Press release

Oxford Biomedica plc
Preliminary results for the year ended 31 December 2018

Delivery of dual strategy leads to strong financial growth

Oxford, UK – 14 March 2019: Oxford Biomedica plc (LSE: OXB), ("OXB" or "the Group"), a leading gene and cell therapy group today announces preliminary results for the year ended 31 December 2018.

FINANCIAL HIGHLIGHTS

- Gross income increased by 72% to £67.9 million (2017: £39.4 million)
- Revenue increased by 78% to £66.8 million (2017: £37.6 million)
- Adjusted operating expenses increased by 38% to £31.7 million (2017: £22.9 million)
- Operating EBITDA of £13.4 million (2017: Operating EBITDA loss of £1.9 million)
- Licence income of £18.3 million (due to Axovant Sciences and Bioverativ deals), segmented by Product (£10.2 million) and Platform (£8.1 million)
- £6.0 million gain recognised on revaluation of investment in Orchard Therapeutics
- Cash inflow before financing activities of £2.8 million (2017: £1.0 million)
- Cash at 31 December 2018 of £32.2 million (31 December 2017: £14.3 million), reflecting significantly improved trading performance and placing to raise £20.5 million (gross)
- Gross proceeds of £20.5 million raised from new and existing investors through a placing to fund the proposed expansion and fit-out of the additional bioprocessing facilities at a new facility in Oxford, UK. Capital expenditure increased to £10.8 million (2017: £2.0 million)
- £5 million capital expenditure grants received from Innovate UK to support the UK's efforts to produce viral vectors and ensure adequate supply to service expected demand
- Share consolidation completed in May 2018 to reduce the number of issued ordinary shares in Oxford Biomedica by a factor of 50

OPERATIONAL HIGHLIGHTS (including post period-end events)

Novartis' commercialised product Kymriah®

- Kymriah approved by the US Food and Drug Administration for the treatment of relapsed and refractory B-cell diffuse large B-cell lymphoma (r/r DLBCL), the second indication in the US
- The European Commission, Health Canada and the Therapeutic Goods Administration of Australia also approved Kymriah for the treatment of children and young adults with r/r B-cell acute lymphoblastic leukaemia (r/r ALL) and adult patients with r/r/ DLBCL
- NHS England announced that Kymriah will be made available to children and young adults in England and the first patients have now been treated

LentiVector® delivery platform for gene and cell therapy partnerships

- $105 million collaboration and licence agreement signed with Bioverativ (now part of Sanofi) to access Oxford Biomedica's LentiVector® platform and manufacturing technologies in the field of haemophilia

- Partnership formed with the UK Cystic Fibrosis Gene Therapy Consortium, Boehringer Ingelheim and Imperial Innovations to develop a novel inhaled gene therapy for cystic fibrosis

Proprietary product development

- $842.5 million exclusive worldwide agreement signed with Axovant Sciences (now Axovant Gene Sciences) for OXB-102 (now known as AXO-Lenti-PD) for the treatment of Parkinson's disease

- Phase 1/2 clinical study for AXO-Lenti-PD began and patients from the first dose cohort have been treated. Based on initial feedback from members of the DMC received in March 2019, Axovant Sciences plans to proceed to the second dose cohort.

- Three proprietary OXB assets selected to advance from research through pre-clinical development: OXB-204 and OXB-208 target inherited retinal diseases, while OXB-201 is in development for the treatment of amyotrophic lateral sclerosis (ALS)

Capacity building

- Signed a fifteen year lease on a new 84,000 sqft (7,800 sqm) manufacturing facility in Oxford, close to Oxford Biomedica's Windrush Court headquarters. Offices and warehousing are now in operation, with the additional GMP suites expected to be operational in 2020

- Signed a lease on an additional 32,000 sqft (2,975 sqm) discovery and innovation facility next to Windrush Court. The facility will bring together a multidisciplinary team of researchers, automation, bioprocessing and process development experts to drive innovations that will lead to new scientific and technical advances to support our pipeline and our platform

- Formed a £4 million digital framework initiative, supported by a £2 million grant from Innovate UK, the UK's innovation agency, to build digital and robotics capabilities designed to drive improvements in analytical methodology, supply times and cost of goods. Announced an R&D collaboration with Microsoft in March 2019 to support the initiative

John Dawson, Chief Executive Officer of Oxford Biomedica, said:

"Oxford Biomedica is at the centre of a burgeoning industry in which life-changing, curative treatment has become a therapeutic reality. In the past year, alongside landmark regulatory approvals and launches in the sector, we have seen our strategy delivering with significant revenue-generating deals for both our platform and our products, and we continue to scale our capacity to meet the expected demand from future growth. We are confident that our focus on platform development, pipeline enhancement, technology innovation and operational delivery puts us on the right trajectory to capitalise on our market leading position."

Analyst briefing
A briefing for analysts will be held at 12:00 GMT (8:00 ET) on 14 March 2019 in the Guildhall Room at 85 Gresham Street, London, EC2V 7NQ. There will be a simultaneous live conference call.

Dial-in details are:

UK dial-in: +44 (0) 20 3009 5710
US dial-in: +19177200178
Participant code: 1495518

A live webcast of the presentation will be available on Oxford Biomedica's website at https://edge.media-server.com/m6/p/gsavmhjg

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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, 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 430 people. Further information is available at www.oxb.com

CHAIRMAN'S STATEMENT

Introduction

It has been a year of transformation for Oxford Biomedica, not only with significant revenue growth and cash flow generation but also in reaching profitability. These great strides made in 2018 are testament to Oxford Biomedica's leading position in the innovation, development and manufacturing of lentiviral vectors, and the expertise of its people.

Strategic opportunities

Our mission is to deliver life-changing gene and cell therapies to patients. It encompasses our strategy to support our partners in the development and commercialisation of their own gene and cell therapy programmes with our world-leading manufacturing capabilities while, in addition, pursuing a selective gene and cell therapy portfolio internally through early clinical development.

Our recent successes demonstrate that we have a strategy and business model that works. As is the nature of gene therapy development, reproducibility of results in late-stage trials is high and therefore much value can be created in early clinical studies. It is for this reason that we continue to explore the potential of our product pipeline in a focused and disciplined way.

Moving forward into 2019 and beyond, we see further significant opportunities both to advance the development of our in-house programmes, where we have particular expertise, and to create future out-licensing opportunities similar to our recent landmark deal with Axovant Sciences. In addition, our strategy to seek to retain manufacturing rights for our out-licensed programmes provides potential, additional long-term economic interest through their development and commercialisation.

Driving innovation

We've spent the past 20 years honing our manufacturing expertise and capabilities. To date, Oxford Biomedica is the only FDA-approved commercial supplier of lentiviral vectors. While we're immensely proud of this accreditation, we are not resting on our laurels. We strive to achieve continuous improvement in our manufacturing processes, a core group objective that aligns with one of our three values to 'deliver innovation'.

To meet the expected long-term demand and futureproof Oxford Biomedica's market leading position, we are more than doubling our manufacturing capacity with the development of new state-of-the-art clean rooms and fill/finish suites on a new site close to our headquarters in Oxford. Construction of the new facilities is progressing to plan and we expect to be operational from the second quarter of 2020.

By applying our expertise and continuing to innovate in lentiviral vector production, we believe we are well placed to take advantage of the expected growth in demand.

Board

We have continued to benefit from a changing Board profile, with the appointment of Heather Preston as a non-executive director in March 2018. Peter Nolan has formally retired from his role as Chief Business Officer, having made a significant contribution to the business since its inception in 1996. With these developments, the Board is now composed of five non-executive and two executive directors.

Organisation and culture

On behalf of the Board I would like to take this opportunity to recognise all of our fantastic employees at Oxford Biomedica who have helped to get the company to where it is today. Within the business we have a highly engaged workforce with a diverse range of capabilities, knowledge and experience. We are very grateful to our people for their continued commitment and excellent contributions during the past year. Our culture and values will continue to drive performance and help attract and retain the best talent, and we are committed to their development to ensure we have the necessary skills that we need to succeed on our growth journey.

The global environment

We find combined economic and political challenges around the world, including questions about international trade and future partnerships between countries. Oxford Biomedica is experienced at adapting to change, now a constant in the environment in which we are living. We continue to prepare for all scenarios around the UK's exit from the European Union this year and are well prepared for all expected eventualities. We look forward to an agreement on the final exit terms that will provide stability for our workforce and our business operations.

Despite this uncertainty, it is nevertheless an exciting time to be at the forefront of gene and cell therapy. After three decades of hope tempered by setbacks, it is now a therapeutic reality. In the past 18 months, three gene therapy products – including Novartis' Kymriah for which Oxford Biomedica is the sole lentiviral vector manufacturer - have been made available to patients and along with them we've seen a raft of new investment and clinical development activity in the sector. Oxford Biomedica has been a beneficiary of this investment activity; we are grateful for the support of our shareholders as well as that of the UK Government through its Life Sciences sector deal, to ensure pioneering new treatments and medical technologies are produced in the UK.

The future

The excitement and momentum in the cell and gene therapy space continues to build. Oxford Biomedica is fortunate with its scientific excellence and world-leading position to be ideally placed to take advantage of this burgeoning industry. I look forward to the future with much confidence and optimism.

Dr Lorenzo Tallarigo
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

In the past year we have witnessed a transformation of the gene and cell therapy industry in which life-changing, curative treatment has become a therapeutic reality for many patients - and where Oxford Biomedica has played a central role.

Against this backdrop, I am delighted to report on the successful delivery of our of partnering and in-house development strategy, both leveraging our lentiviral vector platform. With Oxford Biomedica's strengthened financial position, I am now able to plan for the future with confidence to maximise the opportunity we see ahead.

As we stand today, the opportunities to create value from our business model are many, however, I am cognisant that our greatest challenge is to ensure that we maintain our leading position and respond effectively to sector developments while keeping a clear focus on our strategic imperatives. That is why, for 2019, I have set out six company objectives to help drive performance. These objectives are focused on financial performance, manufacturing and the platform, technology innovation, the therapeutic pipeline, operational delivery and workforce development. They will ensure

that our people remain focused on our strategy and will help us to manage our growth in a sustainable way to deliver long-term benefits for our shareholders.

2018 Performance

I am pleased to report a strong financial performance and positive cash generation in 2018 following significant commercial and operational achievements. Gross income of £67.9 million increased by 72 percent in the year driven by £18.3 million in licence income, largely from the Axovant Sciences (now Axovant Gene Therapies) and Bioverativ (now part of Sanofi) deals, and by increased development services provided to our customers. Positive cash flow before financing was £2.8 million, an improvement of £1.8 million on the previous year, reflecting the significantly improved trading performance. We ended the year with cash of £32.2 million reflecting our stronger financial position and the placing to raise £20.5 million (gross) in March 2018.

Delivering the strategy

Partnering

We continued to support Novartis though its submissions, launches and commercialisation of Kymriah (tisagenlecleucel) in the US, EU, Canada, Australia and other territories, which are ongoing. Kymriah is a ground-breaking one-time chimeric antigen receptor T cell (CAR-T) therapy that uses a patient's own T cells to fight cancer. It represents the first ever approval of a commercial product incorporating Oxford Biomedica's LentiVector platform.

Our landmark agreement with Axovant Sciences, worth up to $842.5 million for OXB-102, our internally developed gene therapy for Parkinson's disease, is evidence of our strategy in action. If successful, it has the potential to generate significant revenues, both now and longer term, not only due to development, regulatory and sales milestones but also from tiered royalties on net sales of 7-10 per cent.

OXB-102, renamed AXO-Lenti-PD, is an investigational gene therapy that enables the expression of a set of three critical enzymes required for end-to-end dopamine synthesis in the brain. It is expected to provide patient benefit for many years following a single administration, should it be successful. Axovant Sciences commenced a phase 1/2 clinical study in October 2018, with the first patients having now been dosed and initial data expected in 2019.

Our $105 million collaboration and licence agreement with Bioverativ (now part of Sanofi) for the development and manufacturing of lentiviral vectors to treat haemophilia continues to advance under its new ownership as part of the Sanofi team. We were encouraged by recent comments from Sanofi that gene therapies with the potential to cure life-threatening conditions are a key area and one in which the company is seeking to expand. We are ready to support the new partner for our previously-licensed ophthalmology programmes, SAR422459 for Stargardt disease and SAR421869 for Usher's Syndrome type 1b, following Sanofi's recent portfolio review.

In our third partnership agreement of the year, we established a collaboration with the UK Cystic Fibrosis Gene Therapy Consortium, Boehringer Ingelheim and Imperial Innovations to develop a novel inhaled gene therapy for cystic fibrosis. The agreement demonstrates the versatility of our LentiVector platform and represents a new therapeutic area for Oxford Biomedica.

In-house development

We continue to invest in the development of a proprietary pipeline of innovative gene therapies to treat diseases with unmet medical needs, for future out-licensing or spin-out. Following a modest investment in the early development of OXB-102 for Parkinson's disease and its subsequent out-licensing to Axovant Sciences, we have selected three additional proprietary assets to advance from research through pre-clinical development.

OXB-204 and OXB-208 target inherited retinal diseases, where we have extensive experience from our early focus on ophthalmology indications. OXB-103 is in development for the treatment of

amyotrophic lateral sclerosis (ALS), a group of rare, progressive neurological diseases. Our priority in 2019 is to secure preclinical proof of concept for two programmes from our proprietary portfolio.

Technology licensing

Our business is underpinned by our world-leading lentiviral vector technology and technology licensing is core to our business model. While our priority is to incorporate technology licences into our broader partnering agreements, we continue to seek additional opportunities to generate licensing income and royalties on future products sales by providing access to our proprietary lentiviral vector technologies, as our platform develops.

To this end, we continue to innovate, refine and enhance our technology as part of our continuous improvement programme. Our new manufacturing technology, known as Transgene Repression in vector Production or TRiP, is designed to increase viral vector yields by several multiples. Universally applicable to any viral vector or vaccine platform – it can be used with lentiviral, adenoviral and adeno-associated virus-based gene therapy – TRiP is an example of how we are innovating to stay ahead of the market and satisfy the demand for efficient, cost-effective gene delivery with viral vectors. Methods for the new system were published in *Cell & Gene Therapy Insights* in January 2019 and discussions with potential licensees are ongoing.

Our focus for 2019 is to drive the discovery of two new innovative technologies that either open up new product opportunities or support the development of our lentiviral vector platform.

Building capacity

To meet the expected growth in demand for lentiviral vectors, we are investing £20 million in the development of a new 84,000 sqft (7,800 sqm) manufacturing facility. The planned Phase I and 2 expansions will fit out around 45,000 sqft (4,200 sqm) for four GMP clean room suites and two fill/finish suites as well as offices, warehousing and QC laboratories, with space available for future expansion. The new facility will create up to 100 new, highly skilled positions the company over the next two years and is on track for operation in 2020.

Aligned to our values and to further accommodate our growth, we have taken a lease on a fifth facility in Oxford and formed a new discovery and innovation centre. The centre will bring together a multidisciplinary team of research, automation, bioprocessing and process development specialists around a shared purpose: to drive innovations that will lead to new scientific and technical advances to support our pipeline and our platform. The building is located next to our headquarters and is split roughly equally between laboratories and offices. Development of the space is ongoing and it is expected to be ready for occupation in the first half of 2019.

From our roots in Oxford University, Oxford Biomedica now occupies five facilities around Oxford covering around 226,000 sqft, securing the city as a global centre for lentiviral vector development and commercialisation.

Creating a winning culture

Our success as a company is made possible by our talented employees working together for our shared mission: to deliver life-changing gene and cell therapies to patients. That is why being a great place to work is so important to us.

During the year, we experienced growth of 35 per cent in our workforce from 321 to 432 employees, and expect that number to increase to 600 by the end of 2019. To support their development and a foster a positive culture, we introduced three company values: to Have Integrity, Be Inspiring and Deliver Innovation. Together with our mission, these values define our purpose and shape the way our people work together. We have already seen some excellent examples of employees demonstrating these values and during 2019 we will seek to further embed them as they are integrated into our new performance management process.

Looking to the future

It is a privilege to lead this fantastic company through a new era for personalised, gene-based medicine. Given the momentum we are seeing, both within Oxford Biomedica and in the gene and cell industry as a whole, I am confident in our ability to deliver increased revenue growth through our partnering endeavours, and to create value from our therapeutic pipeline to deliver meaningful returns to shareholders.

I would like to say thank you to each and every one of our employees for their contributions to our performance in 2018, and for helping Oxford Biomedica to become the company it is today. I look forward to their continued contributions in 2019 and beyond to achieve our objectives and deliver our strategy.

John Dawson
Chief Executive Officer

OPERATIONAL REVIEW

Novartis collaboration progress

Oxford Biomedica's collaboration with Novartis has progressed well following the US approval and launch in 2017 of the chimeric antigen receptor T cell therapy Kymriah (tisagenlecleucel) for the treatment of children and young adults with r/r ALL.

The supplemental BLA to treat adult patients with r/r DLBCL was approved by the US FDA in May 2018. The target patient population for this second indication is considerably larger than the initial ALL indication. Additional regulatory approvals for both indications were received from the European Commission, Health Canada and the Therapeutic Goods Administration of Australia. In September 2018, NHS England announced that children and young adults in England would be able to receive Kymriah for r/r ALL, and the first patients have now been treated. Regulatory review is underway in Japan and the outcome is awaited.

Partnering progress

The Group is making good progress with its strategic partnerships, with Orchard Therapeutics adopting the stable producer cell lines in one of their programmes. The Group continued its activities to further grow its portfolio of strategic collaborations with the addition of Bioverativ (now part of Sanofi) and the UK Cystic Fibrosis Gene Therapy Consortium, Boehringer Ingelheim and Imperial Innovations partnership.

Product development

The LentiVector® gene delivery platform underpins the Group's partnering business and is the starting point for its proprietary products.

During the period, the Group continued to prepare the priority programmes for clinical studies and to pursue potential new partnership arrangements. In June 2018, the Group entered into an exclusive worldwide licensing agreement with Axovant Sciences (now Axovant Gene Therapies) to develop and commercialise OXB-102 (now renamed as AXO-Lenti-PD) for Parkinson's disease, worth up to $842.5 million. This agreement with Axovant Sciences successfully executes on Oxford Biomedica's pre-stated strategy to externalise product development beyond the end of the pre-clinical phase.

During the second half of 2018 the Group completed the regulatory filings for the planned Phase 1/2 study, the manufacture of a second batch of the vector to ensure sufficient supplies for the study and to prepare the clinical study centres in Cambridge and London, UK for initiation of the study. The Phase 1/2 study for AXO-Lenti-PD, sponsored by Axovant Sciences, is now underway and the first patients have been treated.

Following the out-licensing of the Parkinson's disease programme, three additional proprietary assets have been selected to advance from research through pre-clinical development. OXB-204 and OXB-208 target inherited retinal diseases, where Oxford Biomedica has extensive experience from its early focus on ophthalmology indications. OXB-103 is in development for the treatment of amyotrophic lateral sclerosis (ALS), a group of rare, progressive neurological diseases.

LentiVector® platform development

Over a number of years we've developed and licensed technologies and processes to significantly improve the production of gene therapy products into scalable, serum-free suspension processes. These technical developments enhance potency, purity, yield and efficiency. We have invested significantly in automation and robotics to increase productivity and reduce development timelines.

We have developed the TRiP System™ to maximise vector yields and particle purity, and standardise downstream process. The TRiP System substantially limits expression of the transgene in the vector production cell that otherwise may have detrimental effects on vector biogenesis, function or purification. Methods for the new system were published in *Cell & Gene Therapy Insights* in January 2019 and discussions with potential licensees are ongoing.

We have generated packaging and producer cell lines enabling a simplified and scalable manufacturing process while reducing cost. These advances enhance product quality and reduce the cost of goods for our partners and in-house development programmes.

These developments continue to enhance our partner offering and provide additional revenue-generating opportunities.

Building capacity

Oxford Biomedica is a pioneer and world leader in the field of gene and cell therapy, underpinned by its lentiviral vector delivery system, the LentiVector® platform. The technology is established at commercial scale with three state-of-the-art, custom-built GMP clean rooms and laboratory facilities offering current and next generation LentiVector® platform bioprocessing capabilities, with capacity for in-house platform development work and current partners' requirements. To support the expected growth in demand for lentiviral vectors, the Group is expanding its manufacturing capacity.

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

The capacity expansion secures Oxford as a bioprocessing centre for Oxford BioMedica and will create up to 100 new, highly skilled jobs over the next two years. Funded through the successful Placing in March 2018, it will allow Oxford Biomedica to exploit the immediate market opportunity, meet the expected long-term demand and futureproof the Group's market leading position.

Aligned to the Group's values, which include delivering innovation, and to further accommodate its growth, a lease was signed on a fifth facility in Oxford. The facility will bring together a multidisciplinary team of research, automation, bioprocessing and process development specialists around a shared purpose: to drive innovations that will lead to new scientific and technical advances to support our pipeline and our platform. The building is located next to Oxford Biomedica's headquarters and is split roughly equally between laboratories and offices. Development of the space is ongoing and expected to be ready for occupation in the first half of 2019.

Oxford Biomedica now occupies five facilities around Oxford covering around 226,000 sqft, securing the city as a global centre for lentiviral vector development and commercialisation.

Corporate and organisational development

During the first half of 2018, Oxford Biomedica successfully completed a £20.5 million equity fundraising for capacity expansion and fit out. In addition, the Group successfully completed a share capital consolidation in May 2018 to make the shares more attractive to a broader range of institutional investors and other members of the investing public both overseas and in the UK.

To support the increased activities of the Group, the Senior Management Team was augmented during the first half of 2018, with the appointment of a Chief Operations Officer, a Chief People Officer and a Chief Project & Performance Officer.

Peter Nolan retired from his role as Chief Business Officer and stepped down from the Board on 2 July 2018.

During the year, Oxford Biomedica benefitted from the award of two grants by the UK Government's innovation agency, Innovate UK. To support the Group's investment in lentiviral vector development, £3 million was awarded for manufacturing, storage and analytical equipment, as well as other items that are essential for the operation of vector GMP facilities. A further £2 million was awarded as part of a total investment of £4 million by Oxford Biomedica to support the formation of a digital framework initiative to streamline the production of next-generation medicines. The aims of both projects are aligned with the UK Government's Life Sciences Sector Deal to help ensure that the next wave of breakthrough treatments, innovative medical research and technologies, and high skilled jobs are created in Britain.

Outlook

Oxford Biomedica has made considerable progress in 2018. With the ongoing success of its Novartis collaboration validating its LentiVector platform and partnering credentials, the Group expects its technology leadership to boost its business development activities. The Group intends to expand its portfolio of collaborations, and to attract third-party investment to accelerate the clinical development of its wholly-owned proprietary products.

Oxford Biomedica's progress during 2018 demonstrates its leading industry position. With the Group's collaborations supporting its continued growth, Oxford Biomedica is ideally positioned to deliver value to shareholders as a world-leading gene and cell therapy business.

FINANCIAL REVIEW

Financial transformation

2018 has continued the financial transformation of the Group with significant commercial achievements, and the signing of the Bioverativ (now part of Sanofi), Axovant Sciences and UK Cystic Fibrosis Gene Therapy Consortium agreements announced in February, June and August 2018. This has culminated in the Group achieving its first Operating EBITDA profit and also a profit after taxation of £7.5 million.

Selected highlights are as follows:

- Gross income increased by 72% over 2017, and has now increased by 1,135% since 2013 when the Platform division was created,

- Revenue increased by 78% over 2017, and has now increased by 1,137% since 2013,

- Improved operational results have resulted in Operating EBITDA, Operating EBIDA and Operating profit being converted into profits of £13.4 million, £15.8 million and £13.9 million respectively as opposed to largely losses in 2017,

- Cash generated from operations of £9.2 million in 2018 far exceeded the £1.5 million deployed in 2017 as a result of the Bioverativ and Axovant Sciences licence income received,

- The Platform segment made an Operating EBITDA profit of £9.8 million and an operating profit of £11.4 million

The growth in gross income was largely driven by £18.3 million worth of license income received as a result of the Axovant Sciences and Bioverativ deals, as well as revenues generated from increased commercial development services provided to Orchard Therapeutics, Novartis, Bioverativ and Axovant Sciences. Bioprocessing results in 2018 increased from the prior year with all 3 bioprocessing facilities running continuously during the year and volumes 15% up in 2018.

Operating costs, including Cost of Sales, grew by 27%, and by 32% when depreciation, amortisation and share option payments are excluded. Manpower, materials and subcontracted costs have increased to meet increasing customer demand, both for bioprocessing and commercial development services, but also includes an expectation of future growth in activities in 2019 and beyond. Headcount rose from 321 at December 2017 to 432 at the end of 2018.

The Group has also recognised a revaluation gain of £6 million on our equity investment in Orchard Therapeutics after its IPO at the end of 2018. Our partnership with Orchard Therapeutics has proven to be very successful and has exceeded the expectations set when originally established.

With the signing of 3 new commercial contracts in 2018 we have strengthened our commercial pipeline and diversified our customer base. We will ensure that we continue to foster our current strong customer relationships, whilst continuing the Group's stated aim of targeting new strategic commercial partnerships to build on the platform of established growth.

We will continue our proven strategy of developing our proprietary products by seeking partnerships for later stage clinical studies.We will continue to assess the financial risk/reward profile of these projects and will seek to provide maximal returns to shareholders accordingly.

Key Financial Performance Indicators

£m	2018	2017	2016	2015
Gross income[1]				
Bioprocessing/commercial development	**40.6**	32.6	24	12.4
Licences, milestones grants	**27.3**	6.8	6.8	6.4
	67.9	39.4	30.8	18.8
Revenue	**66.8**	37.6	27.8	15.9
Operations				
Operating EBITDA[2]	**13.4**	(1.9)	(7.1)	(12.1)
Operating EBIDA[3]	**15.8**	0.8	(3.4)	(8.1)
Operating profit/(loss)	**13.9**	(5.7)	(11.3)	(14.1)
Cash flow				
Cash generated from/(used in) operations	**9.2**	(1.5)	(5.9)	(14.9)
Capex	**10.1**	2.0	6.4	16.6
Cash burn[4]	**1.9**	9.8	11.5	29.8
Normalised cash burn[5]	**1.9**	3.0	11.5	29.8
Financing				
Cash	**32.2**	14.3	15.3	9.4
Loan	**41.2**	36.9	34.4	27.3
Headcount				
Year-end	**432**	321	256	231

Average	**377**	295	247	196

[1] Gross income is the aggregate of revenue and other operating income.

[2] Operating EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation, revaluation of investments 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.

[3] Operating EBIDA is an internal measure used by the Group, defined as Operating EBITDA with the R&D tax credit included. The Board refers to EBIDA periodically as the R&D tax credit is, in essence, a subsidy or grant which offsets the Group's R&D expenditure.

[4] Cash burn is net cash generated from operations plus net interest paid plus capital expenditure.

[5] Cash burn after excluding accrued interest and early repayment charges paid due to extinguishment of the Oberland facility.

The Group evaluates its performance by making use of a number of alternative performance measures as part of its Key Financial Performance Indicators (refer table above). The Group believes that these Non-GAAP measures, together with relevant GAAP measures, provide an accurate reflection of the Group's performance over time.

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 Profit.

Gross income/Revenue

Gross income increased to £67.9 million providing 72% growth as compared to 2017 (£39.4 million).

Revenue increased by 78% from £37.6 million in 2017 to £66.8 million in 2018.

Income generated from bioprocessing/commercial development increased by 25% to £40.6 million (from £32.6 million in 2017), and is up 464% since 2014. The main contributor to growth has been the revenues generated from increased commercial development services provided to Orchard Therapeutics, Novartis, Bioverativ and Axovant Sciences.

The largest portion of our gross income continues to be derived from our relationship with Novartis, but income generated from partnerships with our other customers continues to grow and now makes up a significant proportion of our gross income, thereby achieving our stated goal of diversifying our customer base.

£m	**2018**	**2017**	**2016**	**2015**
Revenue	**66.8**	37.6	27.8	15.9
Other operating income	**1.1**	1.8	3.0	2.9
Gross income	**67.9**	39.4	30.8	18.8

Operating EBITDA/Operating EBIDA

£m	**2018**	**2017**	**2016**	**2015**
Gross income	**67.9**	39.4	30.8	18.8
Total expenses[1]	**(54.5)**	(41.3)	(37.9)	(30.9)
Operating EBITDA[2]	**13.4**	(1.9)	(7.1)	(12.1)
Depreciation, amortisation, share option charge	**(5.4)**	(6.1)	(4.2)	(2.0)
Revaluation of investments	**6.0**	2.3	-	-
Operating profit/(loss)	**13.9**	(5.7)	(11.3)	(14.1)

[1] Cost of goods plus research, development, bioprocessing and administrative expenses excluding depreciation, amortisation and share option charge.

[2] Operating EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation, revaluation of investments 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.

Gross Income increased by 72% in 2018 partly offset by a 32% growth in our cost base from £41.3 million in 2017 to £54.5 million in 2018. The Operating EBITDA profit of £13.4 million is £15.3 million better than the £1.9 million loss incurred in 2017, a great achievement for the Group, and builds on the significant Operating EBITDA improvements seen across the last 4 years.

£m	2018	2017	2016	2015
Operating EBITDA[1]	**13.4**	(1.9)	(7.1)	(12.1)
R&D tax credit	**2.5**	2.7	3.7	4.0
Operating EBIDA[2]	**15.8**	0.8	(3.4)	(8.1)

[1] Operating EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation, revaluation of investments 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.

[2] Operating EBIDA is an internal measure used by the Group, defined as Operating EBITDA with the R&D tax credit included. The Board refers to Operating EBIDA periodically as the R&D credit is, in essence, a subsidy or grant which offsets the Group's R&D expenditure.

Due to the conversion of Operating EBITDA losses into a large Operating EBITDA profit, Operating EBIDA has improved from a profit of £0.8 million in 2017 to a profit of £15.8 million in 2018. The R&D tax credit has decreased slightly from the prior year as the Group continues to make a loss for tax purposes.

Total Expenses

£m	2018	2017	2016	2015
Research, Development & Bioprocessing costs	**29.7**	21.6	24.3	20.3
Administrative expenses	**7.4**	7.3	6.0	6.7
Operating expenses	**37.1**	28.9	30.3	27.0
Depreciation	**(4.3)**	(4.1)	(3.3)	(1.3)
Amortisation	**-**	(1.2)	(0.3)	(0.4)
Share option charge	**(1.1)**	(0.7)	(0.6)	(0.2)
Adjusted operating expenses[1]	**31.7**	22.9	26.1	25.1
Cost of sales	**22.8**	18.4	11.8	5.8
Total expenses[2]	**54.5**	41.3	37.9	30.9

£m	2018	2017	2016	2015
Raw materials, consumables and other external bioprocessing costs	**18.3**	13.2	9.3	6.1
Manpower-related	**26.7**	19.3	17.4	13.6
External R&D expenditure	**1.9**	1.7	2.8	3.0
Other costs	**7.6**	7.1	8.4	8.2
Total expenses	**54.5**	41.3	37.9	30.9

[1] Research, development, bioprocessing and administrative expenses excluding depreciation, amortisation and share option charge

[2] Cost of goods plus research, development, bioprocessing and administrative expenses excluding depreciation, amortisation and share option charge.

- Raw materials, consumables and other external bioprocessing costs have increased as a result of the increase in commercial development activities and bioprocessing volumes,

- The increase in manpower-related costs is due to the increase in the average headcount from 295 in 2017 to 377 in 2018. This is as a result of increasing our commercial development and bioprocessing capacity in line with our increased revenues,

- External R&D expenditure was higher due to increased commercial customer and technical project related spend.

- Other costs have increased due to increases in facility costs, and legal and professional fees as the group expanded, and royalties payable on income from the new license agreements. These increases were offset by a forex gain of £1.3 million as sterling weakened against the dollar.

Operating and Net profit/(loss)

£m	2018	2017	2016	2015
Operating EBITDA	**13.4**	(1.9)	(7.1)	(12.1)
Depreciation, amortisation and share option charge	**(5.4)**	(6.1)	(4.2)	(2.0)
Revaluation of investments	**6**	2.3	-	-
Operating profit/(loss)	**13.9**	(5.7)	(11.3)	(14.1)
Interest	**(6.2)**	(9.3)	(4.9)	(1.9)
R&D tax credit	**2.5**	2.7	3.7	4.0
Foreign exchange revaluation (non-cash)	**(2.7)**	3.3	(4.1)	(1.0)
Net profit/(loss)	**7.5**	(9.0)	(16.6)	(13.0)

The significant achievements of 2018, culminating in an Operating EBITDA profit for the year, is further improved by a £6 million gain on revaluation of the Orchard Therapeutics investment after the company listed on Nasdaq in November 2018.

The depreciation, amortisation and share option charge was lower than 2017 due to a non-recurring £1.0 million impairment charge in 2017 to account for the write down of the Prime Boost technology and poxvirus patent intangible asset after Bavarian Nordic's Prostvac product failed its phase III study.

The interest charge on our dollar denominated loan facility was significantly lower at £6.2 million in 2018 compared with £9.3 million in 2017 due to the non-recurring cost of termination of the Oberland facility in 2017.

The R&D tax credit in 2018 has dropped down slightly from the prior year as the Group continues to make a loss for tax purposes.

The net profit in 2018 was negatively impacted by the devaluation of sterling against the dollar which has lead to a foreign exchange loss of £2.7 million being recognised upon revaluation of the dollar denominated Oaktree loan. The situation was reversed in 2017 as sterling improved against the dollar and a foreign exchange gain of £3.3m was recognised. We have seen large fluctuations in foreign exchange rates versus sterling across the last 3 years as a result of uncertainties around the Brexit outcome. To some extent the Group expects to have a currency hedge against this liability as a significant portion of its anticipated future revenues are likely to be dollar denominated, such as the royalty stream arising from Novartis' sales to Kymriah™ patients.

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 our current processes and bring development and manufacturing costs down. The other segment, “Product“ , includes the costs of researching and developing new product candidates.

	Platform £m	Product £m	Total £m
2018			
Gross income	**55.7**	**12.2**	**67.9**
Operating EBITDA	**9.8**	**3.6**	**13.4**
Operating profit	**11.4**	**2.5**	**13.9**
2017			
Gross income	38.6	0.8	39.4
Operating EBITDA	2.9	(4.8)	(1.9)
Operating profit/(loss)	0.2	(5.9)	(5.7)

The Platform segment in 2018 saw an increase in gross income of 44% from £38.6 million to £55.7 million due to license income received as a result of the Axovant Sciences and Bioverativ deals, as well as increased commercial development services provided. The additional revenues have resulted in the Platform segment increasing its Operating EBITDA profit from £2.9 million in 2017 to £9.8 million in 2018, an improvement of £6.9 million. The segment also generated an operating profit of £11.4 million in 2018 (2017: £0.2 million). The Group continues to target increased profitability from this segment through higher bioprocessing volumes, increased royalty payments from partners and additional commercial development services to customers.

The Product segment has generated revenues of £12.2 million and an Operating EBITDA profit of £3.6 million largely as a result of the license income recognised as part of the Axovant Sciences OXB-102 agreement. The segment also generated an operating profit of £2.5 million.

Cash flow

The Group held £32.2 million cash at 31 December 2018, having begun the year with £14.3 million. Significant movements across the year are explained below.

- The operating profit improved by £19.6 million, principally as a result of revenue generated by Axovant Sciences and Bioverativ deals, as well as increased revenues from commercial development services provided,

- This improvement flowed through to Operating EBITDA which improved by £15.3 million to a profit of £13.4 million (2017: £1.9 million loss),

- Cash generated from operations was £9.2 million which resulted in a £10.7 million improvement over 2017.

- Net cash generated from operations during 2018 at £12.9 million was helped by a £3.7 million R&D tax receipt, down £0.8 million from the prior year. This was due to the tax credit being capped as a result of the improved results in 2017 as compared to 2016.

- Interest paid during the year was £4.7 million, down from £10.8 million in the prior year. 2018 interest paid was only made up of Oaktree interest payments whilst 2017 interest paid included the redemption fee on the Oberland loan facility as well as the accrued interest covering the period since initial drawdown of the loan,

- Purchases of property, plant and equipment increased from £2.0 million to £10.1 million, mainly consisting of purchases of equipment and leasehold improvements for the new OxBox manufacturing facility,

- Cash burn, the aggregate of these items, was therefore reduced from £9.8 million in 2017 to £1.9 million in 2018, mainly as a result of the improvement in the cash generated from our operations,

- The net proceeds from financing during 2018 were £19.8 million, consisting almost entirely of the equity raise in February 2018 which generated £19.1 million net of fees,

- The result of the above movements is a net increase in cash of £17.9 million from £14.3 million to £32.2 million.

Cash flow movements	2018	2017	2016	2015
Operating profit/(loss)	**13.9**	(5.7)	(11.3)	(14.1)
Non-cash items included in operating profit/(loss)	**(0.5)**	3.8	4.2	2.0
Operating EBITDA profit /(loss)	**13.4**	(1.9)	(7.1)	(12.1)
Working capital movement	**(4.2)**	0.4	1.2	(2.8)
Cash generated from/(used in) operations	**9.2**	(1.5)	(5.9)	(14.9)
R&D tax credit received	**3.7**	4.5	4.1	3.2
Net cash generated from/(used in) operations	**12.9**	3.0	(1.8)	(11.7)
Interest paid, less received	**(4.7)**	(10.8)	(3.3)	(1.5)
Capex	**(10.1)**	(2.0)	(6.4)	(16.6)
Cash burn	**(1.9)**	(9.8)	(11.5)	(29.8)
Net proceeds from financing[1]	**19.8**	8.8	17.5	25.0
Movement in year	**17.9**	(1.0)	6.0	(4.8)

[1] Includes interest paid which is shown separately above.

Balance sheet review

The most notable items on the balance sheet, including changes from 31 December 2017, are as follows:

- Investments increased by £8.0 million to £11.0 million as a result of the achievement of 3 equity milestones worth £2.0 million, and the remainder as a result of the revaluation of our Orchard investment based on the quoted Orchard share price at year end,

- Property, plant and equipment has increased by £6.4 million to £31.8 million as depreciation of £4.3 million only partially offset additions of £10.8 million, mainly purchases of equipment and leasehold improvements for the new OxBox manufacturing facility,

- Inventories have increased from £3.3 million to £4.3 million due to work in progress balances increasing as a result of ongoing bioprocessing commitments across 2018 and into 2019, as well as planned increases in stock levels as a result of Brexit planning,

- Trade and other receivables increased from £17.1 million to £30.6 million, due predominantly to the timing of process development milestones achieved and manufacturing orders placed at year-end, as well as £4.0 million of deposits held in escrow as part of the OxBox and new discovery and innovation facility leases,

- Trade and other payables increased from £8.7 million to £11.4 million due to purchases of equipment and leasehold improvements for the new OxBox manufacturing facility,

- Contract liabilities and deferred income increased from £13.1 million at the end of 2017 to £23.5 million (of which £6.4 million is non-current) at the end of 2018 due to income received in advance in relation to process development work, grant funding, manufacturing orders placed, and manufacturing slots reserved,

- The loan balance has increased from £36.9 million to £41.2 million due to a £2.7 million foreign exchange loss on revaluation of the loan, as well as accrued interest of £1.6 million.

Financial outlook

The Group is targeting improved financial performance in 2019. We have signed new commercial contracts with Axovant Sciences (now Axovant Gene Therapies), Bioverativ (now part of Sanofi) and the UK Cystic Fibrosis Gene Therapy Consortium which will bolster our commercial development and bioprocessing pipelines and we continue to maintain an excellent relationship with Novartis, building additional bioprocessing capacity to support the continued launch of Kymriah™ across the globe. Orchard Therapeutics IPO'd at the end of the year in anticipation of the commercial launch of its strategic product portfolio which we continue to support in a bioprocessing and commercial development capacity.

Our customer base continues to diversify, strengthening our revenue expectations. We will continue to target new strategic commercial relationships in 2019, building on the platform of growth we established and extending our customer base.

We will continue to execute our stated strategy of continuing the development of our proprietary products and pre-clinical pipeline whilst seeking to spin-out or out-license those candidates at an appropriate time prior to large clinical expenditures. We will seek to make strategic investments in our products, as well as acquiring enabling technologies where the opportunity exists to increase shareholder value and improve patient outcomes. We will continue to invest in early stage concepts and pre-clinical studies, and also in our key LentiVector® technology platform. We will continue to manage our cost base carefully and adjust spend to meet our financial targets.

Going concern

The Group held £32.2 million of cash at the end of 2018. During 2018 the Group generated positive operational cash flows, and although the Group is making a further strategic investment in extending our bioprocessing capacity, the Group expects to generate sufficient operational cash flow to continue its growth strategy. Taking this into account, in conjunction with currently known and probable cash flows, 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.

Although the UK's decision to leave the European Union may significantly affect the fiscal, monetary and regulatory landscape in the UK, the Group has assessed the future impact of Brexit on its operations to be minor.

Stuart Paynter
Chief Financial Officer

Consolidated statement of comprehensive income
for the year ended 31 December 2018

		Group	
		2018	2017
		Total	Total
Continuing operations	Note	**£'000**	£'000
Revenue		**66,778**	37,590
Cost of sales		**(22,763)**	(18,442)
Gross profit		**44,015**	19,148
Research, development and bioprocessing costs		**(29,714)**	(21,611)
Administrative expenses		**(7,433)**	(7,276)
Other operating income		**1,064**	1,774
Revaluation of investments	7	**5,983**	2,297
Operating profit/(loss)		**13,915**	(5,668)
Finance income		**71**	38
Finance costs		**(8,972)**	(6,131)
Profit/(loss) before tax		**5,014**	(11,761)
Taxation	3	**2,527**	2,744
Profit/(loss) and total comprehensive income/(expense) for the year		**7,541**	(9,017)
Basic earnings/(loss) per ordinary share	4	**11.57p**	(14.5p)
Diluted earnings/(loss) per ordinary share	4	**10.89p**	(14.5p)

The notes on pages 22 to 32 form part of this preliminary information.

Balance sheet
as at 31 December 2018

	Note	Group 2018 £'000	Group 2017 £'000
Assets			
Non-current assets			
Intangible assets	5	**117**	97
Property, plant and equipment	6	**31,791**	25,370
Investments	7	**10,966**	2,954
		42,874	28,421
Current assets			
Inventories	8	**4,251**	3,332
Trade and other receivables	9	**30,585**	17,088
Current tax assets		**2,446**	2,232
Cash and cash equivalents		**32,244**	14,329
		69,526	36,981
Current liabilities			
Trade and other payables	10	**11,422**	8,690
Contract liabilities and deferred income	11	**17,084**	13,072
		28,506	21,762
Net current assets		**41,020**	15,219
Non-current liabilities			
Loans	12	**41,153**	36,864
Provisions	13	**1,287**	630
Contract liabilities and deferred income	11	**6,434**	-
Deferred tax liability		**279**	-
		49,153	37,494
Net assets		**34,741**	6,146
Equity attributable to owners of the parent			
Ordinary share capital		**33,034**	31,076
Share premium account		**172,074**	154,224
Other reserves		**3,509**	3,509
Accumulated losses		**(173,876)**	(182,663)
Total equity		**34,741**	6,146

The notes on pages 22 to 32 form part of this preliminary information.

Statement of cash flows
for the year ended 31 December 2018

	Note	Group 2018 £'000	Group 2017 £'000
Cash flows from operating activities			
Cash generated from/(used in) operations	14	**9,214**	(1,533)
Tax credit received		**3,654**	4,530
Overseas tax paid		**-**	(18)
Net cash generated from/(used in) operating activities		**12,868**	2,979
Cash flows from investing activities			
Purchases of property, plant and equipment		**(10,103)**	(1,969)
Purchases of intangible assets		**(45)**	-
Interest received		**52**	38
Net cash used in investing activities		**(10,096)**	(1,931)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**21,184**	385
Costs of share issues		**(1,376)**	-
Interest paid		**(4,665)**	(10,800)
Loans received		**-**	38,897
Loans repaid		**-**	(30,536)
Net cash generated from/(used in) financing activities		**15,143**	(2,054)
Net increase/(decrease) in cash and cash equivalents		**17,915**	(1,006)
Cash and cash equivalents at 1 January		**14,329**	15,335
Cash and cash equivalents at 31 December		**32,244**	14,329

The notes on pages 22 to 32 form part of this preliminary information.

Statement of changes in equity attributable to owners of the parent company

for the year ended 31 December 2018

Group	Ordinary shares £'000	Share premium account £'000	Merger reserve £'000	Treasury reserve £'000	Warrants reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2017	30,879	154,036	2,291	(102)	-	(174,489)	12,615
Year ended 31 December 2017:							
Loss for the year	-	-	-	-	-	(9,017)	(9,017)
Total comprehensive expense for the year	-	-	-	-	-	(9,017)	(9,017)
Transactions with owners:							
Share options							
Proceeds from shares issued	197	188	-	-	-	-	385
Value of employee services	-	-	-	-	-	945	945
Issue of warrants	-	-	-	-	1,218	-	1,218
Vesting of deferred share award	-	-	-	102	-	(102)	-
At 31 December 2017	**31,076**	**154,224**	**2,291**	**-**	**1,218**	**(182,663)**	**6,146**
Year ended 31 December 2018:							
Income for the year	**-**	**-**	**-**	**-**	**-**	**7,541**	**7,541**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**7,541**	**7,541**
Transactions with owners:							
Share options							
Proceeds from shares issued	**246**	**478**	**-**	**-**	**-**	**-**	**724**
Value of employee services	**-**	**-**	**-**	**-**	**-**	**1,246**	**1,246**
Issue of shares excluding options	**1,712**	**18,748**	**-**	**-**	**-**	**-**	**20,460**
Cost of share issues	**-**	**(1,376)**	**-**	**-**	**-**	**-**	**(1,376)**
At 31 December 2018	**33,034**	**172,074**	**2,291**	**-**	**1,218**	**(173,876)**	**34,741**

The notes on pages 22 to 32 form part of this preliminary information.

NOTES TO THE PRELIMINARY FINANCIAL INFORMATION for the year ended 31 December 2018

1 Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

The Consolidated Financial Statements of the Company as at 31 December 2017 and for the year-ended 31 December 2017 comprise the Company Statutory accounts of the Company for the year-ended 31 December 2017, were approved by the Board of Directors on 15 March 2018 and were delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRS IC') interpretations as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention as modified by the revaluation of financial assets at fair value through profit and loss.

These results do not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. The consolidated financial statements for the year-ended 31 December 2018 have been audited with an unqualified report being issued. The report of the auditors did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The consolidated financial statements of the Group for the year-ended 31 December 2018 were approved by the Board of Directors on on 14 March 2019. These consolidated financial statements were prepared on a going concern basis as more fully explained below.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Going concern

The Group held £32.2 million of cash at the end of 2018. During 2018 the Group generated positive operational cash flows, and although the Group is making a further strategic investment in extending our bioprocessing capacity, the Group expects to generate sufficient operational cash flow to continue its growth strategy. Taking this into account, in conjunction with currently known and probable cash flows, 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.

Although the UK's decision to leave the European Union may significantly affect the fiscal, monetary and regulatory landscape in the UK,the Group has assessed the future impact of Brexit on its operations to be minor.

2 Critical accounting judgements and estimates

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. We do not believe that there are key sources of estimation uncertainty. The critical accounting judgements are set out below.

IFRS 15

The Group has implemented a new accounting standard, IFRS 15 'Revenue from contracts with customers', from 1 January 2018.

The new standard provides a single principles-based approach to the recognition of revenue from all contracts with customers and requires revenue to be recognised when or as performance obligations in a contract are performed.

Oxford BioMedica has adopted IFRS 15 applying the modified retrospective approach. No cumulative adjustment to equity was required at 1 January 2018, as there was no change in the way performance obligations have been recognised due to the implementation of IFRS 15, other than as identified below. In accordance with the requirements of the Standard, where the modified retrospective approach is adopted, prior year results are not restated.

In application of the standard the Group has identified three key areas of judgement within the existing collaboration agreements, firstly in relation to the number of distinct performance obligations contained within each collaboration agreement, which include a licence, bioprocessing and process development activities within a single contract, secondly the appropriate allocation of revenue to each performance obligation to represent the fair stand-alone selling price of the obligation, and thirdly the appropriate recognition at a point in time or over time. The sales royalties contained within the collaboration agreements qualify for the royalty exemption available under IFRS 15 and will continue to be recognised as the underlying sales are made.

As part of the IFRS 15 revenue analysis performed, the Group is planning to recognise partially funded research and development incomes, previously recognised within Other operating income in the statement of comprehensive income, within Revenue in this statement, in line with the development of this service within the business. In 2018, the Group recognised £0.2 million (2017: £0.5 million) of this type of income. There are not expected to be any other material impacts on reported revenue and the prior period will not be restated.

Revenue recognition

During 2018 the Group entered into a collaboration and license agreement with Bioverativ (now part of Sanofi). As part of this agreement, the Group has recognised revenues as follows:

— £4 million upon granting of a license to our Lentivector technology,

— The provision of process development services and scale-up activities for its lentiviral vector haemophilia products which have been recognised as the work is completed.

As part of the collaboration the Group is entitled to recognise future revenues in terms of:

— The provision of process development services and scale-up activities for its lentiviral vector haemophilia products as the work is completed,

— Process development, technology transfer, product, regulatory and sales milestones which will be recognised upon achievement of the milestone,

— Bioprocessing income on a percentage of completion basis as the manufacturing is completed,

— Royalties based on underlying sales and technology access fees over the period in which the technology is provided.

During 2018 the Group entered into a license agreement with Axovant Sciences. As part of this agreement, the Group has recognised revenues as follows:

— £4.1 million upon granting of a license to our Lentivector technology,

— £10.2 million upon granting of an exclusive license to our OXB-102 (now AXO-LENTI-PD) and ProSavin products,

— The transfer of know-how and ongoing clinical development as the work is completed,

— The provision of process development services and scale-up activities for its lentiviral vector OXB-102 (AXO-LENTI-PD) product which have been recognised as the work is completed.

— Provision of existing stock of OXB-102 as that stock has been made available to Axovant.

As part of the license agreement the Group is entitled to recognise future revenues in terms of:

— The transfer of know-how and ongoing clinical development as the work is completed,

— The provision of process development services, scale-up activities, and technology transfer activities for its lentiviral vector OXB-102 (AXO-LENTI-PD) product as the work is completed,

— Manufacturing and process development, diligence, product, regulatory and sales milestones which will be recognised upon achievement of the milestone,

— Bioprocessing income on a percentage of completion basis as the manufacturing is completed,

— Royalties based on underlying sales

During 2018 the Group entered into a process development collaboration agreement with the UK Cystic Fibrosis Gene Therapy Consortium (GTC) and Imperial Innovations to develop a long-term therapy for patients with cystic fibrosis (CF). Concurrently with this, a separate option and license agreement has been signed between Oxford BioMedica and Boehringer Ingelheim. As part of these agreements, the Group has recognised revenues as follows:

— The provision of process development services and scale-up activities for its lentiviral vector cystic fibrosis product which have been recognised as the work is completed.

As part of the license agreement the Group is entitled to recognise future revenues in terms of:

— The granting of a license to our Lentivector technology,

— The provision of process development services, scale-up activities, and technology transfer activities for its lentiviral vector cystic fibrosis product as the work is completed,

— Product development, technology transfer, regulatory and sales milestones which will be recognised upon achievement of the milestone,

— Bioprocessing income on a percentage of completion basis as the manufacturing is completed,

— Royalties based on underlying sales.

In 2018 the Group received £0.5 million from our insurer with regards to a loss suffered due to a temperature excursion on a customer stock shipment included within revenues in 2017.

Under the 2017 Novartis contract an up-front fee of $10 million was due for a three year minimum capacity reservation covering the period from 2017 to 2019. The Group have determined that this revenue should be recognised over the capacity reservation term based on the number of batches completed per year, capped at the minimum capacity requirement per year per the contract. In 2018 the Group have therefore recognised revenues of £2.8 million (2017: £2 million) with regards to this item.

In 2017 the Group recognised a contractually agreed milestone for $1.8 million for the provision of support to Novartis in preparation of their suspension process clinical submission. Although the milestone was formally agreed by Novartis in January 2018, the Group concluded that the criteria for revenue recognition had been met on the basis that they had completed the procedures and the submission had been through the first levels of review with Novartis. Accordingly, a total of $1.8 million (£1.3 million) was recognised as revenue in 2017.

In 2017 the Group was due a contractually agreed step milestone from Novartis based on the increased scale-up of their suspension process. Dependent on productivity the Group could be awarded up to $4 million. $250,000 was recognised in 2016. During 2017 the Group achieved the target scale up and submitted documents supporting this. This was formally accepted by Novartis in January 2018. The Group concluded that the criteria for revenue recognition had been met on the basis that they had achieved the scale up, and the submission had been through the first levels of review with Novartis. Accordingly, the remaining $3.8 million (£2.8 million) of revenue was recognised in 2017.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2018 £'000	2017 £'000
Trade receivables	15,408	5,705
Contract assets	8,886	8,681
Contract liabilities	(18,485)	(13,072)

The contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date for commercial development work and bioprocessing batches. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from the customers for commercial development work and bioprocessing batches, for which revenues are recognised on a percentage of completion basis.

No revenue was recognised in 2018 for performance obligations satisfied in previous periods.

No information is provided about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

Performance obligations and revenue policies

Revenue is measured based on the consideration specified in a contract with a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies. For services set out below, payment terms are negotiated on a customer by customer basis, however this is typically between 30 and 60 days.

Nature and timing of satisfaction of performance obligations	Revenue recognition under IFRS 15	Revenue recognition under IAS 18
Bioprocessing of clinical and commercial product for partners The Group has determined that for the bioprocessing of product, the customer controls all of the work in progress as the product is being manufactured. This is because	Revenue and associated costs are recognised over time as the processes are carried out. Progress is determined based on the achievement of verifiable stages of the process.	Revenue was recognised on a 'percentage of completion' basis dependent on the stage of completion of the process at the reporting date.

those products are made under exclusive licence.	Un-invoiced amounts are presented as accrued income (contract assets)	
Revenues for providing process development activities to partners	Revenue is recognised over time as the services are provided on percentage of completion basis.	Revenue was recognised during the period in which the service is rendered on a percentage of completion basis.
Milestone receivables relating to bioprocessing or process development activities Milestones are determined by specific conditions stipulated in the relevant agreements or contracts.	When a contract with a customer is identified, each incentive is determined as either binary or non-binary. Milestones that are considered to be binary relate to the achievement of specific events rather than the provision of, for example, support: A binary milestone will be recognised in full once it is deemed highly probable that the obligation will be met. Non-binary milestones are recognised on a percentage of completion basis.	Milestones related to the achievement of specific deliverables were recognised on a probability adjusted basis once most of the work or identifiable deliverables have been completed and when there is a high probability that the milestone will be received. Milestones related to the provision of support services are recognised on a percentage of completion basis, but taking into account the likelihood of achievement of the deliverable.
Product and technology licences The licences establish rights to the intellectual property and know-how of the Group.	The licences that have been established by the Group have all been determined as “right to use” licences, rather than “right to access” licences. As such, the revenue from these licences is recognised at the point in time at which the licence transfers to the customer.	Where the amount received was non-refundable and there were no ongoing commitments from the Group and the licence had no fixed end date, the Group recognised revenue in full on execution of the licence.
Milestone payments relating to product licensing Milestones are determined by specific conditions stipulated in the relevant agreements or contracts.	When a contract with a customer is identified, each milestone is determined as either binary or non-binary. Milestones that are considered to be binary relate to the achievement of specific events rather than the provision of, for example, support; A binary milestone will be recognised in full once it is deemed highly probable that the obligation will be met Non-binary milestones are recognised on a percentage of completion basis.	Milestone payments were recognised as revenue when the specific conditions stipulated in the licence agreement have been met. Payments linked to “success” such as regulatory filing or approval, or achievement of specified sales volumes, are recognised in full when the relevant event occurred. Otherwise, amounts receivable were recognised in the period in which related costs incurred, or over the estimated period to completion of the relevant phase of development or associated clinical trials.

Royalties	Recognised as the underlying sales occur.	Recognised as the underlying sales occur.
Research and development funding	Revenue and associated costs are recognised over time. Progress is determined based on the cost-to-cost method.	Other income was recognised over a period that corresponds with the performance of the funded research and development activities.

Going concern

Management and the Directors have had to make estimates and important judgements when assessing the going concern status of the Group. The conclusions of these estimates and judgements are reported in Note 1 and the Financial Review.

3 Taxation

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The amount included in the statement of comprehensive income for the year ended 31 December 2018 comprises the credit receivable by the Group for the year less overseas tax paid in the year. The United Kingdom corporation tax research and development credit is paid in arrears once tax returns have been filed and agreed. The tax credit recognised in the financial statements but not yet received is included in current tax assets in the balance sheet. The amounts for 2018 have not yet been agreed with the relevant tax authorities.

	2018	2017
	£'000	£'000
Current tax		
United Kingdom corporation tax research and development credit	**(2,278)**	(2,232)
Overseas taxation	**-**	18
	(2,278)	(2,214)
Adjustments in respect of prior periods		
United Kingdom corporation tax research and development credit	**(528)**	(530)
Current tax	**(2,806)**	(2,744)
Deferred tax		
Relating to the origination of timing differences	**312**	-
Adjustments in respect of prior periods	**(33)**	-
Deferred tax	**279**	-
Taxation Credit	**(2,527)**	(2,744)

The adjustment of current tax in respect of prior year of £528,000 (2017: £530,000) relates to a higher than anticipated tax receipt.

4 Basic earnings/(loss) and diluted earnings per ordinary share

The basic earnings/(loss) per share of 11.57p (2017: 14.5p loss) has been calculated by dividing the earnings/(loss) for the period by the weighted average number of shares in issue during the year ended 31 December 2018 (65,188,414; 2017: 61,913,343 adjusted for share consolidation).

The diluted earnings per share of 10.89p has been calculated by dividing the earnings for the period by the weighted average number of shares in issue during the period after adjusting for the dilutive effect of the share options and warrants outstanding at 31 December 2018 (69,242,901).

There were no potentially dilutive options in the prior period. There is therefore no difference between the basic loss per ordinary share and the diluted loss per ordinary share in the prior period.

5 Intangible assets

Intangible assets comprise intellectual property rights.

	2018 £'000	2017 £'000
Cost at 1 January	**5,591**	5,591
Additions	**45**	-
Cost at 31 December	**5,636**	5,591
Accumulated amortisation and impairment		
At 1 January	**5,494**	4,261
Amortisation charge for the year	**25**	262
Impairment charge for the year	**-**	971
At 31 December	**5,519**	5,494
Net book amount at 31 December	**117**	97

During 2017, there was a write down of the Prime Boost technology and poxvirus patent intangible asset after Bavarian Nordic's Prostvac product failed in its phase III study.

During 2018, the Group purchased a domain name for £45,000.

For intangible assets regarded as having a finite useful life amortisation commences when products underpinned by the intellectual property rights become available for use. Amortisation is calculated on a straight-line basis over the remaining patent life of the asset. Amortisation of £25,000 (2017: £262,000) is included in 'Research, development and bioprocessing costs' in the statement of comprehensive income.

An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. There are currently no assets with indefinite useful lives.

6 Property, plant and equipment

	Freehold property £'000	Leasehold improve-ments £'000	Office equipment and computers £'000	Bioprocessing and Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2018	21,171	4,689	3,179	6,651	35,690
Additions at cost	112	3,046[1]	1,909	5,686	10,753
At 31 December 2018	**21,283**	**7,735**	**5,088**	**12,337**	**46,443**
Accumulated depreciation					
At 1 January 2018	4,306	978	1,862	3,174	10,320
Charge for the year	2,018	472	554	1,288	4,332
At 31 December 2018	**6,324**	**1,450**	**2,416**	**4,462**	**14,652**
Net book amount at 31 December 2018	**14,959**	**6,285**	**2,672**	**7,875**	**31,791**

	Freehold property £'000	Leasehold improve-ments £'000	Office equipment and computers £'000	Bioprocessing and Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2017	20,902	6,970	1,651	6,488	36,011
Additions at cost	269	9	1,528	163	1,969
Disposals	-	(2,290)	-	-	(2,290)
At 31 December 2017	**21,171**	**4,689**	**3,179**	**6,651**	**35,690**
Accumulated depreciation					
At 1 January 2017	2,306	2,798	877	2,516	8,497
Charge for the year	2,000	470	985	658	4,113
Disposals	-	(2,290)	-	-	(2,290)
At 31 December 2017	**4,306**	**978**	**1,862**	**3,174**	**10,320**
Net book amount at 31 December 2017	**16,865**	**3,711**	**1,317**	**3,477**	**25,370**

[1] Included within additions to leasehold improvements is £2,396,000 of assets under construction, representing ongoing construction works at the OxBox bioprocessing facility

7 Investments

On 29 November 2016, as part of a strategic alliance with Orchard Therapeutics, the Group received 735,000 ordinary shares in Orchard Therapeutics as consideration for the licenses 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.

At year end the investment was revalued based on the 31 December 2018 share price of $15.73, and a gain of £6.0 million (2017: £2.3 million) was recognised during the year. The aggregate fair value of the equity investment in Orchard Therapeutics is £11.0 million (2017: £3.0 million).

	2018	2017
	£'000	£'000
At 1 January	**2,954**	657
Recognition of milestones	**2,029**	-
Revaluation of investments	**5,983**	2,297
At 31 December	**10,966**	2,954

8 Inventories

	2018	2017
	£'000	£'000
Raw Materials	**2,422**	1,895
Work-in-progress	**1,829**	1,437
Total inventory	**4,251**	3,332

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

During 2018, the Group wrote off £233,000 (2017: £53,000) of inventory which is not expected to be used in production or sold onwards.

9 Trade and other receivables

	2018	2017
	£'000	£'000
Trade receivables	**15,408**	5,705
Contract assets	**8,886**	8,681
Other receivables	**4,307**	23
Other tax receivable	**1,144**	1,288
Prepayments	**840**	1,391
Total trade and other receivables	**30,585**	17,088

The fair value of trade and other receivables is the current book values. The application of the expected credit loss model has had no impact on the level of impairment of receivables.

Included in the Group's trade receivables balance are debtors with a carrying amount of £1,768,000 (2017: £65,000) which were past due at the reporting date, all of which have since been received.

Other receivables have increased due to £4.0 million of deposits held in escrow as part of the new discovery and innovation facility and OxBox lease arrangements.

10 Trade and other payables

	2018	2017
	£'000	£'000
Trade payables	**3,746**	3,682
Other taxation and social security	**770**	579
Accruals	**6,906**	4,429
Total trade and other payables	**11,422**	8,690

Accruals have increased significantly from the prior year as a result of purchases of equipment and leasehold improvements for the new OxBox facility.

11 Contract liabilities and deferred income

A contract liability arises when the Group has received payment for services in excess of the stage of completion of the service being provided.

Contract liabilities has increased from £13.1 million at the end of 2017 to £18.5 million (of which £1.8 million is non-current) at the end of 2018 due to £0.5 million of options and £5.0 million of process development income from new customers.

Contract liabilities consists primarily of deferred bioprocessing and process development revenue, and are expected to be released as the related performance obligations are satisfied over the period as described below:

Years	0-1 £'000	0-3 £'000	0-5 £'000	0-10 £'000	Total £'000
Contract liabilities					
Bioprocessing income	9,074	1,504	-	-	10,578
Process development income	-	7,085	-	-	7,085
Licence fees, options and milestones	168	-	500	154	822
Deferred income					
Lease incentives	-	-	-	2,250	2,250
Grant	-	-	-	2,783	2,783
Total	**9,242**	**8,589**	**500**	**5,187**	**23,518**

12 Loans

The Oberland Facility was fully repaid on 29 June 2017 at a cost of £36.3 million including the accrued interest and loss on early extinguishment of £5.3 million.

On 29 June 2017 the Group completed a new $55 million debt facility with Oaktree Capital Management ("Oaktree"). The facility has been used to redeem the debt facility with Oberland Capital Healthcare.

The Oaktree loan is repayable no later than 29 June 2020 although it may be repaid, at the Group's discretion, at any time subject to early prepayment fees and an exit fee. The loan carries 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 reduce 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 Group has issued 2,687,025 (post consolidation) warrants to Oaktree. The Oaktree facility is secured by a pledge over substantially all of the Group's assets. The terms also include financial covenants relating to the achievement of revenue targets and a requirement to hold a minimum of $2.5 million (2017: $5 million) cash at all times.

On initial recognition, the Oaktree loan, net of the expenses incurred in the refinancing which are treated as prepaid expenses, was fair valued at £37.7 million. The loan balance has increased to £41.2 million due to accrued interest and the impact of foreign exchange movements.

13 Provisions

	2018	2017
	£'000	£'000
At 1 January	**630**	622
Unwinding of discount	**8**	8
Provision recognised	**649**	-
At 31 December	**1,287**	630

The dilapidations provisions relate to the anticipated costs of restoring the leasehold Yarnton and the new discovery and innovation 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 2017. The provisions will be utilised at the end of the leases if they are not renewed.

The Group has 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.

14 Cash flows from operating activities

Reconciliation of profit / (loss) before tax to net cash generated from / (used in) operations:

	2018	2017
	£'000	£'000
Continuing operations		
Operating profit /(loss)	**13,915**	(5,668)
Adjustment for:		
Depreciation	**4,332**	4,113
Amortisation of intangible assets	**25**	262
Charge for impairment	**-**	971
Charge in relation to employee share schemes	**1,246**	945
Non-cash gains	**(8,012)**	(2,297)
Changes in working capital:		
Increase in trade and other receivables	**(14,559)**	(11,183)
Increase in trade and other payables	**2,732**	2,687
Increase in contract liabilities & deferred income	**10,446**	9,759
Increase in provisions	**8**	8
Increase in inventory	**(919)**	(1,130)
Net cash generated from/(used in) operations	**9,214**	(1,533)

Non cash gains include equity stakes in Orchard Therapeutics granted on completion of milestones (£2.0 million), and a gain of £6.0 million (2017: £2.3 million) on the revaluation of the equity investment at the end of the year.