dosed for the treatment of Parkinson's disease in April 2019 triggering a £11.5 million ($15 million) milestone to Oxford Biomedica. Axovant expects initial data from this cohort in the fourth quarter of 2019. While the milestone is recognised in the first half, payment is due in the second half and hence was included in trade receivables at period end

### Leading LentiVector® delivery platform for gene and cell therapy partnerships

- Oxford Biomedica entered into an R&D collaboration and option & licence agreement with Santen Pharmaceutical Co Ltd for development of gene therapy vectors for an undisclosed inherited retinal disease
- Oxford Biomedica is entitled to an undisclosed milestone payment from Santen on the exercise of the option to the LentiVector® platform as well as development milestones and up to a 10% royalty on net sales.

Santen has worldwide commercial rights to the programme, while Oxford Biomedica retains an option to co-fund and participate in development and commercialisation of the product in the US and Europe

**Novartis Collaboration**

- Oxford Biomedica is the sole global supplier of lentiviral vector for Kymriah® and the collaboration with Novartis continues to perform well
- Global roll out of Kymriah® in both relapsed and refractory B-cell acute lymphoblastic leukaemia (r/r ALL) and relapsed and refractory diffuse large B-cell lymphoma (r/r DLBCL) indications continues at pace with 19 countries worldwide that have approved reimbursement in at least one indication

**Innovation**

- R&D collaboration announced with Microsoft to improve gene and cell therapy manufacturing using intelligent cloud and machine learning with the aim of improving yield and quality of the next generation gene therapy vectors
- Increasing use of robotics and automation across the platform aided in part by Innovate UK grants

**Building the Future**

- The development and fit out of the new 84,000 sqft manufacturing facility is progressing as planned with completion of the building phase by the end of 2019. The site is expected to be fully operational by the end of the second quarter 2020
- Successful conversion of a second GMP production suite to bioreactor process during H1 2019
- Lease signed for an additional 32,000 sqft discovery and innovation facility next to Windrush Court. The Windrush Innovation Centre will be staffed by multidisciplinary teams and will focus on driving innovations and technological advances to support both the product pipeline and platform

**Commenting on the Group's interim results, John Dawson, Oxford Biomedica's Chief Executive Officer, said:** *"Oxford Biomedica has continued to make strong progress in first half of 2019 building on the existing and new partnerships signed in 2018. We are delighted with the 23% growth in bioprocessing and commercial development revenues and also the new collaborations we have signed with Santen and Microsoft. Our expansion to meet the fast growing demand in the cell and gene therapy arena is progressing as planned and we expect further deals to be signed this year. The addition of Novo Holdings as a shareholder and the paying down of the Oaktree loan puts the Group on a far stronger footing to maximise the opportunity we see in front of us."*

**Conference call for analysts:**
A briefing for analysts will be held at 13:00 BST / 8:00 EST on 4 September 2019 at 85 Gresham Street, London, EC2R 7HE. There will be a simultaneous live conference call with Q&A and the presentation will be available on the Group's website at www.oxb.com.

Please visit the website approximately 10 minutes before the conference call to download the presentation slides. Conference call details:

**Participant UK dial-in:** +44 (0) 203 009 5710
**Participant US dial-in:** +1 9177 200178
**Participant code:** 2819988

A live webcast of the presentation will be available on Oxford Biomedica's website at https://edge.media-server.com/mmc/p/eagi4mu6

**Enquiries:**

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**About Oxford Biomedica**
Oxford Biomedica (LSE:OXB) is a leading gene and cell therapy group focused on developing life changing treatments for serious diseases. Oxford Biomedica and its subsidiaries (the "Group") have built a sector leading lentiviral vector delivery platform (LentiVector®), which the Group leverages to develop in vivo and ex vivo products both in-house and with partners. The Group has created a valuable proprietary portfolio of gene and cell therapy product candidates in the areas of oncology, ophthalmology and CNS disorders. The Group has also entered into a number of partnerships, including with Novartis, Sanofi, Bioverativ (now part of Sanofi), Axovant Sciences (now Axovant Gene Therapies), Orchard Therapeutics, Santen, Boehringer Ingelheim, the UK Cystic Fibrosis Gene Therapy Consortium and Imperial Innovations, through which it has long-term economic interests in other potential gene and cell therapy products. Oxford Biomedica is based across several locations in Oxfordshire, UK and employs more than 480 people. Further information is available at www.oxb.com

# OVERVIEW

The first half of 2019 has seen Oxford Biomedica continue to make strong progress not only building on the existing and new partnerships signed in 2018 but also in signing new collaborations with Santen and Microsoft. The Group's partners have made significant steps forward with Novartis' Kymriah® sales growth building momentum as more countries approve the reimbursement of the product in at least one indication and Axovant's AXO-Lenti-PD moving into a second dose cohort, triggering a £11.5 million ($15 million) milestone payment payable to the Group. The Group ended the first half of the year with a significantly stronger Balance Sheet, having repaid in full the Oaktree loan following the £53.5 million investment from Novo Holdings. Looking to the future, the Group's expansion plans to increase the number of GMP clean rooms from four to seven with the new 84,000 sqft facility is on track for completion of the building phase by year end.

# OPERATIONAL REVIEW

## Novartis collaboration progress

The collaboration with Novartis signed in July 2017 for the commercial and clinical supply of lentiviral vectors used to generate Kymriah®and other undisclosed CAR-T products continues to be strong with Oxford Biomedica as the sole global supplier of lentiviral vector for Kymriah® (tisagenlecleucel, formerly CTL019).

Global roll out of Novartis' Kymriah®, in both relapsed and refractory B-cell acute lymphoblastic leukaemia (r/r ALL) and relapsed and refractory diffuse large B-cell lymphoma (r/r DLBCL) indications continues at pace with 19 countries worldwide having approved reimbursement in at least one indication. This includes major jurisdictions such as the US, Canada, Europe and Australia, and most recently Japan in the first half of 2019. Kymriah® is the first, and so far only, CAR-T therapy to receive regulatory approval for two distinct B-cell malignancies in all of the aforementioned jurisdictions.

Oxford Biomedica continues to support Novartis with vector for clinical trials in existing indications where Novartis is aiming to bring forward Kymriah's® use in the treatment cascade. Additionally the Group continues to work with Novartis on a second CAR-T programme.

## Santen – R&D collaboration and option and licence agreement

In June 2019, Oxford Biomedica entered into an R&D collaboration and option & Licence agreement with Santen Pharmaceutical Co Ltd (Santen) for development of gene therapy vectors for an undisclosed inherited retinal disease. Santen is the market leader for prescription ophthalmic pharmaceuticals in Japan and has a global presence in over 60 countries.

The aim of the R&D collaboration is to generate preclinical proof of concept to treat an inherited retinal disease with lentiviral vectors developed and manufactured by Oxford Biomedica. The collaboration includes an option to a licence to use Oxford Biomedica's LentiVector® platform and access to its industrial-scale manufacturing capabilities.

In addition, Oxford Biomedica is entitled to an undisclosed milestone payment on exercise of the option to the LentiVector® platform as well as development milestones and up to a 10% royalty on net sales. Santen has worldwide commercial rights to the programme, while Oxford Biomedica retains an option to co-fund and participate in development and commercialisation in the US and Europe.

## Partnering progress

In addition to Novartis and the new collaboration with Santen, the strategic partnerships with Orchard Therapeutics, Sanofi (formally Bioverativ) and the UK Cystic Fibrosis Gene Therapy Consortium, Boehringer Ingleheim and Imperial Innovations partnership continue to progress well. Orchard Therapeutics is expecting the US rolling submission for OTL-101 in ADA-SCID (adenosine deaminase severe combined immunodeficiency) to start in the first half of 2020. This will be followed by a MAA filing submission in Europe.

Discussions and feasibility studies are ongoing with various other potential gene and cell therapy partners and the Group aims to increase not only the number of partners but also the number of programmes worked on by existing partners.

## Axovant Gene Therapies licencing agreement for OXB-102 (AXO-Lenti-PD)

In 2018, the Group entered into an exclusive worldwide licensing agreement with Axovant Sciences (now Axovant Gene Therapies) to develop and commercialise OXB-102 (now known as AXO-Lenti-PD) for Parkinson's disease in a deal worth up to $842.5 million.

The SUNRISE-PD Phase 2 clinical trial commenced in the fourth quarter of 2018 and in March 2019 Axovant reported 3-month data from the first cohort of this trial. Based on these data and earlier data produced by Oxford Biomedica, the Data Monitoring Committee (DMC) agreed that Axovant could proceed to the second dose cohort.

The first patient of the second cohort was dosed in April 2019 triggering a £11.5 million ($15 million) milestone to Oxford Biomedica. Up to six patients will be dosed in this second cohort.

In June 2019, Axovant provided a six-month update from the first cohort of patients in the SUNRISE-PD trial and noted that AXO-Lenti-PD was observed to be generally well tolerated, with no serious adverse events related to the product or the procedure and patients showed continued improvement from baseline across multiple measurements.

The initial three-month data from the second cohort is expected in the fourth quarter of 2019.

Additionally, further preclinical data on AXO-Lenti-PD were published in the September 2019 edition of Molecular Therapy: Methods and Clinical Development. The publication titled "Gene Therapy for Parkinson's Disease: Preclinical Evaluation of Optimally Configured TH:CH1 Fusion for Maximal Dopamine synthesis" reports safety and efficacy of AXO-Lenti-PD in the MPTP macaque model of Parkinson's disease.

## Unencumbered proprietary pipeline programmes

Oxford Biomedica currently has six proprietary unencumbered products in the product pipeline. Potential partnership discussions are ongoing for further out-licencing or spinout of the proprietary products.

The Group will now use its stronger balance sheet to further identify and develop its preclinical portfolio to ensure it maximises the value of its proprietary pipeline. To this end the Group is currently undertaking a review of all its proprietary programmes to determine which programme(s) to prioritise for further preclinical development and potentially advance into the clinic in the coming 12-18 months.

## LentiVector® platform development and innovation

The Group's world leading LentiVector® platform is built on expertise, IP (both patents and know-how), facilities and quality systems. The platform underpins not only the collaborations with Oxford Biomedica's partners but also Oxford Biomedica's own proprietary pipeline. Oxford Biomedica is continually innovating to enhance potency, purity, yield and efficiency of the process and develop the platform such as with the TRiP System and packaging and producer cell lines. Investment in automation and robotics is all also enabling the continued development of the platform.

During the first half of 2019 Oxford Biomedica successfully converted another of its GMP production suites to its serum free suspension (bioreactor) process and now has two suites running with bioreactors and one remaining on the adherent process.

In March 2019, Oxford Biomedica announced that it has entered into a research and development collaboration with Microsoft to improve the yield and quality of next generation gene therapy vectors using the intelligent cloud and machine learning.

The collaboration will combine the expertise of Oxford Biomedica researchers and the team within the Station B initiative at Microsoft to explore new ways to increase the yield and improve the purity of Oxford Biomedica's lentiviral vectors, while further reducing the cost. Through its processes Oxford Biomedica produces a significant amount of data and by utilising the Microsoft Azure intelligent cloud platform and machine learning capabilities, it aims to develop *in silico* models and novel algorithms to help advance the next generation of cell and gene delivery technology.

### *Expansion of capacity*

In September 2018, the Group signed a lease on a new 84,000 sqft (7,800 sqm) facility located around a mile from Oxford Biomedica's Windrush Court headquarters in Oxford. The Group's planned Phase I and Phase 2 expansion will fit out around 45,000 sqft (4,200 sqm) with four GMP clean room suites and two fill and finish suites as well as offices, warehousing and QC laboratories, with space available for future expansion.

The development and fit out of the new facility is progressing as planned with completion of the building phase by year end 2019. Following validation batches and expected regulatory approval, the site is expected to be fully operational by the end of the second quarter 2020.

In December 2018, the Group also signed a lease on a 32,000 sqft building adjacent to Windrush Court. This new discovery and innovation facility named the Windrush Innovation Centre will be staffed by multidisciplinary teams that will focus on driving innovations and technological advances to support both the product pipeline and the LentiVector® platform. Teams started to move into the facility in the second quarter of 2019 with further refurbishment and fit out taking place over the coming 12 months to make the new centre fully operational.

## Corporate and organisational development

In May 2019, Oxford Biomedica announced that Novo Holdings A/S (Novo Holdings) had agreed to invest £53.5 million in the Group in return for new ordinary shares representing 10.1% of the outstanding shares after the capital increase. The price paid per new ordinary share was equal to the closing market price on the day prior to the announcement.

The proceeds from the transaction were used to repay, in full, the existing debt facility with Oaktree Capital Management, which was completed prior to the end of the first half of 2019. In addition, the proceeds will be used to further develop the LentiVector® platform and the proprietary product portfolio to help enable the Group to take advantage of its leading position and further exploit the growth opportunities in the sector.

Novo Holdings was additionally granted the right to appoint a Non-Executive Director to the Board of Oxford Biomedica. Following the issuance of the new ordinary shares, Robert Ghenchev, a Director at Novo Holdings, joined the Board in June 2019.

The Senior Executive Team has also continued to grow in order to support the expansion of the business, with the appointment, in the first half of 2019, of a Chief Medical Officer and a General Counsel. The headcount has increased as planned with average employee numbers increasing from 352 in the first half of 2018 to 465 in the first half of 2019.

## Outlook

New partnerships announced over the past 12 months will continue to help to bolster revenues from bioprocessing and commercial development activities. Reflecting the normal annual January shutdown as well as the conversion of another GMP suite from adherent processing to bioreactors in the first half of 2019, the Board is confident that the Group would expect, as previously observed, a stronger second half of the year.

In addition, discussions and feasibility studies are ongoing with various other potential gene and cell therapy partners and the Group aims to increase not only the number of partners but also the number of programmes worked on by existing partners. The Group remains focused on securing further partnerships through 2019 and discussions on our proprietary products are also ongoing regarding further out-licencing or spinout opportunities; clearly the number and financial construct of such deals will also influence the overall financial result for the current year. The Group hopes to be able to update the market on the progress of these discussions in the second half of 2019.

Capex spend in the second half of 2019 will continue at a higher rate than in 2018 with the ongoing build and fit out of the new OxBox bioprocessing facility. Operating expenses will increase as the Group's total number of employees moves towards 600 by the end of the year. This investment is essential for the Group to capture and take full advantage of the opportunity that is ahead of Oxford Biomedica.

The Group is excited about the opportunity ahead. As a leading global lentiviral vector company, Oxford Biomedica has never been in a stronger position to deliver value to shareholders as the Group takes advantage of the dynamic and fast growth in the cell and gene therapy sector.

## Financial Review

The first half of 2019 has seen the Group build on the significant commercial success achieved during 2018. Bioprocessing and commercial development revenue increased by 23% and a significant milestone was triggered with the dosing of the first patient in the second cohort of the AXO-Lenti-PD Parkinson's disease clinical trial. The Group also made significant improvements to its balance sheet with £53.5 million equity raised from new Investor Novo Holdings A/S which was used to fully repay the £43.6 million ($55 million) Oaktree loan. A new research and development collaboration was signed with Santen, and construction of the new OxBox bioprocessing facility is continuing as planned with production expected to commence in the first half of 2020. The key financial indicators used by the Board are set out in the table below and the highlights are:

- Revenue (£32.1 million) decreased by 9% over H1 2018 (£35.3 million) as the 23% increase in bioprocessing and commercial development revenues, and £11.5 million ($15 million) Axovant milestone, was unable to compensate for the £18.3 million of licence income received in H1 2018 on signing of the Sanofi (Bioverativ) and Axovant agreements
- Operational losses (Operating loss and Operating EBITDA[1] loss) of £6.1 million and £1.4 million respectively were incurred due to lower revenues and an increase in expenditure to strengthen the Group's operational and strategic capacity in preparation for further volume growth
- Cash generated from operations of £1.3 million was £17.0 million lower than the £18.3 million achieved in H1 2018 as a result of the Sanofi (Bioverativ) and Axovant licence fees received in H1 2018, whilst the £11.5 million ($15 million) Axovant milestone will only be received in H2 2019
- Capital expenditure increased as expected from £6.0 million in H1 2018 to £14.9 million in H1 2019 mainly as a result of the ongoing construction of the OxBox bioprocessing facility
- Cash burn[2] increased from a net inflow of £10.1 million in H1 2018 to an outflow of £16.9 million due to the reasons explained above
- Net cash (cash less loans) at 30 June 2019 was £26.1 million compared to £5.2 million at 30 June 2018

| **KEY FINANCIAL INDICATORS (£ m)** | | **H1 2019** | **H1 2018** |
|---|---|---|---|
| | | | |
| Revenues | Bioprocessing/commercial development | 18.8 | 15.4 |
| | Licence fees, milestones & royalties | 13.3 | 19.9 |
| | **Total** | **32.1** | **35.3** |
| | | | |
| Operating (loss)/profit | | (6.1) | 9.4 |
| Operating EBITDA[1] | | (1.4) | 11.9 |
| Cash generated from operating activities | | 1.3 | 18.3 |
| Capital expenditure | | (14.9) | (6.0) |
| Cash burn[2] | | (16.9) | 10.1 |
| | | | |
| Period end cash | Cash | 26.1 | 44.0 |
| | Loan | - | (38.8) |
| | **Net cash** | **26.1** | **5.2** |
| | | | |
| Headcount | Period end | 480 | 364 |
| | Average | 465 | 352 |

1 Operating EBITDA (Earnings Before Net Finance Costs, Tax, Depreciation, Amortisation, Fair value adjustments of available-for-sale assets and Share Based Payments) is a non-GAAP measure often used as a surrogate for operational cash flow as it excludes from operating profit or loss all non-cash items, including the charge for share options. A reconciliation to GAAP measures is provided on page 8.

2 Cash burn is net cash generated from operating activities and less net finance costs paid plus capital expenditure. A reconciliation to GAAP measures is provided on page 11.

As stated in the 2018 Annual report, the Board has taken the decision to move away from using Gross Income and Operating EBIDA as Key Financial Performance Indicators and will instead make use of Revenue, Operating EBITDA and Operating loss/(profit) in future.

**Revenue**

Revenues were £32.1 million in H1 2019, 9% below the £35.3 million achieved in H1 2018.

| £m | H1 2019 | H1 2018 |
|---|---|---|
| Bioprocessing/commercial development | 18.8 | 15.4 |
| Licence fees, milestones & royalties | 13.3 | 19.9 |
| **Revenue** | **32.1** | **35.3** |

Revenues from bioprocessing/commercial development were 23% higher in H1 2019 as compared to H1 2018, with the increase driven by a greater volume of development activity for existing customers, Novartis and Orchard Therapeutics, as well as by development activity from new customer agreements secured in 2018. Revenues generated from bioprocessing clinical and commercial batches for Novartis and Orchard Therapeutics were slightly lower than the prior period, commensurate with the number of completed bioprocessing runs, and were also impacted by the conversion of the Yarnton bioprocessing facility from an adherent process to bioreactors.

Revenues from licence fees, milestones and royalties, including the £11.5 million ($15 million) Axovant milestone achieved in H1 2019, represented a decrease of 34% from the prior year due to £18.3 million of licence income received in H1 2018 on the signing of the Sanofi (Bioverativ) and Axovant agreements.

**Operating EBITDA**

| £m | H1 2019 | H1 2018 |
|---|---|---|
| Revenue | 32.1 | 35.3 |
| Other operating income | 0.5 | 0.7 |
| Total expenses[1] | (34.0) | (24.1) |
| **Operating EBITDA[2]** | **(1.4)** | **11.9** |
| Depreciation, amortisation, share option charge and fair value adjustments of available-for-sale assets | (4.7) | (2.5) |
| **Operating (loss)/profit** | **(6.1)** | **9.4** |

[1] Cost of goods plus research, development and bioprocessing costs excluding depreciation, amortisation and share option charge. A reconciliation to GAAP measures is provided on page 9.
[2] Operating EBITDA is defined as Earnings Before Net Finance Costs, Tax, Depreciation, Amortisation, Fair value adjustments of available-for-sale assets and share based payments.

Total expenses in H1 2019 were £34.0 million, compared with £24.1 million in H1 2018, a 41% increase on the H1 2018. The increase was driven by increased headcount and facility costs, as well as additional materials and subcontracted expenses for commercial development and bioprocessing activities.

As a result of the lower revenues and increased expenses, the operating EBITDA loss in H1 2019 was £1.4 million. In H1 2018, the Group generated an operating EBITDA profit of £11.9 million, the difference being £13.5 million.

**Total expenses**

| £m | H1 2019 | H1 2018 |
|---|---|---|
| Research and development costs | 17.7 | 13.5 |
| Bioprocessing costs[1] | 4.1 | 0.7 |
| Administrative expenses | 4.0 | 2.4 |
| **Operating expenses** | **25.8** | **16.6** |
| Depreciation, amortisation & share option charge | (3.5) | (2.6) |
| **Adjusted operating expenses** | **22.3** | **14.0** |
| | | |
| Cost of Sales | 11.7 | 10.1 |
| **Total expenses** | **34.0** | **24.1** |

[1] Bioprocessing costs have increased from the prior period due to additional facility costs, headcount and related spend incurred due to the Group's investment in additional bioprocessing capacity at OxBox. It was also impacted by downtime at the Group's Yarnton bioprocessing facility as when it was converted from an adherent process to bioreactors, the costs were not recovered to cost of goods but remained in bioprocessing whilst the facility was not in use.

The table below shows total expenses by type of expenditure (excluding depreciation, amortisation and other non-cash items):

| £m | H1 2019 | H1 2018 |
|---|---|---|
| Raw materials, consumables and other external bioprocessing costs | 7.7 | 5.4 |
| Personnel-related | 17.9 | 11.6 |
| External R&D expenditure | 3.9 | 3.4 |
| Other costs | 4.5 | 3.7 |
| **Total expenses** | **34.0** | **24.1** |

Raw materials, consumables and other external bioprocessing costs have increased as a result of increased bioprocessing activity, as well as higher material and subcontracted spend. Personnel related costs are higher due to average employee numbers increasing from 352 in H1 2018 to 465 in H1 2019. External research and development expenditure was higher due to increased commercial development activities for customers. Other costs were higher due to increased facility costs for the OxBox and Windrush Innovation Centre properties, partly offset by lower royalties payable on new licence agreements entered into in 2018 which did not recur in 2019.

**Operating loss and net loss**

| £m | H1 2019 | H1 2018 |
|---|---|---|
| **Operating EBITDA**[1] | **(1.4)** | **11.9** |
| Depreciation, amortisation and share option charge | (3.5) | (2.5) |
| Change in fair value of available-for-sale-asset | (1.2) | - |
| **Operating (loss)/profit** | **(6.1)** | **9.4** |
| Interest | (5.0) | (3.0) |
| Foreign exchange revaluation | (1.0) | (1.2) |
| Tax credit | 1.9 | - |
| **Net (loss)/profit** | **(10.2)** | **5.2** |

[1] Operating EBITDA is defined as Earnings Before Net Finance Costs, Tax, Depreciation, Amortisation, Fair value adjustments of available-for-sale assets and share based payments.

The Operating EBITDA loss of £1.4 million was further impacted by additional depreciation, amortisation and the share option charge; as well as the change in fair value of the available-for-sale asset.

Depreciation increased by £0.7 million mainly due to capital expenditure of £10.1 million incurred in 2018, and depreciation arising on leased assets following the adoption of IFRS 16 (Leases). The share option charge increased by £0.3 million to £0.7 million due to the increased employee headcount.

In H1 2019 a £1.2 million, change in fair value was recognised on the Orchard Therapeutics available-for-sale asset based on the share price at 30 June 2019. In H1 2018, the Orchard group was not yet listed with no change in market value identified.

The impact of these charges resulted in an operating loss of £6.1 million compared to a profit of £9.4 million in 2018.

The interest charge of £5.0 million in H1 2019 increased by £2.0 million as a result of a non-cash accelerated interest charge incurred as a result of the early repayment of the Oaktree loan, but also interest arising on the adoption of IFRS 16 (Leases).

The negative foreign exchange movement on the Oaktree loan of £1.0 million occurred due the devaluation of sterling versus the dollar.

The tax credit in H1 2019 increased to £1.9 million based on the Group's eligible research & development expenditure, and a decrease in the deferred tax liability. As the Group was profitable in H1 2018 it was not expected to receive the benefits of its R&D tax claim in cash and hence no corresponding credit was reflected in the income statement.

As a consequence of the above, the net loss for H1 2019 was £10.2 million, as compared to a profit of £5.2 million in H1 2018.

**Segmental analysis**

Reflecting the way the business is being managed by the Senior Executive Team, the Group reports its results within two segments, namely the "Platform" segment which includes the revenue generating bioprocessing and process development activities for third parties, and internal technology projects to develop new potentially saleable technology, improve the Group's current processes and bring development and manufacturing costs down. The other segment, "Product", includes the costs of researching and developing new product candidates.

**H1 2019**

| £m | Platform | Product | Total |
|---|---|---|---|
| Revenues | 19.3 | 12.8 | 32.1 |
| Operating EBITDA[1] | (11.0) | 9.6 | (1.4) |
| Operating loss/(profit) | (15.4) | 9.3 | (6.1) |

**H1 2018**

| £m | Platform | Product | Total |
|---|---|---|---|
| Revenues | 25.1 | 10.2 | 35.3 |
| Operating EBITDA[1] | 4.4 | 7.5 | 11.9 |
| Operating profit | 2.3 | 7.1 | 9.4 |

1 A reconciliation to GAAP measures is provided on page 8.

Revenues from the platform segment were lower than H1 2018 as the increase in commercial development revenues were insufficient in offsetting the licence income received in H1 2018 on the signing of the Sanofi (Bioverativ) and Axovant agreements. Operating results were lower due to increased headcount and additional material and subcontracted cost spend on commercial development and bioprocessing activities.

Results from the product segment were better as the £11.5 million ($15 million) Axovant milestone achieved in H1 2019 on dosing of the first patient in the second cohort exceeded the licence fee income received in H1 2018 upon signing of the Axovant agreement.

**Cash flow**

| £m | H1 2019 | H1 2018 |
|---|---|---|
| Operating (loss)/profit | (6.1) | 9.4 |
| Depreciation, amortisation and share option charge | 3.5 | 2.5 |
| Revaluation of equity investments | 1.2 | - |
| Operating EBITDA | (1.4) | 11.9 |
| Costs to sell available-for-sale assets | 0.1 | - |
| Working capital | 2.6 | 6.4 |
| **Cash generated from operations** | **1.3** | **18.3** |
| Capital expenditure | (14.9) | (6.0) |
| Interest paid, less received | (3.3) | (2.2) |
| **Cash burn** | **(16.9)** | **10.1** |

As discussed above, the Operating EBITDA for the first six months of 2019 was £13.3 million lower than the £11.9 million Operating EBITDA profit achieved in H1 2018. The positive inflow from working capital decreased as the receipt of the Axovant licence fee did not recur but remained positive as a result of increased cash receipts from bioprocessing and commercial development customers. Capital expenditure of £14.9 million was £8.9 million higher than in H1 2018 mainly due the construction of the OxBox bioprocessing facility.

Interest paid of £3.3 million in H1 2019 was £1.1 million higher than in H1 2018 mainly due to the cash portion of the redemption fee payable on repayment of the Oaktree loan at the end of June 2019.

**Balance sheet**

Non-current assets – Property, plant and equipment increased from £31.8 million to £50.3 million due to the £14.9 million of capital expenditure incurred as part of the construction of the OxBox bioprocessing facility, £6.4 million of right-of-use assets recognised as required by IFRS 16 (Leases), partly offset by depreciation charges of £2.8 million. Investments decreased as the Orchard equity was reclassified as an available-for-sale asset within current assets as the Group now has the ability to sell the equity should it choose to do so. A fair value adjustment of £1.2 million was recognised on the Orchard available-for-sale asset.

Current assets – Trade and other receivables increased from £18.1 million to £24.7 million due to the £11.5 million ($15 million) Axovant milestone being outstanding at 30 June 2019, offset by lower trade receivables on bioprocessing batches. Contract assets decreased from £8.9 million to £7.5 million due to a lower level of bioprocessing revenues recognised. Inventories decreased to £3.1 million from £4.3 million at 31 December 2018 due to work in progress balances on bioprocessing batches decreasing as these batches are QP released. Current tax assets have increased by £1.7 million as the 2018 R&D tax claim has not yet been received, and the H1 2019 R&D tax credit increased by £1.7 million.

Current liabilities – Trade and other payables have increased from £11.4 million at the start of the year to £13.3 million due to increased operational and construction activities. Contract liabilities have increased by £3.6 million due to income received in advance in relation to bioprocessing orders placed.

Non-current liabilities - Lease liabilities of £8.2 million were recognised as required by the implementation of IFRS 16 (Leases) from the start of 2019. Contract liabilities and deferred income decreased by £1.1 million as the liabilities became current. Deferred tax decreased due to the change in fair value of the Orchard available-for-sale asset.

The Group's cash resources at 1 January 2019 were £32.2 million. Cash inflows from operations of £1.3 million were bolstered by £54.7 million of net cash received from equity issued offset by the repayment of the capital and interest on the Oaktree loan of £46.9 million, and capital expenditure, mainly on the OxBox bioprocessing facility, of £14.9 million. The cash balance at 30 June 2019 was £26.1 million.

## Loans

On 28 June 2019, the Group repaid its £43.6 million ($55.0 million) loan facility with Oaktree Capital Management financed through £53.5 million of equity issued to Novo Holdings in May 2019. The loan facility was fully repaid at a cost of £43.6 million plus a redemption fee of £0.9 million, and the security over the assets of the Group was removed.

## Financial outlook

The contracts signed in 2018 with Axovant, Sanofi (Bioverativ) and the UK Cystic Fibrosis Gene Therapy Consortium have bolstered the Group's commercial development revenues in the first half of 2019, with additional commercial development and bioprocessing revenues expected from these partnerships in the future. The Group's customer base also continues to diversify with the signing of a new commercial collaboration agreement with Santen Pharmaceutical Company. The Group will ensure it maintains the very good relationship it has with its existing customers. Novartis continues to launch Kymriah® across the globe with the product now having approved reimbursement in 19 countries. New marketing approvals were seen in Japan with Kymriah® being the only CAR-T available in Asia. The Group will continue to target new strategic commercial relationships in the second half of 2019 building on the growth seen in 2018.

The Group is continuing the development of its proprietary pipeline and while discussions are ongoing for further out-licencing or spinout of these programmes, the Group is also currently undertaking a review of its pipeline to determine which programme/(s) it would focus on in preclinical development to potentially take through into early stage clinical studies in the coming 12-18 months.

The Group continue to make strategic investments in its products and seek to acquire enabling technologies where the opportunity exists to increase shareholder value and improve patient outcomes. The Group will continue to invest in early stage concepts and preclinical studies, and in its key LentiVector® technology platform.

## Principal risks and uncertainties

The principal risks and uncertainties facing the Group are unchanged from those set out in the 2018 Annual Report & Accounts which is available on the Group's website at www.oxb.com.

## Going concern

The Group held £26.1 million of cash at the end of June 2019. During the first half of 2019, the Group generated positive operational cash flow, invested in construction of the OxBox bioprocessing facility, raised £55.3 million in new equity and repaid its £43.6 million ($55 million) interest bearing loan facility. Although the Group will continue to invest in extending its bioprocessing capacity, it expects to generate sufficient cash flows for operational purposes. Taking this into account, in conjunction with known and reasonably probable cash flows; including future revenue receipts from customers, anticipated research and development activity cost and planned capital spend, the Directors consider that the Group has sufficient cash resources and cash inflows to continue its activities for at least twelve months from the date of these financial statements, and have therefore prepared the financial statements on a going concern basis.

# Consolidated Statement of Comprehensive Income

**for the six months ended 30 June 2019**

| | Notes | **Six months ended 30 June 2019 Unaudited £'000** | Six months ended 30 June 2018 Unaudited £'000 |
|---|---|---|---|
| Revenue | | 32,101 | 35,285 |
| Cost of sales | | (11,704) | (10,075) |
| **Gross profit** | | 20,397 | 25,210 |
| | | | |
| Bioprocessing costs | | (4,116) | (666) |
| Research and development costs | | (17,611) | (13,425) |
| Administrative expenses | | (4,028) | (2,428) |
| Other operating income | | 463 | 695 |
| Change in fair value of available-for-sale asset | 8 | (1,166) | - |
| **Operating (loss) / profit** | | (6,061) | 9,386 |
| | | | |
| Finance income | | 70 | 30 |
| Finance costs | 6 | (6,122) | (4,236) |
| **(Loss) / profit before tax** | | (12,113) | 5,180 |
| Taxation | | 1,945 | - |
| **(Loss) / profit and total comprehensive (expense) / income for the period** | | (10,168) | 5,180 |
| | | | |
| Basic (loss) / earnings per ordinary share | 5 | (14.83p) | 8.05p |
| Diluted earnings per ordinary share | 5 | (14.83p) | 7.56p |

The notes on pages 17 to 27 form part of this financial information.

# Consolidated Balance Sheet

**as at 30 June 2019**

| | Notes | **30 June 2019 Unaudited £'000** | 31 December 2018 Audited £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | | 106 | 117 |
| Property, plant and equipment | 7 | 50,287 | 31,791 |
| Investments | 8 | - | 10,966 |
| Trade and other receivables | | 3,600 | 3,600 |
| | | 53,993 | 46,474 |
| **Current assets** | | | |
| Inventory | 9 | 3,117 | 4,251 |
| Assets held for sale | 8 | 9,555 | - |
| Trade and other receivables | 10 | 24,656 | 18,121 |
| Contract assets | 11 | 7,517 | 8,864 |
| Current tax assets | | 4,172 | 2,446 |
| Cash and cash equivalents | 12 | 26,074 | 32,244 |
| | | 75,091 | 65,926 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 13,275 | 11,422 |
| Contract liabilities | | 20,044 | 16,485 |
| Deferred income | | 390 | 599 |
| Lease liabilities | 14 | 296 | - |
| | | 34,005 | 28,506 |
| **Net current assets** | | 41,086 | 37,420 |
| **Non-current liabilities** | | | |
| Loans | 15 | - | 41,153 |
| Lease liabilities | 14 | 8,169 | - |
| Provisions | 16 | 1,295 | 1,287 |
| Contract liabilities | | 1,167 | 1,833 |
| Deferred income | | 4,189 | 4,601 |
| Deferred tax liability | | 55 | 279 |
| | | 14,875 | 49,153 |
| **Net assets** | | 80,204 | 34,741 |
| **Shareholders' equity** | | | |
| Share capital | 17 | 38,366 | 33,034 |
| Share premium | 17 | 222,626 | 172,074 |
| Other reserves | | 2,291 | 3,509 |
| Accumulated losses | | ( 183,079) | (173,876) |
| **Total equity** | | 80,204 | 34,741 |

The notes on pages 17 to 27 form part of this financial information.

# Consolidated Statement of Cash Flows

**for the six months ended 30 June 2019**

| | Notes | **Six months ended 30 June 2019 Unaudited £'000** | Six months ended 30 June 2018 Unaudited £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 19 | 1,305 | 18,290 |
| Net cash generated from operating activities | | 1,305 | 18,290 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 7 | (14,928) | (5,997) |
| Proceeds on disposal of property, plant and equipment | | 2 | - |
| Proceeds on disposal of investments | | 148 | - |
| Interest received | | 49 | 30 |
| Net cash used in investing activities | | (14,729) | (5,967) |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | | (3,352) | (2,256) |
| Proceeds from issue of ordinary share capital | | 55,306 | 20,604 |
| Costs of share issues | | (640) | (1,026) |
| Payment of lease liabilities | | (471) | - |
| Loans repaid | 15 | (43,589) | - |
| Net cash generated from financing activities | | 7,254 | 17,322 |
| | | | |
| **Net (decrease) / increase in cash and cash equivalents** | | (6,170) | 29,645 |
| Cash and cash equivalents at 1 January 2019 | | 32,244 | 14,329 |
| **Cash and cash equivalents at 30 June 2019** | 12 | 26,074 | 43,974 |

The notes on pages 17 to 27 form part of this financial information.

# Statement of Changes in Equity Attributable to Owners of the Parent

**for the six months ended 30 June 2019 (Unaudited)**

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Warrant reserve[1] £'000 | Accumulated Losses £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2018** | **31,076** | **154,224** | **2,291** | **1,218** | **(182,663)** | **6,146** |
| Six months ended 30 June 2018: | | | | | | |
| Profit for the period | - | - | - | - | 5,180 | 5,180 |
| Total comprehensive income for the period | - | - | - | - | 5,180 | 5,180 |
| Transactions with owners: | | | | | | |
| Share options | | | | | | |
| Proceeds from shares issued | 31 | 82 | - | - | - | 113 |
| Value of employee services | - | - | - | - | 388 | 388 |
| Issue of shares excluding options | 1,712 | 18,748 | - | - | - | 20,460 |
| Costs of share issues | - | (1,026) | - | - | - | (1,026) |
| **At 30 June 2018** | 32,819 | 172,028 | 2,291 | 1,218 | (177,095) | 31,261 |
| Six months ended 31 December 2018: | | | | | | |
| Profit for the period | - | - | - | - | 2,361 | 2,361 |
| Total comprehensive income for the period | - | - | - | - | 2,361 | 2,361 |
| Transactions with owners: | | | | | | |
| Share options | | | | | | |
| Proceeds from shares issued | 215 | 396 | - | - | - | 611 |
| Value of employee services | - | - | - | - | 858 | 858 |
| Costs of share issues | - | (350) | - | - | - | (350) |
| **At 31 December 2018** | **33,034** | **172,074** | **2,291** | **1,218** | **(173,876)** | **34,741** |
| **At 1 January 2019** | | | | | | |
| Six months ended 30 June 2019: | | | | | | |
| Loss for the period | - | - | - | - | (10,168) | (10,168) |
| Total comprehensive expense for the period | - | - | - | - | (10,168) | (10,168) |
| Transactions with owners: | | | | | | |
| Share options | | | | | | |
| Proceeds from shares issued | 112 | 374 | - | - | - | 486 |
| Value of employee services | - | - | - | - | 965 | 965 |
| Issue of shares excluding options | 5,220 | 49,600 | - | - | - | 54,820 |
| Cost of share issues | - | (640) | - | - | - | (640) |
| Exercise of warrants | - | 1,218 | - | (1,218) | - | - |
| **At 30 June 2019** | 38,366 | 222,626 | 2,291 | - | (183,079) | 80,204 |

[1]Refer note 18 for further information

The notes on pages 17 to 27 form part of this financial information.

# Notes to the Financial Information

## 1. General information and basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

These interim financial statements have been prepared applying consistent accounting policies to those applied by the Group in the 2018 Annual Report, except for the implementation of IFRS 16 'Leases' from 1 January 2019.

These condensed consolidated interim financial statements were approved by the Board of Directors on 04 September 2019. They have not been audited.

Oxford Biomedica plc, the parent company in the Group, is a public limited company incorporated and domiciled in the UK and is listed on the London Stock Exchange.

## 2. Going concern

The Group held £26.1 million of cash at the end of June 2019. During the first half of 2019, the Group generated positive operational cash flow, invested in construction of the OxBox bioprocessing facility, raised £55.3 million in new equity and repaid its £43.6 million ($55 million) interest bearing loan facility. Although the Group will continue to invest in extending its bioprocessing capacity, it expects to generate sufficient cash flows for operational purposes. Taking this into account, in conjunction with known and reasonably probable cash flows; including future revenue receipts from customers, anticipated research and development activity cost and planned capital spend, the Directors consider that the Group has sufficient cash resources and cash inflows to continue its activities for at least twelve months from the date of these financial statements and have therefore prepared the financial statements on a going concern basis.

## 3. Accounting policies

The accounting policies, including the classification of financial instruments, applied in these interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those financial statements, subject to the implementation of IFRS 16 (Leases) as discussed in notes 1 and in note 3 below.

**Accounting developments**
The Directors have considered all new standards, amendments to standards and interpretations which are mandatory for the first time for the financial year beginning 1 January 2019. Those listed below have been issued, are effective for the financial year beginning 1 January 2019 and have been implemented:

- IFRS 16, 'Leases'

**IFRS 16 Leases**
IFRS 16 (Leases) introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for the short-term leases and low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as either finance or operating leases.

The Group has applied IFRS 16 (Leases) using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

*Leases in which the Group is a Lessee*

The Group recognised new assets and liabilities for its operating leases of bioprocessing, laboratory and office facilities, and equipment. The Group has recognised a depreciation charge for right-of-use assets, and interest expense on lease liabilities.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group recognised additional lease liabilities of £8,608,000, additional right-of-use assets of £6,355,000, and reclassified fixed asset retirement obligation assets of £1,075,000 from leasehold improvements to right-of-use assets at 1 January 2019.

Upon adoption of IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any lease payments made at or before the commencement/transition date, less any lease incentives received, and an estimate of costs to be incurred in restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application

**Use of estimates and judgements**
In applying the Group's accounting policies, management is required to make judgements and assumptions concerning the future in a number of areas. Actual results may be different from those estimated using these judgements and assumptions.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies are in respect of revenue and the related contract liabilities, and going concern, which have been applied as described in the consolidated financial statements for the year ended 31 December 2018. The key sources of estimation uncertainty and the critical accounting judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Revenue recognition**
Bioprocessing of clinical/commercial product for partners is recognised on a percentage of completion basis over time as the processes are carried out. Progress is determined based on the achievement of verifiable stages of the process.

As the Group has now been bioprocessing product across a number of years, and also in a commercial capacity, the Group has assessed the need to include an estimate of bioprocessed product for which revenue has previously been recognised and which may be reversed should the product go out of specification during the remaining period over which the product is bioprocessed. In calculating this estimate the Group has looked at historical rates of out of specification batches across the last three and a half years, and has consequently not recognised revenue of £1.5 million during the first half of 2019.

## 4. Segmental analysis

The chief operating decision-makers have been identified as the Senior Executive Team (SET), comprising the Executive Directors, Chief Project and Development Officer, Chief Technical Officer, Chief Scientific Officer, Chief Business Officer, Chief Operations Officer, Chief Medical Officer, General Counsel and Chief People Officer. The SET monitors the performance of the Group in two business segments:

(i) Platform - this segment consists of the revenue generating bioprocessing and process development activities undertaken for third parties. It also includes internal technology developments and technical intellectual property;
(ii) Product - this segment consists of the clinical and preclinical development of in vivo and ex-vivo gene and cell therapy products which are owned by the Group.

**Revenues, other operating income and operating (loss)/profit by segment**
Operating EBITDA and Operating (loss)/profit represent the Group's measures of segment profit & loss as they are a primary measure used for the purpose of making decisions about allocating resources and assessing performance of segments.

| H1 2019 | Platform £'000 | Product £'000 | Total £'000 |
|---|---|---|---|
| Revenue | 19,338 | 12,763 | 32,101 |
| Other operating income | 463 | - | 463 |
| Operating EBITDA[1] | (11,025) | 9,615 | (1,410) |
| Depreciation, amortisation and share based payment | (3,127) | (358) | (3,485) |
| Change in fair value of available-for-sale asset | (1,166) | - | (1,166) |
| Operating (loss)/profit | (15,318) | 9,257 | (6,061) |
| Net finance cost | | | (6,052) |
| Loss before tax | | | (12,113) |

| H1 2018 | Platform £'000 | Product £'000 | Total £'000 |
|---|---|---|---|
| Revenue | 25,047 | 10,238 | 35,285 |
| Other operating income | 276 | 419 | 695 |
| Operating EBITDA[1] | 4,413 | 7,485 | 11,898 |
| Depreciation, amortisation and share based payment | (2,100) | (412) | (2,512) |
| Operating profit | 2,313 | 7,073 | 9,386 |
| Net finance cost | | | (4,206) |
| Profit before tax | | | 5,180 |

[1] Operating EBITDA is defined as Earnings Before Net Finance Costs, Tax, Depreciation, Amortisation, Change in fair value of available-for-sale assets and share based payments

Other operating income of £0.5 million (2018: £0.7 million) includes grant income of £0.5 million (2018: £0.3 million) which is used to develop the Group's supply chain capabilities and is included within the Platform segment. Grant income of £nil (2018: £0.4 million) to fund clinical and preclinical development is included within the Product segment.

Costs are allocated to the segments on a specific basis as far as is possible. Costs which cannot readily be allocated specifically are apportioned between the segments using relevant metrics such as headcount or direct costs.

A geographical split of operating (loss)/profit is not provided because this information is not received or reviewed by the chief operating decision-maker and the origin of all revenues is the United Kingdom.

A segmental or geographical split of assets and liabilities is not provided because this information is not received or reviewed by the chief operating decision-maker. All assets are located within the United Kingdom.

**Disaggregation of revenue**
Revenue is disaggregated by the type of revenue which is generated by the commercial arrangement. Revenue shown in the table below is denominated in sterling and is generated in the UK.

For the 6 months ended 30 June

| 2019 | Platform £'000 | Product £'000 | Total £'000 |
|---|---|---|---|
| Bioprocessing/Commercial development | 17,585 | 1,253 | 18,838 |
| Licence fees, Milestones & Royalties | 1,753 | 11,510 | 13,263 |
| **Total** | **19,338** | **12,763** | **32,101** |

| 2018 | Platform £'000 | Product £'000 | Total £'000 |
|---|---|---|---|
| Bioprocessing/Commercial development | 15,364 | - | 15,364 |
| Licence fees, Milestones & Royalties | 9,683 | 10,238 | 19,921 |
| **Total** | **25,047** | **10,238** | **35,285** |

**Revenue by geographical location**

| Revenue by customer location | 30 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Europe | 16,662 | 15,216 |
| Rest of world | 15,439 | 20,069 |
| **Total revenue** | **32,101** | **35,285** |

In the first half of 2019 Novartis and Axovant each generated more than 10% of the Group's revenue.

## 5. Basic earnings and diluted earnings per ordinary share

The basic (loss) / earnings per share of (14.83p) (2018: 8.05p earnings) has been calculated by dividing the (loss) / earnings for the period by the weighted average number of shares in issue during the six months ended 30 June 2019 (68,558,129; 2018: 64,360,991).

The Group made a loss for the period ended 30 June 2019. There is therefore no difference between the basic loss per ordinary share and the diluted loss per ordinary share in the period.

The diluted earnings per share in the prior period of 7.56p has been calculated by dividing the earnings for the prior period by the weighted average number of shares in issue during the prior period after adjusting for the dilutive effect of the share options and warrants outstanding at 30 June 2018 (68,503,727).

## 6. Finance costs

Finance costs of £6.1 million (2018: £4.2 million) consist of interest on the Oaktree loan of £4.8 million (2018: £3.0 million), a foreign exchange revaluation loss on the loan of £1.0 million (2018: £1.2 million) and lease liability interest recognised as part of the implementation of IFRS 16 (Leases) of £0.3 million (2018: £nil).

## 7. Property, plant & equipment

| | Freehold property £'000 | Leasehold improvements[1] £'000 | Office equipment and computers £'000 | Bioprocessing and Laboratory equipment £'000 | Right-of-use assets £'000s | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2019 | 21,283 | 7,735 | 5,088 | 12,337 | - | 46,443 |
| Change in accounting policy[2] | - | (1,263) | - | - | 7,618 | 6,355 |
| Additions at cost | 104 | 9,758 | 1,496 | 3,569 | - | 14,927 |
| Disposals | - | - | - | (50) | - | (50) |
| At 30 June 2019 | 21,387 | 16,230 | 6,584 | 15,856 | 7,618 | 67,675 |
| **Depreciation** | | | | | | |
| At 1 January 2019 | 6,324 | 1,450 | 2,416 | 4,462 | - | 14,652 |
| Change in accounting policy[2] | - | (188) | - | - | 188 | - |
| Charge for the period | 1,017 | 205 | 417 | 824 | 319 | 2,782 |
| Disposals | - | - | - | (46) | - | (46) |
| At 30 June 2019 | 7,341 | 1,467 | 2,833 | 5,240 | 507 | 17,388 |
| **Net book amount at 30 June 2019** | **14,046** | **14,763** | **3,751** | **10,616** | **7,111** | **50,287** |
| Net book amount at 31 December 2018 | 14,959 | 6,285 | 2,672 | 7,875 | - | 31,791 |

[1] Included within Leasehold improvements are Assets-under-construction of £12,154,000, representing ongoing construction works at the OxBox bioprocessing facility.

[2] The change in accounting policy related to a reclassification of the restoration provision asset as a right-of-use asset as part of the implementation of IFRS 16 (Leases) at the start of 2019. Refer note 14 for further information

## 8. Assets held for sale and Investments

During the first half of 2019 the Group determined that the equity held in Orchard Therapeutics met the definition of an asset held for sale under IFRS 5. As such, the equity investment was reclassified from Investments (non-current assets) to Assets held for sale (current assets).

On reclassification the equity was valued at fair value less costs to sell in line with IFRS 5. As a result of this, a £1.2 million (H1 2018: £nil) fair value loss has been recognised within profit and loss.

In June 2019, 13,500 shares were sold at a value of £148,000, based on the fair value at that date.

At 30 June 2019 the aggregate fair value less estimated costs to sell of the equity investment in Orchard Therapeutics is £9.6 million (31 December 2018: £11.0 million). This valuation is based on the share price at that date and on that basis, the asset is considered to be a level 1 input under IFRS 13.

Reconciliation of opening and closing balances:

| | Asset held for sale £'000 | Investment £'000 |
|---|---|---|
| At 1 January 2019 | - | 10,966 |
| Reclassification of investment as available-for-sale asset | 10,966 | (10,966) |
| Costs to sell available-for-sale asset | (97) | - |
| Change in fair value of available-for-sale asset | (1,166) | - |
| Sale of shares | (148) | - |
| **At 30 June 2019** | **9,555** | **-** |

On 29 November 2016, as part of a strategic alliance with Orchard Therapeutics, the Group received 735,000 ordinary shares as an equity stake in Orchard Therapeutics in consideration for the licences granted under the agreement.

Additional shares valued at £2.0 million were awarded to the Group on the achievement of certain milestones, being 188,462 ordinary shares in February 2018, and a further 188,462 ordinary shares in August 2018.These shares awarded were recognised as revenue during the year upon achievement of the milestones. As Orchard Therapeutics was a private company at the time, the shares awarded were not valued based on observable market data, but rather the value of the most recent placing of shares by Orchard Therapeutics prior to the milestone being achieved.

Additional ordinary shares may be issued to Oxford Biomedica should the Group achieve the remaining milestones.

In November 2018 Orchard Therapeutics converted each of its shares of capital stock into 0.8003 shares. These were then re-designated as ordinary shares, resulting in the number of shares owned by Oxford Biomedica being adjusted from 1,111,924 to 889,872. Subsequently, in November 2018, Orchard Therapeutics floated on Nasdaq.

## 9. Inventory

| | **30 June 2019 £'000** | 31 December 2018 £'000 |
|---|---|---|
| Raw materials | **2,842** | 2,422 |
| Work-in-progress | **275** | 1,829 |
| **Inventory** | **3,117** | 4,251 |

Inventories constitute raw materials held for commercial bioprocessing purposes, and work-in progress inventory related to contractual bioprocessing obligations.

During 2019, the Group wrote down £83,000 (2018: £51,000) of inventory which is not expected to be used in production or sold onwards.

## 10. Trade and other receivables

| **Current** | **30 June 2019 £'000** | 31 December 2018 £'000 |
|---|---|---|
| Trade receivables | 20,238 | 15,408 |
| Other receivables | 704 | 707 |
| Accrued income | 26 | 22 |
| Other tax receivable | 2,376 | 1,144 |
| Prepayments | 1,312 | 840 |
| **Total trade and other receivables** | **24,656** | 18,121 |

| **Non-current** | **30 June 2019 £'000** | 31 December 2018 £'000 |
|---|---|---|
| Other receivables | **3,600** | 3,600 |

## 11. Contract Assets

| | 30 June 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Contract assets | **7,517** | 8,864 |

## 12. Cash and cash equivalents

| | 30 June 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| **Cash at bank and in hand** | **26,074** | 32,244 |

In 2018 and H1 2019 the Group was required under the Oaktree Facility to maintain cash and cash equivalents of not less than £2.0 million ($2.5 million) while the Oaktree Facility was outstanding. This facility was repaid on 28 June 2019 at which point in time this requirement fell away.

## 13. Trade and other payables

| | 30 June 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Trade payables | **5,264** | 3,746 |
| Other taxation and social security | **1,896** | 770 |
| Accruals | **6,115** | 6,906 |
| **Total trade and other payables** | **13,275** | 11,422 |

## 14. Leases

The Group has applied IFRS 16 (Leases) using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 (Leases) and the impact of these changes are disclosed in Note 3.

The Group leases many assets including land and buildings, and IT equipment. Information about leases for which the Group is a lessee is presented below:

**Right-of-use assets**

| | Property £'000 | IT equipment £'000 | **Total £'000** |
|---|---|---|---|
| Balance at 1 January 2019 | 6,211 | 144 | **6,355** |
| Reclassified balances at 1 January 2019 | 1,075 | - | **1,075** |
| Depreciation charge for the period | (300) | (19) | **(319)** |
| **Balance at 30 June 2019** | 6,986 | 125 | **7,111** |

Upon implementation of IFRS 16 (Leases), fixed asset retirement obligation assets recognised on the Yarnton and Windrush Innovation Centre leases of £1.3 million were reclassified from Leasehold improvements to Right-of-use assets.

There were no additions to the right-of-use asset during the period ended 30 June 2019.

**Lease liabilities**

| | **30 June 2019 £'000** |
|---|---|
| **Maturity analysis – contractual undiscounted cash flows** | |
| Less than one year | 918 |
| One to five years | 4,510 |
| More than five years | 7,776 |
| **Total undiscounted cash flows at 30 June 2019** | **13,204** |

| | **30 June 2019 £'000** |
|---|---|
| **Lease liabilities included in the Statement of Financial Position** | |
| Current | 296 |
| Non-current | 8,169 |
| **Total lease liabilities at 30 June 2019** | **8,465** |

**Amounts recognised in the statement of comprehensive income**

| | **30 June 2019 £'000** |
|---|---|
| Interest on lease liabilities | **328** |
| Expense relating to short-term leases | **55** |

**Amounts recognised in the statement of cash flows**

| | **30 June 2019 £'000** |
|---|---|
| Total cash outflow for leases | **471** |

## 15. Loans

On 28 June 2019 the Group repaid its $55 million (£43.6 million) loan facility with Oaktree Capital Management ("Oaktree") financed through £53.5 million of equity issued to Novo Holdings in May 2019. The loan facility was fully repaid at a cost of £43.6 million plus a redemption fee of £0.9 million, and the security over the assets of the Group was removed.

Prior to repayment the loan carried an interest rate of 9.0% plus US$ three month LIBOR, subject to a minimum of 1%. Subject to achieving certain conditions, the interest rate could have reduced by 0.25% in the second year and a further 0.25% in the third year. The loan was issued at an original discount of 2.5%, and under the agreement the Company has issued 2,689,686 (post consolidation) warrants to Oaktree (note 18). The terms also included financial covenants relating to the achievement of revenue targets and a requirement to hold a minimum of $2.5 million cash at all times. The Oaktree facility was secured by a pledge over substantially all of the Group's assets.

| | **30 June 2019 £'000** | 31 December 2018 £'000 |
|---|---|---|
| **Loans** | | |
| Balance at 1 January | **41,153** | 36,864 |
| Interest accrued | **4,819** | 6,210 |
| Interest paid | **(2,486)** | (4,665) |
| Foreign exchange movement | **969** | 2,744 |
| Redemption fee | **(866)** | - |
| Loan repayment | **(43,589)** | - |
| **Closing balance** | **-** | 41,153 |

## 16. Provisions

The dilapidations provisions relate to the anticipated costs of restoring the leasehold Yarnton (£640,000) and Windrush Innovation Centre (£655,000) properties in Oxford, UK to their original condition at the end of the lease terms in 2024 and 2028 respectively, discounted using the rate per the Bank of England nominal yield curve. The equivalent rate was used in 2018. The provisions will be utilised at the end of the leases if they are not renewed.

In 2018 the Group signed a lease on a new facility in Oxford, UK (OxBox) that is near its Windrush laboratories. The new facility is 84,000 sq. ft (7,800 sqm). The Group's planned Phase I and Phase 2 expansion will fit out around 45,000 sq. ft (4,200 sqm) for four GMP clean room suites and two fill and finish suites as well as offices, warehousing and QC laboratories, with space available for future expansion. This new facility is still under construction and therefore it is not currently possible to accurately estimate the restoration costs.

## 17. Share capital and Share premium

At 31 December 2018 and 30 June 2019 Oxford Biomedica had an issued share capital of 66,103,528 and 76,767,971 ordinary 50 pence shares respectively.

In April 2019, Oaktree exercised its warrants which were then converted into 2,689,686 ordinary shares of 50p each. Proceeds from the shares issued were £1.3 million.

On 28 May 2019, the Group announced that Novo Holdings A/S had subscribed to 6,568,024 new ordinary shares at a price of £6.90. Novo Holdings A/S also exercised in full its option to subscribe to a further 1,181,976 new ordinary shares at a price of £6.90 on 29 May 2019. Gross proceeds from the placing were £53.5 million; net proceeds were £52.8 million.

## 18. Warrant reserve

Under the Oaktree loan agreement Oxford Biomedica had issued 2,687,025 warrants to Oaktree, equivalent to 4.4% of the Group's share capital on 29 June 2017. The warrants were exercisable at the nominal share price of 50p and had been fair valued at £1.2 million. A further 2,661 warrants had been issued to Oaktree since then due to equity fundraisings by the Company.

On 18 April 2019, Oaktree exercised its warrants representing 2,689,686 ordinary shares of 50p each for total consideration of £1,344,843. The exercise price of the warrants was 50p per warrant. Upon exercise the warrant reserve was released to share premium.

## 19. Cash flows from operating activities

**Reconciliation of operating -(loss)/profit to net cash used in operations**

| | **Six months ended 30 June 2019 £'000** | Six months ended 30 June 2018 £'000 |
|---|---|---|
| **Continuing operations** | | |
| Operating (loss) / profit | (6,061) | 9,386 |
| | | |
| Adjustment for: | | |
| Depreciation | 2,782 | 2,110 |
| Amortisation of intangible assets | 11 | 14 |
| Loss on disposal of property, plant and equipment | 6 | - |
| Charge in relation to employee share scheme | 965 | 388 |
| Change in fair value of available-for-sale asset | 1,166 | (757) |
| Costs to sell available-for-sale asset | 97 | - |
| | | |
| Changes in working capital: | | |
| (Increase) / decrease in contract assets and trade and other receivables | (5,169) | 426 |
| Increase / (decrease) in trade and other payables | 1,844 | (545) |
| Increase in contract liabilities and deferred income | 4,522 | 8,913 |
| Increase in provisions | 8 | 5 |
| Decrease / (increase) in inventories | 1,134 | (1,650) |
| Net cash generated from operations | 1,305 | 18,290 |

## 20. Statement of Directors' responsibilities

The Directors of Oxford Biomedica plc are set out on page 29 of this report.

The condensed consolidated interim financial statements are the responsibility of, and have been prepared by, the Directors. The Directors confirm that they have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material change in related-party transactions described in the last annual report.

By order of the Board

**John Dawson**
Chief Executive Officer
4 September 2019

## INDEPENDENT REVIEW REPORT TO OXFORD BIOMEDICA PLC

### Conclusion

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, Statement of Changes in Equity Attributable to Owners of the Parent and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group/Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

### Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Group in accordance with the terms of our engagement to assist the Group in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group for our review work, for this report, or for the conclusions we have reached.

**William Smith**
**for and on behalf of KPMG LLP**
*Chartered Accountants*
Arlington Business Park
Reading
RG7 4SD

04 September 2019

## Shareholder Information

**Directors**
Lorenzo Tallarigo
(Non-executive Chairman)

John Dawson
(Chief Executive Officer)

Stuart Paynter
(Chief Financial Officer)

Andrew Heath
(Deputy Chairman and Senior Independent Director)

Martin Diggle
(Non-executive Director)

Stuart Henderson
(Independent Non-executive Director)

Heather Preston
(Independent Non-executive Director)

Robert Ghenchev
(Non-executive Director)

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