RNS Number : 9190Z
OptiBiotix Health PLC
24 September 2020

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OptiBiotix Health plc
("OptiBiotix" or the "Company" or the "Group")

Half Year Report

OptiBiotix Health plc (AIM: OPTI), a life sciences business developing compounds to tackle obesity, cardiovascular disease and diabetes, announces its results for the six months ended 30 June 2020.

Highlights

- First half revenue growth of £744,821, a five times increase in revenues from H1 2019 (2019: £148,818)
- A 15.5% reduction in other administration costs and a 50% reduction in loss compared to the same period last year
- A scalable business model delivering a growing number of deals with larger partners, pharmaceutical specialists, and established retailers building brand presence
- Valuable global intellectual property portfolio of over 70 overlapping patents and 68 trademarks providing strong commercial protection to the group's science and brands
- Launch of a branded SlimBiome® product range with Holland & Barrett, the first agreement with a major retailer to market our proprietary weight management technology
- Completion of a successful human study in partnership with Nutrilinea Srl, demonstrating that a new food supplement formulation containing LP_{LDL}® can reduce high blood pressure (hypertension)
- The launch in Italy by ALFASIGMA S.p.A. of a food supplement containing the cholesterol reducing LP_{LDL}® probiotic strain providing an entry into Italy, the largest and fastest growing probiotic market in Europe
- Extension of the existing terms and territories for our partners CTC Group and Cambridge Commodities for the distribution of SlimBiome®, SlimBiome® Medical and GoFigure
- The launch of SlimBiome® in the North American market by Agropur
- An agreement with Optipharm, whose flagship brand Optislim is Australia's leading weight management brand, for the exclusive use of our OptiBiome® weight management ingredient in over 20 countries including Australia, parts of Asia, New Zealand, Middle East, Gulf States and North America
- The launch of SlimBiome® containing products in Walmart and Costco in the USA and Canada
- Signing a three-year distribution agreement with a subsidiary of Pierce Group Asia granting it exclusive rights to import and commercialise OptiBiotix's SlimBiome® and LP_{LDL}® to China and Hong Kong
- Granting MAXCARE Inc exclusive rights to commercialise OptiBiotix's SlimBiome® proprietary weight management technology in Taiwan
- Granting Cambridge Commodities Ltd, one of the UK's leading speciality ingredients suppliers, a non-exclusive licence to distribute ProBiotix's specialty ingredient LP_{LDL}® as well as our finished dietary supplement CholBiome®$_{x3}$ for cholesterol and blood pressure reduction in the UK
- The launch of WellBiome®, a patented supplement to improve gut health, in response to partner interest arising from increased consumer awareness of the human microbiome and the growing trend in health and wellbeing

Post-period end highlights

- Extension of our existing terms to include the new WellBiome® product with Draco Ingredients GmbH in Germany; Agropur MSI LLC in the USA Canada and Mexico; Maxum Foods in Australia and New Zealand; and CTC Holdings BV in the Philippines, Vietnam, Indonesia, Colombia, the Dominican Republic and Guatemala
- A non-exclusive distribution agreement with Actial Farmaceutica Srl for the distribution of CholBiome® and CholBiome®$_{X3}$ in Australia, New Zealand, Indonesia and Thailand as a product line extension of its VSL$^{\#}$3® brand

- Extension of the terms, territories, and products covered by our existing distribution with CTC Holding BV for the sale of CholBiome$_{X3}$ to include LP$_{LDL}$® as a bulk ingredient and three additional products: CholBiome, CholBiome$_{BP}$ and CholBiome$_{VH,,}$ and to extend coverage from the Philippines to include non-exclusive distribution rights for Vietnam, Indonesia, Colombia, the Dominican Republic and Guatemala

- Extending the terms of our original exclusive licence agreement for OptiBiome® with OptiPharm Pty Ltd. ("OptiPharm") to include Europe in addition to Australia, parts of Asia, New Zealand, Middle East, Gulf States and North America

- An exclusive agreement with a US company for the large-scale manufacture and commercialisation of a number of SweetBiotix® products in return for upfront, milestone, launch, and royalty payments

Stephen O'Hara, CEO of OptiBiotix, commented: *"This has been another period of exciting progress for OptiBiotix with a 400% increase in sales and a large reduction in costs compared to the same period last year. Our divisions are now making strong progress towards profitability with more agreements generating revenues, existing partners increasing sales, and more retail partners launching successful new products. Our products are now being commercialised with large retail and pharmaceutical partners boosting consumer awareness and confidence in our brands with OptiBiotix now being identified as a key player in the microbiome space within industry.*

"The Company is now in a pivotal position of having a scalable business model growing sales from proven products with partners in multiple international territories in the human microbiome market, which is expected to grow at a CAGR of 22.60% between 2020 and 2025. This presents us with a large and expanding market opportunity on which we are well placed to capitalise by increasing our range of applications, products and territories.*

"Whilst uncertainty within the global economic environment will create challenges, we believe that our proven strategy of working with multiple partners, across different application areas and geographies within the healthcare sector, will limit the risk related to any individual deal, product, or geography, and we look forward to continued further progress over the year as a whole."

*Mordor Intelligence 2019

This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

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Caution regarding forward looking statements
Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "potentially", "expect", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

Chairman's and Chief Executive's Statement

We are pleased to present OptiBiotix Health plc's interim results for the six month period ended 30 June 2020.

The first six months of this year has seen strong revenue growth with a 400% increase in group income and individual divisions reporting a 1,309% (SlimBiome®) and 477% (LP_{LDL}®) increase in revenues. This was achieved against a 15.5% reduction in other administration costs and a 50% reduction in the loss compared to the same period last year. The strong sales growth is especially pleasing given the uncertain global economic environment and impact on potential sales as a result of COVID-19, particularly in countries like India and the USA, in the first six months of the year. Whilst these percentage increases are compared to a low base, there is an acceleration in year-on-year revenue growth as more agreements generate revenues, existing partners grow sales, and more retail partners launch products. The Company is now at a commercial turning point with a proven business model, growing sales from proven products, partners in multiple international territories, and reduced administration and R&D costs. This places the Company in a strong position to exploit the opportunity in the global human microbiome market expected to show a CAGR of 22.60% between 2020 and 2025 (Mordor Intelligence 2019).

Our first generation products, SlimBiome®, and LP_{LDL}®, are now established scientifically, clinically, and commercially with products being sold in over 120 countries around the world and a growing brand presence. These first generation of products were designed with a low development risk with the aim of establishing the Company and its product positions, and testing the innovative business model in the market. This has now been achieved with the conclusion of multiple deals with large retail and pharmaceutical partners including Alfasigma, Agropur, Holland and Barret, and Optipharm, and OptiBiotix increasingly being identified as a key player in the microbiome space in industry reports (see https://www.openpr.com/news/2004286/what-s-driving-the-human-microbiome-market-size-key-players). Of note is the increasing number of pharmaceutical companies such as Alphasigma and Actial Farmaceutica commercialising LP_{LDL}® products into the high value GP, hospital, and pharmacy markets. The other significant change in this period was the number of established retailers such as Holland & Barrett, Walmart, and Costco taking products containing SlimBiome®, OptiBiome®, and subsequently WellBiome®, into the mass consumer market. Whilst retail agreements typically have lower margins, they enhance the credibility and consumer awareness of the product, and with it, confidence in the brand. Our products are now increasingly becoming associated with internationally recognised retail and pharmaceutical partners and established brands, which create further interest, and demand in other markets.

The next stage in the Company's development involves: -

- Achieving and then growing profitability in each division by scaling sales, leveraging our purchasing power as volumes increase to reduce the costs of goods, and focusing on higher margin products and;
- Commercialising next generation products including microbiome modulators, biotherapeutics, and our growing family of SweetBiotix® products.

As we grow sales and profitability in our first generation products, extend our reach into new application areas and territories, and commercialise next generation products the scale of our opportunity enlarges.

RESULTS

OptiBiotix results for six months ended June 2020 are set out below. The results are compared with the six months ended 31 May 2019 following the change in our financial year-end from November to December in 2019.

The results show revenue for the six months of £744,821 (2019: £148,818). These figures represent a five times increase in revenues from H1 2019. This increase was achieved despite difficult trading conditions in a number of territories which may have impacted on sales in retail outlets and reduced visits and sale opportunities from partner representatives visiting hospitals, GP's, and pharmacies due to COVID-19 restrictions.

In contrast to 2019 where the majority of this income was generated from LP_{LDL}®, both the Functional Fibres (SlimBiome®, OptiBiome®, and WellBiome®), and the Probiotics division (LP_{LDL}®) made roughly equal contributions of £342,734 and £341,858 respectively, with the online store contributing £60,229. As in previous years, there was no substantive contribution from license or royalty payments which tend to be received in the second half of the year, and can greatly influence gross margin. The renegotiation of our contract with Sacco S.r.l., should also help improve margins in H2 2020.

Administrative expenses were £896,268 (2019: £1,025,050) with £162,840 non-cash expenses representing depreciation, amortisation and share based payment charges (2019: £157,112). With increasing revenues and decreasing costs, the loss for the first six months of the year was £605,663, a significant decrease (51%) for the same period last year (2019: £1,217,705).

As at 30 June 2020, the Company had £1.47m Group cash balance. Once R&D tax credits are claimed and recoverable VAT repayments are added, the balance would be £1.68m.

The Company received £746,751 of investment income in this period from the disposal of shares in SkinBioTherapeutics plc.

COMMERCIAL UPDATE

We signed 15 new commercial agreements during the first half: 11 for SlimBiome®, and four for LP_{LDL}®. Of particular note were deals with Holland and Barrett, Optipharm, and US partners that open up retail opportunities in the UK, Australia, parts of Asia, the Middle East, and North America. Announcing deals with international recognised partners increases industry awareness of OptiBiotix's brands within the industry, and changes the nature of partner discussions as the commercial benefits are established in more territories. Growing brand awareness increases the value of a product, and ultimately shareholder value, and is particularly important and valued by large corporates. This is in line with our strategic aim of growing the awareness of ingredient and finished product brands around the world.

LP_{LDL}®

Sales of LP_{LDL}® as an ingredient or final product grew by 477% compared to the same period last year. Particularly noteworthy developments in the first half were the successful launch of AlfaSigma's Ezimega 3 product and the commercial growth of Seed Health's Daily Synbiotic. Whilst we consider H2 2020 will be a challenging global economic environment, we believe our strategy of working with multiple partners, across different geographies will help limit any commercial risk. Post period, the signing of an agreement with Actial Farmaceutica Srl for the distribution of CholBiome® products was a significant achievement and brings further credibility to the LP_{LDL}® brand. Actial is the developer of one of the world's best-known probiotic brands - VSL#3® - and their products have a reputation for their strong science and clinical studies amongst hospital clinicians, GPs and pharmacists.

We now have partners commercialising LP_{LDL}® in over 60 countries including the world's largest probiotic market (USA: Seed Health) and second largest (Italy: AlfaSigma). The next stage of our strategy is to grow sales with existing partners, extend territories and applications, and continue to sign up new partners. In addition to growing sales, the Company is renegotiating contracts as volumes increase to reduce the cost of goods. The renegotiation of our contract with Sacco S.r.l., announced in March 2020, from a profit sharing to a manufacture supply agreement where we buy from Sacco and then sell product to partners ourselves, significantly improved margins. The results of this should be seen in H2 2020.

The Company has now published six studies on LP_{LDL}® in peer reviewed journals or as abstracts at international scientific conferences. These cover the safety and performance of LP_{LDL}® in human studies, the three mechanisms of action by which LP_{LDL}® reduces blood lipids, and LP_{LDL}®'s antimicrobial activity against a wide range of clinically important human and/or animal pathogens including Campylobacter, Shigella, Salmonella, E.coli O157, and Clostridium difficile. The results of two published independent human studies in different countries show significant reductions in both blood pressure and cholesterol and the product to be safe and well tolerated.

Publications and presentations help to differentiate LP_{LDL}® from products which are sold solely on marketing and reduce the risk of commoditisation and price erosion. The presence of a scientific and clinical evidence base, GRAS, and pharmaceutical GMP manufacture validation increases the potential for LP_{LDL}® to be commercialised as a pharmaceutical drug product and are major points of differentiation from other probiotics. Together these designations increase the market attractiveness of LP_{LDL}® to pharmaceutical partners either used by itself, or as combination treatment to help lower the dose and potential side effects of statins. This extends the opportunity

outside the traditional supplement market into broader therapeutic opportunities which will be explored more actively in H2 2020.

SlimBiome®
Sales of SlimBiome® as an ingredient or final product grew by 1,309% compared to the same period last year. This was largely driven by partners in the UK, Australia and the USA either launching retail products or building stock levels for the launch of products. Of particular note is the extension of SlimBiome® into everyday foods like muesli and porridge and the development of healthy snacks like fruit and fibre gummies under the SnackSmart® brand. The launch of WellBiome® at the end of the period reflects the growing interest from partners in a science backed Health and Wellbeing microbiome product which taps into a global trend for Health & Wellness, a market estimated to be worth US$4.2 trillion in 2019 with the digestive health segment accounting for US$60 billion.

SweetBiotix®
SweetBiotix® is a family of products based on the concept of creating a sweet fibre that has a low glycaemic index, which enhances the microbiome. The concept uses new science, new manufacturing processes, and is a step change from existing products on the market or known to be under development. There are currently around half a dozen types of SweetBiotix® and a couple under development. The aim is to have a broad range of products suitable for a wide range of application areas which meet the needs of multiple partners on applications as diverse as dairy, cereals and hot & cold beverages. The agreement signed post period with a US partner is a significant milestone in the commercialisation of SweetBiotix® products. The agreement, for one part of the SweetBiotix® portfolio, provides an exclusive license in return for the partner bearing all the manufacturing, marketing and commercialisation costs. This is a significant investment for our partner. In return, OptiBiotix will receive upfront, annual and product launch payments from the US partner plus royalties on all future product sales. We have also negotiated enhanced royalty payments on sales of SweetBiotix® products by our partner to 11 application/ innovation partners.

INTELLECTUAL PROPERTY
There has been a rapid increase in the number of patents filed in the microbiome space in the last 10 years, and OptiBiotix and Probiotix Health have together filed over 100 patents to protect their commercial interests and create first mover advantage in this evolving field. This is being supported by a large investment - typically of over £250,000 year - in patents and trademarks to broaden protection in international markets

Our Intellectual Property ('IP') strategy has been based on building a portfolio of overlapping patents to protect our commercial interests and reduce the risk of any particular patents failing to grant or being opposed by a competitor. This means that we have multiple composition, application, and process patents to protect each area of our business. Whilst this approach is more costly, it reduces our future commercial risk. As patents are granted in key territories (typically the US, Europe, Canada, Japan, Australia, India) the Group is able to reduce its patent portfolio (from 100 to 70 patents) in some territories to lower IP costs whilst continuing to protect its commercial interests.

Our strategy and investment have enabled the Group to build an extensive and valuable intellectual property portfolio of some 70 patents worldwide. In addition to these patents, we have registered over 68 trademarks to provide what is called 'double IP' - a combination of patents and supporting trademarks which allows OptiBiotix to build its trademarked brands supported by its patents. This approach further reduces risk and in combination creates a valuable IP portfolio in the microbiome field.

KEY ACHIEVEMENTS
During the period to date we have signed new agreements, had product launches, extended our product range or territories with existing partners, and completed a human study. These achievements continue to build shareholder value, example of which are set out below:-

New agreements

- Concluding an agreement with Optipharm for the exclusive use of our OptiBiome® weight management ingredient in over 20 countries in its flagship Optislim brand, Australia's leading weight management brand

- Signing a three-year distribution agreement with a subsidiary of Pierce Group Asia to import and commercialise OptiBiotix's SlimBiome® and LP_{LDL}® in China and Hong Kong

- Granting MAXCARE Inc exclusive rights to commercialise OptiBiotix's SlimBiome® proprietary weight management technology in Taiwan

- The signature of a licensing agreement with Granja Pocha S.A. for the inclusion of ProBiotix's patented probiotic strain LP_{LDL}® into a functional yogurt product in Uruguay, South America

- Conclusion of a new licensing agreement with Velinoff Pharma Ltd for the distribution of ProBiotix's products CholBiome® and CholBiome®X3, which contain OptiBiotix's patented LP_{LDL}® probiotic strain in Bulgaria

- Reaching a one-year exclusive distribution agreement with Prosperous Pharma, based in Lebanon, to distribute and commercialise OptiBiotix's SlimBiome® Medical to the Gulf Cooperation Council States and the Levant region

Product Launches

- The launch of a branded SlimBiome® product range with Holland & Barrett, the first agreement with a major retailer to market our proprietary weight management technology
- The launch in Italy by ALFASIGMA S.p.A. of a food supplement containing our proprietary cholesterol reducing LP_{LDL}® probiotic strain providing an entry into the largest and fastest growing probiotic market in Europe
- The launch of SlimBiome® in the North American market by Agropur
- The introduction of SlimBiome® containing products in Walmart and Costco in the USA and Canada through USA partners Smart For Life and Evolution 18
- The launch of WellBiome®, a patented supplement to improve gut health; this is a proprietary blend of prebiotic functional fibres, functional dietary fibres and minerals optimised to promote the diversity of the gut microbiome

Extensions of product range or territories with existing partners

- Signing a new global manufacturing and supply agreement for LP_{LDL}® with Sacco S.r.l. that changes our original profit-sharing agreement to a manufacture and supply agreement
- Extension of the existing terms and territories for both CTC Group and Cambridge Commodities for the distribution of SlimBiome®, SlimBiome® Medical and GoFigure
- Extension of territories with Extensor to distribute GoFigure® consumer weight management products in Ukraine, Estonia, Lithuania, Latvia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Armenia, Azerbaijan, Georgia, Belarus, Moldova and Russia

New Human Studies

- Completion of a successful human study by ProBiotix Health, in partnership with Nutrilinea Srl, demonstrating that a new food supplement formulation containing LP_{LDL}® can reduce high blood pressure (hypertension)

BOARD AND MANAGEMENT

There has been no change to the OptiBiotix Board during the period. As noted in the annual report, Steve Prescott left his position as CEO of our wholly owned subsidiary ProBiotix Health Ltd by mutual agreement at the end of May 2020. Stephen O'Hara is acting as CEO of ProBiotix Health with the support of Mikkel Hvid-Hansen in the expanded role of Commercial Director.

We anticipate that there will be further additions and changes to the Board and management teams as we continue to grow sales and transition to a profitable and sustainable business. Specifically, we expect to enhance our operational and quality control capabilities to meet the needs of our growing list of larger corporate partners and retail customers and add international expertise to support our intention to seek a listing in an international market.

OUTLOOK

The first six months of this year has seen a large increase in sales (400%) as more agreements generate revenues, existing partners grow sales, and more retail partners launch products. This has been achieved with a 15.5% reduction in other administration costs in a difficult global economic environment. The Company now has proven its business model with established products being sold through an international network of pharmaceutical, ingredient, formulation, and retail partners in over 120 countries around the world, and is identified as a key player in the microbiome space by industry reports.

The Company remains focused on the next phase of its strategy with each of its divisions currently on course to reach profitability in the current financial year. We anticipate continued revenue growth in 2020 as existing deals contribute to full year revenues, we extend the application of our products into new areas, retail partners launch more products and extend their territories, and we continue to execute deals with new partners. We also anticipate a further reduction in administration costs in the second half of 2020 as management costs are removed from the business and improved gross margins from royalty and license agreements.

To support sales growth, we anticipate adding new products across our portfolio. For LP_{LDL}® these include more dairy products, and expanding development of our cardiovascular health portfolio with a blood pressure (CholBiomeBP), and vascular health product (CholBiomeVH). This will complete a suite of cardiovascular applications of different formulations which should meet the regulatory and market needs of most countries around the world. We are also exploring further the potential of LP_{LDL}® for its immune health properties after a number of customers have reported reduction in allergies, particularly hay fever, and its use in combination with existing treatments, such as statins, to help lower dose and reduce side effects, whilst maintaining efficacy. We have sequenced LP_{LDL}®'s genome and are exploring the genetic predisposition of the strain to impact on a range of health areas outside of cardiovascular health. In addition, we have also been awarded (subject to contract) a grant to explore the effect of LP_{LDL}® on stress, anxiety, and sleep disorders with universities in the UK and Europe.

For SlimBiome®, given increased consumer awareness of the human microbiome, and the growing trend in health and wellbeing, we have launched WellBiome®. This uses existing human study data which showed positive effects on the microbiome, mood, and blood pressure. This has allowed us to extend the opportunity outside weight management without adding any development costs by utilising existing studies and changing the dosage in the final product. We have been pleased with the high level of partner interest in WellBiome® as witnessed by the number of agreements signed post period. Investors should also note the number of partners who have gained early success with our products and who are now extending their territories or product range. This has led to the Company continuing to sign new deals and extend existing partner deals as shown by a number of agreements signed post period including:-

- Extension of our existing terms to include WellBiome® with Draco Ingredients GmbH in Germany; Agropur MSI LLC in the USA Canada and Mexico; Maxum Foods in Australia and New Zealand; and CTC Holdings BV in the Philippines, Vietnam, Indonesia, Colombia, the Dominican Republic and Guatemala

- A non-exclusive distribution agreement with Actial Farmaceutica Srl for the distribution of CholBiome® and CholBiome®X3 in Australia, New Zealand, Indonesia and Thailand, under the VSL#3® range

- Extension of the terms, territories, and products with CTC Holding BV for the sale of CholBiomeX3 to include LP_{LDL}® as a bulk ingredient and three additional products: CholBiome, CholBiomeBP and CholBiomeVH,, from the Philippines to include non-exclusive distribution rights for Vietnam, Indonesia, Colombia, the Dominican Republic and Guatemala

- Extending the terms of our original exclusive licence agreement for OptiBiome® with OptiPharm Pty Ltd. ("OptiPharm") to include Europe in addition to Australia, parts of Asia, New Zealand, Middle East, Gulf States and North America

- An exclusive agreement with a US company for the large-scale manufacture and commercialisation of a number of SweetBiotix® products in return for upfront, milestone, launch, and royalty payments

Having established a range of first generation products (LP_{LDL}®, SlimBiome®), and a large international network of partners our focus is now turning to commercialising our next generation products with partners. These include our microbiome modulators, biotherapeutics, and the growing family of SweetBiotix® products. The agreement announced post period with a US partner for one part of the SweetBiotix® portfolio is an early example. It provides a 'no cost' route to commercialisation with the partner bearing all the manufacturing, marketing, and commercialisation costs in return for an exclusive worldwide license and milestone and royalty payments.

We believe our strategy of securing deals with partners who make up the value chain (manufacturers, formulators and distributors) across multiple territories is now bearing fruit with rapid revenue growth against a low and decreasing cost base. The Company is now at a commercial tipping point as its divisions move towards profitability and our global network of partners start to deliver on early forecasts, grow sales, and look to introduce more products into more and more territories.

We continue to explore the potential for a dual international listing in the USA or other international markets. Preparatory work carried out to date includes aligning our financial end of year with similar companies on other international exchanges, reducing our holding in SkinBiotherapeutics plc to reduce the risk of having to include segmental reporting and enhancing our quality and reporting systems. We anticipate further change to the management team and Board and more commercial agreements in the US as we to continue to evolve the Company and build market presence to increase the success of any potential dual listing.

Investor and consumer interest in the human microbiome is growing, presenting us with a market opportunity that is large and expanding. OptiBiotix is ideally positioned to exploit this opportunity with first generation products which impact on major chronic lifestyle diseases, industry recognition as key industry player in the microbiome space, and next generation products of SweetBiotix® and Microbiome modulators, biotherapeutics, and Medical Devices. We look forward to growing sales as we scale our busines model and strengthen our position in this new and exciting area of science which has the potential to revolutionise the future of healthcare.

We look forward to the future with a stronger team, more deals, more products, and, most importantly, greater revenues and profitability.

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

N Davidson and S O'Hara

23 September 2020

Consolidated Statement of Comprehensive Income

For the six months to 30 June 2020

Continuing operations		6 months to 30 June 2020 Unaudited £	6 months to 31 May 2019 Unaudited £	Period to 31 December 2019 Audited £
Revenue		744,821	148,818	744,883
Cost of sales		(447,747)	(86,755)	(352,080)
Gross Profit		297,074	62,063	392,803
Share based payments		42,762	73,771	137,320
Depreciation and amortisation		120,078	83,341	217,904
Other administrative costs		733,428	867,938	2,204,216
Administrative expenses		(896,268)	(1,025,050)	(2,559,440)
Operating loss		(599,194)	(962,987)	(2,166,637)
Finance income / (costs)		(64,682)	(49,907)	(44,356)
Profit on disposal of investments		48,967	-	123,468
Share of loss from associate		-	(248,117)	(296,344)
Profit/(Loss) before Income tax		(614,909)	(1,261,011)	(2,241,856)
Income tax		9,246	43,306	123,468
Profit/(Loss) for the period		(605,663)	(1,217,705)	(2,118,388)
Other Comprehensive Income		-	-	-
Total comprehensive income for the period		(605,663)	(1,217,705)	(2,118,388)
Total comprehensive income attributable to the owners of the company		(605,456)	(1,216,894)	(2,117,273)
Non-controlling interest		(207)	(811)	(1,115)
		(605,663)	(1,217,705)	(2,118,388)
Profit/(Loss) per share				
Basic & Diluted - pence	**4**	(0.70)p	(1.43)p	(2.49)p

Basic & Diluted before	(0.70)p	(1.43)p	(2.49)p
Profit on investment revaluation - pence			

Consolidated Statement of Financial Position
As at 30 June 2020

	Notes	As at 30 June 2020 Unaudited	As at 31 May 2019 Unaudited	As at 31 December 2019 Audited
ASSETS		**£**	**£**	**£**
Non-current assets				
Intangibles		2,728,393	2,526,369	2,632,778
Property, plant & equipment		393	3,143	393
Investments	**5**	2,395,022	3,492,682	3,092,807
		5,123,808	6,022,194	5,725,978
CURRENT ASSETS				
Inventories		112,726	109,241	62,761
Trade and other receivables		394,857	77,196	607,308
Current tax asset		226,194	265,079	190,435
Cash and cash equivalents		1,469,147	984,170	455,608
		2,202,924	1,435,686	1,316,112
TOTAL ASSETS		7,326,732	7,457,880	7,042,090
EQUITY				
Shareholders' Equity				
Called up share capital	**6**	1,758,812	1,708,811	1,708,811
Share premium		2,537,501	1,646,873	1,646,873
Share based payment reserve		782,821	676,510	740,059
Merger relief reserve		1,500,000	1,500,000	1,500,000
Convertible Debt Reserve		92,712	92,712	92,712
Accumulated profit/(loss)		(1,098,381)	407,454	(492,925)
		5,573,465	6,032,360	5,195,530
Non Controlling Interest		35,576	36,086	35,782
Total Equity		5,609,041	6,068,446	5,231,312
LIABILITIES				
Current liabilities				
Trade and other payables		419,916	188,608	561,623
		419,916	188,608	561,623
Non - current liabilities				
Deferred tax liability		548,863	518,488	522,350
Borrowings		748,912	682,338	726,805
		1,297,775	1,200,826	1,249,155
TOTAL LIABILITIES		1,717,691	1,389,434	1,810,778
TOTAL EQUITY AND LIABILITIES		7,326,732	7,457,880	7,042,090

Consolidated Statement of Changes in Equity
For six months to 30 June 2020

	Called up Share Capital	Share premium	Share-based Payment reserve	Non controlling Interest	Merger Relief Reserve	Retained Earnings	Convertible Loan note	Total Equity
	£	£	£	£	£	£	£	£
Balance at 30 November 2018	1,694,488	1,603,904	602,739	36,897	1,500,000	1,624,348	-	7,062,376
Loss for the period	-	-	-	-	-	(1,216,894)	-	(1,216,894)
Issued share during the period	14,323	42,969	-	-	-	-	-	57,292
Share based payment	-	-	73,771	-	-	-	-	73,771
Conversion rights of convertible loans	-	-	-	-	-	-	92,712	92,712
Non Controlling interest	-	-	-	(811)	-	-		(811)
Balance at 31 May 2019	1,708,811	1,646,873	676,510	36,086	1,500,000	407,454	92,712	6,068,446
Loss for the period	-	-	-	-	-	(900,379)		(900,379)
Non-Controlling Interest	-	-	-	(304)	-	-	-	(304)
share based payment	-	-	63,549	-	-	-	-	63,549
Balance at 31 December 2019	1,708,811	1,646,873	740,059	35,782	1,500,000	(492,925)	92,712	5,231,312
Loss for the period	-	-	-	-	-	(605,456)	-	(605,456)
Non-Controlling Interest				(206)	-	-	-	(206)
Issue of shares during the period	50,001	890,628	-	-	-	-	-	940,629
share based payment	-	-	42,762	-	-	-		42,762
Balance at 30 June 2020	1,758,812	2,537,501	782,821	35,576	1,500,000	(1,098,381)	92,712	5,609,041

Consolidated Statement of Cash Flows
For the six months to 30 June 2020

	Notes	6 months to 30 June 2020 Unaudited	6 months to 31 May 2019 Unaudited	Period to 31 December 2019 Audited
		£	£	£
Reconciliation of loss before income tax to cash outflow from operations				
Operating loss		(599,194)	(962,987)	(2,166,637)
Decrease/ (Increase) in inventories		(49,965)	(78,808)	(32,328)
(Increase)/decrease in trade and other receivables		212,451	296,607	(233,505)
(Decrease)/increase in trade and other payables		(141,707)	(332,380)	40,634
Share Option expense		42,762	73,771	137,320
Depreciation		-	-	2,750
Amortisation of patents		120,078	83,341	215,234

Net cash outflow from operations	(415,575)	(920,456)	(2,036,532)
Interest received	52	-	168
Interest paid	-	(49,907)	(57)
Tax received	-	154,505	313,173
Net cash outflow from operating activities	(415,523)	(815,858)	(1,723,248)
Cash flows from investing activities			
Purchase of intangible assets	(215,693)	(356,621)	(594,923)
Net cash (outflow)/inflow from investing activities	(215,693)	(356,621)	(594,923)
Cash flows from financing activities			
Share issues	898,004	57,292	157,292
Proceeds from borrowings	-	775,050	775,050
Disposal of Investments	746,751	-	617,130
Net cash inflow from financing activities	1,644,755	832,342	1,449,472
Increase/(decrease) in cash and equivalents	1,013,539	(340,137)	(868,699)
Cash and cash equivalents at beginning of year	455,608	1,324,307	1,324,307
Cash and cash equivalents at end of year	1,469,147	984,170	455,608

Notes to the Half Yearly Report

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 period ended 31 December 2019, 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.

The interim financial statements have been prepared in accordance with the accounting policies set out in the Annual Report and Accounts for the period ended 31 December 2019.

3. Segmental Reporting

In the opinion of the directors, the Group has one class of business, being that of identifying and developing microbial strains, compounds and formulations for use in the nutraceutical industry. 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. The Directors believe that income, costs, assets and liabilities are interconnected and as there is only one location all income and costs are derived from the single segment. The directors will assess the need for segmental reporting for the year ended 31 December 2020.

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 30 June 2020 Unaudited	6 Months to 31 May 2019 Unaudited	Period to 31 December 2019 Audited
Basic			
Earnings attributable to ordinary shareholders	(605,663)	(1,216,894)	(2,118,388)
Weighted average number of shares	86,379,784	85,178,415	85,262,488
Earnings (Loss) per-share - pence	(0.70)p	(1.43)p	(2.49)p
Diluted			
Earnings attributable to ordinary shareholders	(605,663)	(1,216,894)	(2,118,388)
Weighted average number of shares	86,379,784	85,178,415	85,262,488
Earnings (Loss) per-share - pence	(0.70)p	(1.43)p	(2.49)p

Basic and diluted earnings per share are the same for the 6 months to 30 June 2020, 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 30 June 2020 there were 7,765,907 outstanding share options and 329,336 outstanding share warrants.

5. Investments

Cost	**£**
At 30 November 2018	3,740,799
Share of associate loss for the year	(296,344)
Disposal of shares during the period	(351,648)
Carrying amount At 31 December 2019	3,092,807
Disposal of shares during the period	(697,785)
Carrying amount At 30 June 2020	2,395,022

6. Share Capital

Issued share capital comprises:

	6 months to 30 June 2020 Unaudited £	6 months to 31 May 2018 Unaudited £	Period to 31 December 2019 Audited £
Ordinary shares of 2p each 87,940,601	1,758,812	1,708,811	1,708,811
	1,758,812	1,708,811	1,708,811

During the six months to 30 June 2020 the company issued ordinary shares of £0.02 each listed, as follows:

Date issued	Price	Type	Number

23/04/2020	£0.40	Placing	2,500,000
08/06/2020	£0.08	Warrant exercise	50
			2.500,050

7. Post balance sheet events

No post balance sheet events.

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