



Chairman's and Chief Executive's Statement

For the six months to 31 May 2018



We are pleased to present OptiBiotix Health plc's interim results for the six month period ended 31 May 2018.

This period reflects the continued transition of OptiBiotix® from a research and development company into a commercial business, with seven commercial deals in six months covering the USA (two deals), Asia (one each in India and Pakistan), Europe (two deals), and a deal with a global brand who is one of the world's largest providers of dairy products. OptiBiotix has now completed nineteen deals since March 2017 reflecting international interest from industry in microbiome products which have a strong scientific and clinical evidence base. OptiBiotix's science is winning awards at international conferences (ProBiota 2017 and 2018) and its two products, LP-LDL and SlimBiome®, have been nominated for awards, with SlimBiome® winning the award for best weight management ingredient at Food Matters in November 2017, and Vitafoods in May 2018. We believe this strategy will continue to generate industry interest and create an extensive pipeline of opportunities across all our platforms in the months and years ahead.

This focus on building the science has led to growing partner interest in licensing LP_{LDL}® to extend our products into drug biotherapeutics. The deals announced with Trigen Pharma, and Akums Drugs and Pharmaceuticals, are example of deals whereby the partner provides all funding for drug registration, in return for exclusivity and milestone and/or royalty payments based on future product sales. As the promise of the microbiome materialises into an increasing range of products and territories across OptiBiotix's platforms, and these and other agreements start to translate into growing revenue streams, there is potential for a significant enhancement in the value of the Company.

KEY ACHIEVEMENTS

During the period to date we have achieved a number of key objectives which continue to build shareholder value. These include:

- A US manufacturing, supply and profit sharing agreement with Cereal Ingredients, Inc for SlimBiome®
- Completion of five successful human taste studies on SweetBiotix® demonstrating high sweetness and low off flavours

- An exclusive royalty bearing agreement with Fine Foods and Pharmaceuticals for the production and supply of five formulations containing OptiBiotix's LP_{LDL}® strain in Europe
- A five year distribution agreement with Trigen Pharma International to exclusively distribute and commercialise OptiBiotix's own label CholBiome® products in Pakistan
- A non-exclusive distribution agreement with Cambridge Commodities Ltd to distribute SlimBiome® weight management technology in the United Kingdom
- A five year agreement with Akums Drugs and Pharmaceuticals Ltd to exclusively manufacture and supply supplements and biotherapeutic drug products containing LP-LDL® in India
- A non exclusive agreement with Seed Health to produce, promote, market, and commercialise products containing LP-LDL® in the USA
- A non-exclusive license with one of the world's largest providers of dairy products to explore the potential for using OptiBiotix's SweetBiotix® technology to reduce the sugar content in a range of its dairy food products
- The appointment of Neil Davidson as Non-executive Chairman bringing sector expertise, a network of industry contacts, and over 30 years of operational and Board experience as Chairman and Chief Executive of FTSE 100, AIM and private companies
- Award for SlimBiome® for Weight Management Ingredient of the Year at Vitafoods 2018 and 'Best Functional Ingredient for Health and Wellbeing' at Food Matters
- The US launch of SlimBiome® in Cereal Ingredients Nutri-Bites® product range in March 2018
- Independent human studies from by Oxford Brookes University have demonstrated that volunteers who took SlimBiome® compared to a placebo feel fuller and are less hungry, have less food cravings, and eat less sweet and fatty foods

RESULTS

OptiBiotix results for the 6 months ended 31 May 2018 are set out below.

Administrative expenses were £ 1,020,446 (£1,021,081: 2017) including a number of non-recurrent costs associated with patents entering the national phase of prosecution (£58,056) and humans studies at Oxford Brookes on SlimBiome® and Reading University for SweetBiotix® (£113,040). Non cash items, amortisation of patents and share option expenses account for £105,409.

The accounts show a loss after tax for the period of £1,085,095 (£3,206,484 profit :2017). The loss for the year of £1,085,095 includes the Group's share of the Skibiotherapeutics PLC loss for the same period of £209,229 (£294,278:2017).

The 41.9% investment in SkinBioTherapeutics PLC is treated in the accounts as an associate company. The value in the balance sheet at 31 May 2018 of £3,979,793 represents the value of the investment on 4 April 2017, the SkinBioTherapeutics PLC listing date, less the OptiBiotix share of the losses since that date. As of 21 August 2018 the value of the investment stood at £9,460,089.

Cashflow remains tightly controlled with a focus on building shareholder value through investment in R&D, IP and in-licensing opportunities. The Group's cash position remains strong at £1,797,121 which is sufficient to cover the delivery of existing development and commercial plans.

BOARD AND MANAGEMENT

We continue to evolve the Board in line with the Company's development. The last six months has seen a number of board changes to reflect the transition of the company from a research and development company into a commercial business.

We were pleased to announce the appointment of Neil Davidson as Non-Executive Chairman commencing 1 January 2018. This was part of a strategy to supplement the existing board with sector specific commercial leadership. Neil brings a network of industry contacts and over thirty years of operational and Board experience as Chairman and Chief Executive of FTSE 100, AIM, and private companies in both an executive and non-executive capacity.

We believe with the addition of Neil we have a well-balanced Board and management team for this stage of the company's growth. This includes scientific and commercial expertise in the founder and Chief Executive Stephen O'Hara, commercial expertise in Per Rehne (Commercial Director) and Christina Wood (Sales and Marketing Director), scientific expertise in Dr Sofia Kolida and market expertise in Non-Executive Director Dr Gareth Barker and Peter Wennström. They are complemented by our CFO Mark Collingbourne and Neil Davidson our Chairman.

At the end of the accounting period we announced that Dr Sofia Kolida would join the board as Director of Research & Development rewarding her input and expertise in the development of OptiBiotix's technology platforms. This appointment reflects the growing partner interest in OptiBiotix's microbiome modulators and SweetBiotix® technology with Dr Kolida taking on responsibility for leading development programs with current and future corporate partners. In August we announced Sean Christie will join the board as a non executive director subject to regulatory approvals.

We anticipate further additions and changes to the both the executive and non executive team as we extend the global reach of our products and in-line with the continued growth and expansion of the Company.

SCIENTIFIC AND COMMERCIAL OVERVIEW

With recent scientific advances in the understanding of the role of the microbiome we are rapidly approaching a future where microbiome products will make a significant contribution to the prevention, management and treatment of a wide range of human diseases. This potential was recognized at an early stage in the development of OptiBiotix with the creation of a number of technology platforms using different approaches to modulate the microbiome. This strategy has provided multiple opportunities within the microbiome space to develop food ingredients, supplements, and pharmaceutical products with partners, and provide a broad based investment portfolio across a number of application areas in the microbiome space. Whilst this is costly and takes longer, it diversifies risk by offering shareholders multiple opportunities in evolving space.

These technology platforms have now moved through the development process of laboratory studies, independent human studies with world-renowned key opinion leaders, and manufacturing scale up, to create award winning science and products. These awards provide independent industry validation and raise OptiBiotix's profile and reputation. This in turn attracts commercial interest in our technology leading to a healthy deal pipeline. The change in the type and size of commercial agreement from development and manufacturing, to an increasing number of distribution agreements for our products, reflects the transition of OptiBiotix from a company development the science into a business commercialising products. This changes the risk reward ratio leading to OptiBiotix's assets becoming an attractive proposition for corporate partners. This has led to a number of approaches from potential acquirers interested in assets in specific divisions.

We believe growing industry interest in microbiome products with strong science, independent clinical studies, and key opinion leader endorsement, will continue to help convert the high interest in our products into growing revenue streams from license deals and supply agreements in the months and years ahead.

OptiBiome® (SlimBiome®, CardioBiome®, ImmunoBiome®, WellBiome® and PsychoBiome)

OptiBiome® is a range of products developed as functional ingredients to help prevent and manage many of today's chronic lifestyle diseases. SlimBiome®, is the first product in the range, and has been developed to reduce hunger, leading to less snacking and easier weight loss. This is a new scientific approach to weight loss and contrasts with existing 'diet' products which typically rely on customers' self-control to restrict calories and as a consequence have a high failure rate. The ingredients in SlimBiome® are backed up by over one thousand publications with



further evidence for SlimBiome®'s effectiveness demonstrated in an independent study by Oxford Brookes University. The study showed that if you compare control and test groups who take SlimBiome® or a placebo the SlimBiome® group:

- Feel fuller and less hungry
- Have less food cravings
- Change their food choice so they eat less sweet and fatty foods

This is the first time to our knowledge this has been demonstrated for any functional weight management ingredient. Following on from winning the award for 'Best Functional Ingredient for Health and Well Being' at Food Matters in November 2017, SlimBiome® won the award for Weight Management Ingredient of the Year at the Vitafoods European tradeshow in Geneva. The award is given to the product identified by a panel of scientific, regulatory and industry experts demonstrating leading edge research and innovation in the weight management market.

Christina Wood is leading the commercialisation of SlimBiome® and has made good progress since commencing her role as Sales and Marketing Director in March 2017. Christina has been working with manufacturers, application developers and retailers to extend the application of SlimBiome® into a broader range of 'Health & Wellbeing' food and beverage products. This has led to a profit sharing agreement with Knighton Foods a wholly owned subsidiary of Premier Foods plc (November 2017), and Cereal Ingredients (December 2017), a speciality ingredients manufacturer based in the USA. This was followed by a non exclusive distribution agreement with Cambridge Commodities (April 2018) to distribute SlimBiome® into the sports, health & wellbeing and ingredients sectors of the UK ingredients market, and Morleys (June 2018), to manufacture and supply a range of muesli packs containing SlimBiome®.

The overall aim is to have SlimBiome®, and subsequently other OptiBiome® products, in a wide range of everyday products. The US launch of SlimBiome® in Cereal Ingredients Nutri-Bites® product range which can be used with granola, snack mix inclusions, cereal bars, coated snacks, or just used as a healthy crunch topping, is an early example of how SlimBiome® can be used in multiple applications. Recent studies with bread at Reading University have shown SlimBiome® improved the physical properties of bread (crumb structure, texture, colour), and shelf life of bread, with 60% of consumer (n=102) who showed a preference preferring bread containing SlimBiome®, with 40% having no preference. This extends SlimBiome® applications from snack bars and shakes to breakfast cereals and bakery products (e.g. cookies, cakes and tortillas).

This creates the opportunity for multiple revenue streams from sales of ingredients to food manufacturers, white label products to large retailers, and branded products in multiple presentations to meet the needs of a diverse range of national and international markets. This is all part of a series of developments with international partners and large retailers which we hope will develop into commercial agreements in the months

and years ahead. The overall approach is consistent with increased consumer awareness of using functional natural ingredients as part of a healthy lifestyle to manage and reduce the risks of illness and disease.

In addition to the commercialisation of SlimBiome® the Company is extending its OptiBiome® range beyond weight management (SlimBiome®) to include cardiovascular health (CardioBiome®), immune health (ImmunoBiome®), cognitive health (PsychoBiome), and general health (WellBiome®).

OPTISCREEN®, CHOLESTEROL REDUCTION AND LP-LDL®

OptiBiotix's first product developed using its OptiScreen® platform is a bacterial strain targeting cholesterol and blood pressure reduction. The strain, registered under international treaty's as *Lactobacillus plantarum* ECGC 13110402 and branded LP_{LDL}®, was selected by OptiBiotix's proprietary OptiScreen® technology platform from over 4,000 candidate strains. The product has successfully undergone independent human studies showing high levels of efficacy for both cholesterol and blood pressure reduction. The reduction of both cholesterol and blood pressure is a significant advantage over existing cholesterol products as the ability to reduce both LDL cholesterol and blood pressure has a multiplicative effect in reducing cardiovascular risk.

The science behind OptiBiotix's LP_{LDL}® product won best scientific publication at ProBiota 2017 and 2018. These awards raise OptiBiotix's profile and reputation and attract commercial interest.

Per Rehne is leading the commercialisation of LP_{LDL}® and has made strong progress since commencing his role as Commercial Director. Since Per's appointment, LP_{LDL}® has undergone rapid commercial development with the announcement of twelve manufacturing, application and distribution agreements. Per has been working with manufacturers, formulation and distribution partners to develop around 30 formulations of LP_{LDL}® which have the science, cost structure, and synergistic mode of action to create a wide product range. This approach allows OptiBiotix to present product solutions to consumer health, pharmaceutical and retail companies that provide multiple revenue streams from ingredient sales, white label and own branded products. Investors will have noted the deal evolution from small privately owned pharma companies, who are quicker to execute agreements, to larger deals with £100m plus revenue companies like Fine Foods, Gallenicum, Trigen Pharma, Akums, and Seed Health in the USA.

This division has a broad deal pipeline and is rapidly being developed into a self-sustaining business unit with the IP portfolio and leadership to fully exploit the revenue potential of its products. If this division continues its current development it has the potential to become a separate legal entity creating the possibility for an independent exit by a trade sale or listing in the UK or the US, depending on market conditions.

OPTIBIOTICS®, MICROBIOME MODULATION, AND SWEETBIOTICS®

OptiBiotix has made significant progress in its scientific programmes to develop compounds which modify the human microbiome to prevent, manage and treat disease. These now cover three areas, each representing a substantive opportunity in its own right:

Microbiome modulators: OptiBiotix R&D teams have used gut models to demonstrate the ability to increase the growth rate, biological activity and health effect of specific microbial species in the human microbiome and in doing so, manipulate both the microbiome's composition and its function. This has now been demonstrated in multiple species, including OptiBiotix's cholesterol reducing LP_{LDL}® strain and partner strains such as DSMs Lactobacillus rhamnosus GG (LGG®), contained within its Culturelle® range. The results of this study were reported with DSM as co-authors at ProBiota 2018 where it was awarded the prize for best scientific abstract. We believe this is the first reported publication of an optimised prebiotic for LGG®.

OptiBiotics®: OptiBiotix's R&D teams have demonstrated that by combining our cholesterol reducing strain LP_{LDL}®, with galacto-oligosaccharides produced from it, we can selectively enhance its growth and increase cholesterol reduction threefold. Work in the last 12 months has led to the development of new high throughput carbohydrate screening platforms which have allowed the extension of these concepts to other probiotic genera and species. To the best of our knowledge, our presentations at international conferences and partner discussion lead us to believe we are one of the world's leaders in this field. We see the development of species or genera specific prebiotics which can selectively enhance the growth and health benefits of existing probiotic products as a growing area of interest to the probiotic industry, a market expected to be worth more than \$64bn by 2022 (Markets and Markets, 2017).

SweetBiotix®: SweetBiotix® is an innovative concept with the potential to address a global requirement, addressing international concerns over the impact of sugar on obesity, with the prospect of replacing 'unhealthy' sugars in existing products with non-digestible, low calorie, healthy SweetBiotix®. These have undergone five successful independent human studies in which OptiBiotix's products and commercially available comparator samples were tested by an expert panel of 11 panellists who rated 11 products attributes (e.g. sweetness, aftertaste, off-flavour, bitterness etc.) compared to sucrose as a benchmark.

These studies have created interest from a number of corporates with expertise in the manufacture and commercialisation of speciality ingredients and/or consumer products. In February and March 2018 the Company met up with teams of scientists and senior executives from a number of major corporates in Europe and the USA. It was clear from our meetings that OptiBiotix are global leaders in targeted microbiome modulation and sweet prebiotics/fibres. In May 2018 we announced a

deal with a global brand which is one of the world's largest providers of dairy products. This was followed by term sheet with a global supplier of nutritional and agricultural products with an annual turnover exceeding \$100bn for the scale up, manufacture and distribution of its SweetBiotix®. These agreements are part of a strategy of identifying partners who can manufacture and sell the ingredient as a stand-alone product and major consumer good companies in cereals, confectionary, beverages etc. who want to use SweetBiotix® as an ingredient in their products. This is consistent with our approach of mitigating risk by building a multiple deal structure which we hope will lead to a deal with a global manufacturer who has rights to produce and distribute the our product as a standalone sweetener, and deals with beverage producers, dairy producers, cereal producers, confectionary groups etc., who have the rights to use our product as a sweetener/functional food ingredient in their products.

SKINBIOTHERAPEUTICS PLC

OptiBiotix owns 41.9% SkinBioTherapeutics plc (SBTX), which is at an early stage in its development, similar to the beginnings of OptiBiotix in August 2014. SBTX continues to make solid progress scientifically and commercially as it progresses towards human studies later this year. If successful, these studies should demonstrate safety, tolerance, and efficacy and create strong interest from commercial partners with the potential for a substantive uplift in valuation. The Board remain optimistic on the future of SkinBioTherapeutics as it has good technology and is targeting multi-billion dollar global markets, where there is a real need for new science.

OPTIBIOTIX.Online

The online store is now ready for launch and we plan to go live at the start of September 2018. This creates another channel to market our products, with the potential to become a division in its own right. The online store creates a shop window for our technologies and products and will sell our own brand GoFigure products, the wider range of SlimBiome® products, and LP_{LDL}® formulations, creating an additional revenue stream and the opportunity for direct market feedback from its customers. We expect products to be added to the store throughout the year according to seasonality and further partnership deals.

OUTLOOK

OptiBiotix is continuing its strategy of developing microbiome modulators with a scientific and clinical evidence base for large markets (>£100m) where there are high growth opportunities (CAGR >10%), and a large unmet need.

The last six months has seen the continued transition of OptiBiotix® from a research and development Company to a commercial business, with seven agreements covering the USA, Asia, and Europe, and a deal with a global dairy brand. OptiBiotix's science has won awards at international conferences and its products have been nominated and have won



awards at international exhibitions. This has created a significant industry interest and generated a substantial deal pipeline across all platforms. The focus now is on translating interest into deal flow and working with our partners to ensure we maximise the commercial opportunity to generate revenue growth against a continued lean cost base.

This is all part of a commercial strategy of closing out deals across multiple levels of the value chain, starting with manufacturing agreements such as the profit sharing agreement signed with Knighton Foods for the production of SlimBiome®. This is complemented by royalty bearing license deals with formulation and distribution partners such as Cereal ingredients, Fine Foods, Trigen Pharma, Cambridge Commodities, Akums, and Seed Health for the supply of white label and branded products.

Whilst this strategy takes longer to develop than single license deals and requires close collaboration with partners, this multi-channel approach enables OptiBiotix to maximize the income potential of each product, whilst limiting the risk related to any individual deal. This allows OptiBiotix to operate on a very asset-light infrastructure with manufacturing, regulatory approvals, and sales and marketing infrastructure funded by OptiBiotix's partners such that license and royalty fees are largely cost free and enter the bottom line. This is a low risk, low cost approach to accessing multiple consumer healthcare and pharmaceutical markets around the world, and if successful, has the potential to cumulatively generate substantive revenues and profitability in the forthcoming years.

Key to this commercial strategy is working with the right commercial partners and ensuring their sales and marketing teams are provided with the supporting science and training to highlight the benefits of our technology to maximise sales growth. We recognise, from past experience, that all partners may not meet our expectations so have mitigated commercial risk where possible by agreeing non exclusivity or offering exclusivity for a specific formulation and limited time period. This allows us to continue discussions and agree deals with multiple partners in the same territory to create a competitive position where partners have to perform to ensure they retain commercial rights.

As we extend our reach into new application areas and new territories, the scale of the opportunity enlarges. We were pleased to announce a non exclusive deal with Seed Health in May 2018 for the US launch of a product containing OptiBiotix's cholesterol and blood pressure reducing strain (LP_{LDL}®). Seeds Daily Synbiotic™, is targeted at the US probiotic market, one of the largest and fastest growing probiotic markets in the world, with supplements alone accounting for \$2.06bn sales, and a projected 55% growth per annum to \$3.3bn by 2021. Our deals with Galenicum LP_{LDL}® (Spain, Chile, Peru and the Middle East), Trigen (Pakistan), Akums (India) reflects our continued expansion into new territories where we see high growth opportunities. We would hope to see continued expansion into new territories and application areas with national and international partners in the forthcoming months and years.

Of particular note in the last six months is the increased interest from pharmaceutical companies in developing LP_{LDL}® as a drug product called a biotherapeutic. The deals announced with Trigen in April 2018 and Akums in May 2018 are examples of such drug deals where the partner provides the funding for drug registration and clinical studies in return for exclusivity milestone and/or royalty payments on future product sales. As the gap between nutraceuticals and pharmaceutical narrows we anticipate this will be a developing trend. This creates the potential for high value deals for use of LP_{LDL}® as a biotherapeutic in a number of territories in the months and years ahead. If this is achieved this has the potential to create significant value uplift given the high value deal structure typical in drug development and pharmaceutical industries.

The company continues to evolve its board and structure to fully exploit the expanding range of opportunities and maximise revenue. As part of this process the company has developed an online store to create a shop window for its technologies and products OptiBiotix.online. This creates another channel to market our products with the potential to become a division in its own right. The online store will sell our own brand GoFigure products, the wider range of SlimBiome® products, and LP_{LDL}® formulations, creating an additional revenue stream and the opportunity for direct market feedback from its customers. We expect a continual range of products to be added to the store throughout the year according to seasonality and further partnerships. To support this development we appointed Steve Riley as Head of online sales and marketing in April 2018. In addition to the appointment of Steve Riley we extended the role and responsibilities of Dr Sophia Kolida to a board position. This reflects growing partner interest and engagement in OptiBiotix's microbiome modulators and SweetBiotix® technology with Dr Kolida taking on responsibility for leading development programs with current and future corporate partners.

As OptiBiotix's technology platforms become self-sustaining business units, where appropriate, we will separate them into wholly owned separate legal entities with the potential for an independent exit by a trade sale or listing separately or collectively in UK or the US. The benchmark for this is seen with the transition of SkinBiotix Limited as a technology platform within OptiBiotix to a high value public company with a market capitalisation of £20-£25m in August 2018. The strategic intent is for OptiBiotix shareholders to benefit from the appreciation of this asset plus, subject to market conditions, any dividends that may be returned in recognition of this value uplift. The company believe if the probiotic division continues its current development to reaching commercial sustainability it has the potential to become a separate legal entity creating the possibility for an independent exit.

The Board believes OptiBiotix® is at the leading edge of an emerging market, forecast to become one of the world's fastest growth areas. Over the last six months the company has continued its progress in building a broad based microbiome business by closing out a number of agreements with commercial partners from around the world.

As the scientific and consumer understanding of the role of the microbiome in the prevention of disease and the maintenance of health grows we see substantial opportunities for products that can modify the microbiome and show a measurable health benefit. We are pleased that our strategy of developing microbiome products with a strong scientific and clinical evidence base has provided clear product differentiation within the market and stimulated high commercial interest. We look forward to converting this interest into further deals in the months ahead and building revenues from existing and new deals.

On behalf of everyone at OptiBiotix Health plc we would like to thank our investors for their continued support and look forward to an exciting future.

Neil Davidson and Stephen O'Hara

30 August 2018

Consolidated Statement of Comprehensive Income

For the six months to 31 May 2018



| Continuing operations | Notes | 6 months to 31 May 2018 Unaudited £ | 6 months to 31 May 2017 Unaudited £ | Year to 30 November 2017 Audited £ |
|--|-------|--|--|---|
| Revenue | | 80,560 | 74,868 | 191,073 |
| Cost of sales | | (37,624) | (34,631) | (73,706) |
| Gross Profit | | 42,936 | 40,237 | 117,367 |
| Administrative expenses | | (1,020,446) | (1,021,081) | (2,244,169) |
| Operating loss | | (977,510) | (980,844) | (2,126,802) |
| Finance income/(costs) | | 63 | 95 | (6,012) |
| Profit on disposal of subsidiary | | – | 4,103,986 | 4,116,286 |
| Share of loss from associate | | (209,229) | – | (294,278) |
| Profit/(Loss) before Income tax | | (1,186,676) | 3,123,237 | 1,689,194 |
| Income tax | | 101,581 | 83,247 | 228,447 |
| Profit/(Loss) for the period | | (1,085,095) | 3,206,484 | 1,917,641 |
| Other Comprehensive Income | | – | – | – |
| Total comprehensive income for the period | | (1,085,095) | 3,206,484 | 1,917,641 |
| Total comprehensive income attributable to the owners of the company | | (1,081,953) | 3,206,484 | 1,907,441 |
| Non-controlling interest | | (3,142) | (86,783) | 10,200 |
| | | (1,085,095) | 3,119,701 | 1,917,641 |
| Profit/(Loss) per share | | | | |
| Basic & Diluted – pence | 4 | (1.36)p | 4.08p | 2.43 |
| Basic & Diluted before Profit on investment revaluation – pence | | (1.36)p | 3.54p | 2.13 |

Consolidated Statement of Financial Position

As at 31 May 2018

| | Notes | As at 31 May 2018 Unaudited £ | As at 31 May 2017 Unaudited £ | As at 30 November 2017 Audited £ |
|-------------------------------------|-------|--|--|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangibles | | 1,868,388 | 1,976,949 | 1,927,226 |
| Property, plant & equipment | | 6,062 | 9,411 | 6,561 |
| Investments | | 3,979,793 | 4,398,539 | 4,189,022 |
| | | 5,854,243 | 6,384,899 | 6,122,809 |
| CURRENT ASSETS | | | | |
| Inventories | | 30,151 | 25,503 | 8,890 |
| Trade and other receivables | | 104,085 | 76,528 | 106,122 |
| Current tax asset | | 274,236 | 191,950 | 183,951 |
| Cash and cash equivalents | | 1,797,121 | 1,923,018 | 1,247,431 |
| | | 2,205,593 | 2,216,999 | 1,546,394 |
| TOTAL ASSETS | | 8,059,836 | 8,601,898 | 7,669,203 |
| EQUITY | | | | |
| Shareholders' Equity | | | | |
| Called up share capital | 6 | 1,658,100 | 7,203,590 | 1,586,628 |
| Share premium | | 1,451,613 | 6,232,427 | 6,279,718 |
| Share based payment reserve | | 523,443 | 430,346 | 474,517 |
| Non Controlling Interest | | (3,142) | (84,683) | – |
| Merger relief reserve | | 1,500,000 | 1,500,000 | 1,500,000 |
| Accumulated profit/(deficit) | | 2,468,731 | (7,139,029) | (2,795,147) |
| Total Equity | | 7,598,745 | 8,142,651 | 7,045,716 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | | 88,296 | 63,858 | 239,395 |
| | | 88,296 | 63,858 | 239,395 |
| Non-current liabilities | | | | |
| Deferred tax liability | | 372,795 | 395,389 | 384,092 |
| | | 372,795 | 395,389 | 384,092 |
| TOTAL LIABILITIES | | 461,091 | 459,247 | 623,487 |
| TOTAL EQUITY AND LIABILITIES | | 8,059,836 | 8,601,898 | 7,669,203 |

Consolidated Statement of Changes in Equity

For the six months to 31 May 2018



| | Called up Share Capital £ | Share Premium £ | Share- based Payment Reserve £ | Non Controlling Interest £ | Merger Relief Reserve £ | Retained Earnings £ | Total Equity £ |
|---|---------------------------------|-----------------------|--|-------------------------------------|----------------------------------|---------------------------|----------------------|
| Balance at 30 November 2016 | 7,196,010 | 6,144,357 | 417,585 | 90,692 | 1,500,000 | (10,345,513) | 5,003,131 |
| Profit for the period | – | – | – | – | – | 3,206,484 | 3,206,484 |
| Issued share during the period | 7,580 | 88,070 | – | – | – | – | 95,650 |
| Share based payment | – | – | 12,761 | – | – | – | 12,761 |
| Non Controlling interest | – | – | – | (175,375) | – | – | (175,375) |
| Balance at 31 May 2017 | 7,203,590 | 6,232,427 | 430,346 | (84,683) | 1,500,000 | (7,139,029) | 8,142,651 |
| Loss for the period | – | – | – | – | – | (1,288,843) | (1,288,843) |
| Issue shares during the period | 15,763 | 47,291 | – | – | – | – | 63,054 |
| Non-Controlling Interest | – | – | – | 84,683 | – | – | 84,683 |
| share based payment | – | – | 44,171 | – | – | – | 44,171 |
| Cancellation of shares during the year | (5,632,725) | – | – | – | – | 5,632,725 | – |
| Balance at 30 November 2017 | 1,586,628 | 6,279,718 | 474,517 | – | 1,500,000 | (2,795,147) | 7,045,716 |
| Loss for the period | – | – | – | – | – | (1,085,095) | (1,085,095) |
| Issue of shares during the period | 71,472 | 1,520,868 | – | – | – | – | 1,592,340 |
| share based payment | – | – | 48,926 | – | – | – | 48,926 |
| Cancellation of share premium account | – | (6,348,973) | – | – | – | 6,348,973 | – |
| Non Controlling interest | – | – | – | (3,142) | – | – | (3,142) |
| Balance at 31 May 2017 | 1,658,100 | 1,451,613 | 523,443 | (3,142) | 1,500,000 | 2,468,731 | 7,598,745 |

Consolidated Statement of Cash Flows

For the six months to 31 May 2018

| | 6 months to 31 May 2018 Unaudited £ | 6 months to 31 May 2017 Unaudited £ | Year to 30 November 2017 Audited £ |
|---|--|--|---|
| Reconciliation of loss before income tax to cash outflow from operations | | | |
| Operating loss | (977,510) | (980,844) | (2,126,802) |
| Decrease/(increase) in inventories | (21,261) | 1,122 | 17,735 |
| (Increase)/decrease in trade and other receivables | 2,035 | (111,753) | (172,336) |
| (Decrease)/increase in trade and other payables | (151,099) | (3,374) | 209,220 |
| Share Option expense | 48,926 | 12,761 | 56,932 |
| Depreciation | 2,507 | 3,692 | 6,998 |
| Amortisation of patents | 56,149 | 56,484 | 112,968 |
| Net cash outflow from operations | (1,040,253) | (1,021,912) | (1,895,285) |
| Interest received | 63 | 95 | 142 |
| Net cash outflow from operating activities | (1,040,190) | (1,021,817) | (1,895,143) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | (2,459) | (1,348) | (1,804) |
| Purchase of intangible assets | – | (36,621) | (43,381) |
| Disposal of subsidiary net of cash | – | (228,212) | (228,212) |
| Net cash (outflow)/inflow from investing activities | (2,459) | (266,181) | (273,397) |
| Cash flows from financing activities | | | |
| Share issues | 1,592,339 | 95,650 | 158,703 |
| Net cash inflow from financing activities | 1,592,339 | 95,650 | 158,703 |
| Taxation | – | – | 141,902 |
| Increase/(decrease) in cash and equivalents | 549,690 | (1,192,348) | (1,867,935) |
| Cash and cash equivalents at beginning of year | 1,247,431 | 3,115,366 | 3,115,366 |
| Cash and cash equivalents at end of year | 1,797,121 | 1,923,018 | 1,247,431 |

Notes to the Half Yearly Report

For the six months to 31 May 2018



1. General Information

Optibiotix Health Plc is a company incorporated and domiciled in England and Wales. The company's offices are in York. The company is listed on the AIM market of the London Stock Exchange (ticker: OPTI).

The financial information set out in this Half Yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The group's statutory financial statements for the year ended 30 November 2017, prepared under International Financial Reporting Standards ("IFRS"), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498 (3) of the Companies Act 2006.

Copies of the annual statutory accounts and the Half Yearly report can be found on the Company's website at <http://www.optibiotix.com/>.

2. Basis of preparation and significant accounting policies

This Half Yearly report has been prepared using the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, using accounting policies which are consistent with those set out in the financial statements for the year ended 30 November 2017.

New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the group.

3. Segmental Reporting

In the opinion of the directors, the group has one class of business, being that of research and development. The group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is the UK. All costs are derived from the single segment.

4. Earnings per Share

Basic earnings per share is calculated by dividing the earnings attributable shareholders by the weighted average number of ordinary shares outstanding during the period.

Reconciliations are set out below:

| | 6 months to 31 May 2018 Unaudited | 6 months to 31 May 2017 Unaudited | Year to 30 November 2017 Audited |
|--|---|---|--|
| Basic | | | |
| Earnings attributable to ordinary shareholders | (1,081,953) | 3,206,484 | 1,907,441 |
| Weighted average number of shares | 79,270,322 | 78,517,954 | 78,586,791 |
| Earnings (Loss) per-share – pence | (1.36)p | 4.08p | 2.43p |
| Diluted | | | |
| Earnings attributable to ordinary shareholders | (1,081,953) | 3,206,484 | 1,907,441 |
| Weighted average number of shares | 79,270,322 | 90,481,227 | 89,710,518 |
| Earnings (Loss) per-share – pence | (1.36)p | 3.54p | 2.13p |

Basic and diluted earnings per share are the same for the 6 months to 31 May 2018, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 31 May 2018 there were 9,278,037 outstanding share options and 1,045,690 outstanding share warrants.

5. Investments in associate undertakings

On 4 April 2017 the group reduced its shareholding in its subsidiary, SkinBiotix Limited, from 52% to 41.9% as a result of their listing on the AIM stock exchange and is now accounted for as an associate under the equity accounting method.

Company

| | £ |
|-------------------------|------------------|
| Cost | |
| At 30 November 2016 | – |
| Additions | 4,483,300 |
| Share of associate loss | (294,278) |
| Carrying amount | |
| At 30 November 2017 | 4,189,022 |
| Share of associate loss | (209,229) |
| Carrying amount | |
| At 31 May 2018 | 3,979,793 |

6. Share Capital

Issued share capital comprises:

| | 6 months to 31 May 2018 Unaudited £ | 6 months to 31 May 2017 Unaudited £ | Year to 30 November 2017 Audited £ |
|--|--|--|---|
| Ordinary shares of 2p each 78,543,318 | 1,658,101 | 1,570,866 | 1,586,628 |
| Deferred shares of 19p each 26,001,739 | – | 4,940,330 | – |
| Deferred shares of .90p each 63,373,961 | – | 570,366 | – |
| Deferred shares of 0.09p each 135,587,293 | – | 122,028 | – |
| | 1,658,101 | 7,203,590 | 1,586,628 |

On 27 February 2018 the High Court of Justice confirmed the Capital Reduction of the share premium account.

During the six months to 31 May 2018 the company issued ordinary shares of £0.02 each listed, exercised at a price of £0.08 per share in the capital of the company following the exercise of options and warrants and a placing.

| Date issued | Number |
|-------------|------------------|
| 14/12/2017 | 73 |
| 30/01/2018 | 354,162 |
| 06/02/2018 | 800,000 |
| 30/05/2018 | 2,419,355 |
| | 3,573,590 |



7. Post balance sheet events

On 14 June 2018 the company issued and allotted 1,461,408 ordinary shares of 2 pence each exercised at a price of 8 pence per share following the exercise of options.

On 17 July 2018 Neil Davidson and Sofia Kolyda, Directors of the company were granted 385,000 and 165,000 options respectively. The options have an exercise price of 73p per share and an expiration date of 13 July 2028. The options have performance criteria attached to them which includes a doubling of the share price and significant revenue targets.

On 17 July 2018 165,000 options were issued to other senior members of staff. These options have similar vesting conditions to those mentioned above.

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