



4basebio PLC
("4basebio", the "Company" or the "Group")

Half-year Report
for the six months ended 30 June 2023

4basebio PLC (AIM: 4BB), Cambridge, UK, 21 September 2023 – 4basebio PLC, an innovation driven biotechnology company enabling and accelerating development of advanced therapy medicinal products (ATMPs) through its high performant synthetic DNA products and non-viral, thermostable nucleic acid delivery platform, announces its unaudited half-year results for the six months ended 30 June 2023.

Operational Highlights (including post period end)

- DNA and Hermes™ revenues exceeded £200k for the half year
- Supply Agreement signed for provision of DNA for clinical studies announced on 24 May 2023
- Announcement of Bill & Melinda Gates Foundation grant on 1 August 2023
- Three patent additional filings during the period
- Demonstrated *in vivo* efficacy of Hermes™ delivery system

Financial Highlights

- Cash balances of £3.6 million at period end
- Loss for the period of £3.6 million (H1 2022 loss: £2.4 million)
- Net cash outflow from operating activities of £3.0 million (H1 2022: £2.5 million)

Commenting on the interim results, Dr Heikki Lanckriet, CEO and CSO, said *"We are pleased to report continued commercial progress since recording first DNA and Hermes™ revenues in 2022. We have seen a good influx of early stage projects as we are gearing up our commercial effort and this has manifested in H1 2023 revenue growth, with overall revenues in line with full year 2022, driven primarily by DNA sales.*

"During the period, our commercial focus has been on early stage engagement with potential clients seeking DNA for their clinical programs, with this approach leading to the onboarding of multiple clients. Typical customer projects commence with lower value research grade product supply. As new client programs progress over time, we expect the demand to move to full GMP, with individually higher value product supply opportunities occurring. One such example of this is our supply agreement with Neomatrix S.r.l. which was recently announced and where 4basebio will supply DNA into a cancer neoantigen vaccine program.

"Alongside this commercial traction, our progress towards overall GMP certification is important and continues, with 4basebio now in position to manufacture GMP compliant critical starting material for mRNA and AAV markets.

"We are also delighted to have received a grant from the Bill & Melinda Gates Foundation to progress a project focussed on thermal stability of our Hermes™ nanoparticle and our innovative synthetic DNA payloads.

"Alongside the ongoing commercial development, 4basebio remains a technology company, which is evidenced by the progress in developing its portfolio of patent families. As a Group, we continue to innovate and find novel solutions to challenges experienced by clients, with additional DNA products being developed as a result. The flexibility in our platform which enables this innovation also offers clear competitor differentiation.

“We continue to invest in our technology platforms and overall cash expenditure during the period was in line with management expectations. For the remainder of 2023, we expect to continue this investment in technology, commercial activities and production capabilities.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

For further enquiries, please contact:

4basebio PLC Heikki Lanckriet, CEO and CSO	+44 (0)12 2396 7943
Cairn Financial Advisers LLP (Nominated Adviser) Jo Turner / Sandy Jamieson	+44 (0)20 7213 0880
Cavendish Capital Markets Limited (Broker) Geoff Nash/Richard Chambers/Charlotte Sutcliffe	+44 (0)20 7220 0500
Lionsgate Communications (Media Enquiries) Jonathan Charles	+44 (0)77 91892509

Notes to Editors

4basebio (AIM: 4BB) is an innovation driven life biotechnology company focussed on accelerating the development of advanced therapy medicinal products (ATMPs) through its high performant synthetic DNA products and non-viral, cell targeting nucleic acid delivery platform. The Company’s objective is to become a market leader in the manufacture and supply of high quality synthetic DNA products for research, therapeutic and pharmacological use as well as development of target specific non-viral vectors for the efficient delivery of payloads in patients. The Company is offering GMP compliant DNA starting materials suitable for use in AAV viral vector production as well as mRNA vaccine and therapeutics production.

Chairman's Statement

Introduction

The Board is pleased to report 4basebio is making good progress in its commercial development and also continues to expand its technology and product offering. With significant focus on customer engagement, revenue momentum is now building, with DNA and Hermes™ sales for the half year exceeding like for like sales for the full year 2022. Alongside this, the capabilities of the Group continue to expand with additional resource across commercial, operations and R&D activities and with overall headcount increasing to 78 at the end of June 2023.

As expected and as indicated in our 2022 Annual Report, the Group incurred a net loss for the first half of 2023. 4basebio continues to implement its strategy requiring ongoing investment in technology and product commercialisation, including GMP, which it expects will generate significant revenues and profitability over time.

Operational Review

4basebio operates from four locations near Cambridge, UK and Madrid, Spain, having recently taken a long lease over a second property adjacent to its clean room facility in the UK. This additional property will house laboratories and offices supporting the manufacturing and quality teams in the business. The Group's head office at Norman Way will accommodate R&D and general support functions.

Over the first half of the year, the Group has focussed on three key areas:

- Commercialisation of its product offering, in particular DNA
- Continued progression of GMP implementation
- Ongoing technology platform development and generation of Intellectual Property

Across all three areas, the Group continues to make good progress. In the year to date, DNA and Hermes™ revenues exceeded like for like revenues for 2022. Whilst it remains difficult to provide guidance over how revenues may develop during the early stages of commercial development, we expect revenue growth to accelerate over time. From our early commercial activity, however, it is evident that there is clear customer demand to adopt 4basebio synthetic DNA into development programs, with multiple customer evaluation projects now completed and progressing towards more valuable HQ and GMP products.

Implementation of GMP quality standards remains an ongoing task with the Group now able to manufacture GMP compliant critical starting materials for feeding into the mRNA and AAV markets, two key areas for revenue growth for 4basebio. Our next objective is to secure GMP certification along with the ability to produce GMP certified drug substance DNA products. In light of this objective, the quality, manufacturing and regulatory teams will continue to grow over the course of 2023 and 2024 to support the Group's GMP objectives. The board remains positive that the Group will secure the desired GMP certification in 2024.

Finally, the investment in, and development of, the Group's technology platforms continues, with three further patent filings during the period. The board considers 4basebio's synthetic DNA platform as being unique in its flexibility, thereby offering optimised and bespoke solutions for a range of cell and gene therapy and vaccine applications.

Swift commercial progress is a key objective for the Group. Alongside this, the board continues to believe that investing in the Group's technology platforms to further optimise and expand its product offering is central to creating and realising shareholder value.

In summary, the board is pleased with the continued progress which has been made during the first half of 2023. The Group is validating its commercial proposition by way of customer revenues while at the same time it continues to strengthen its market position with ongoing patent filings around its technologies. The board

considers the Group to be extremely well placed to continue the commercial exploitation of its DNA and nanoparticle technology.

Business outlook

Over the second half of the financial year, the Group expects to continue to secure new clients and recognise revenues from the sale of DNA and Hermes™. As previously indicated, the Group will also continue investing in its technologies and staff teams, so that ongoing expenditure will continue to significantly exceed revenues, with the Group reporting a loss for the full year, which will be funded by drawing on the loan facility with 2Invest AG.

Financial Review

The results for the period ended 30 June 2023 and the consolidated balance sheet at that date reflect the consolidated performance and position of 4basebio PLC and all its subsidiary companies.

Revenue

Revenue in the first six months of 2023 (“H1 2023”) was £0.24 million (H1 2022: £0.15 million). The increase in revenues relates entirely to the sale of DNA and Hermes™.

Cost of sales

Cost of sales in H1 2023 was £77k (H1 2022: £37k). Cost of sales reflects a combination of amortisation on previously capitalised intangible assets linked to kit sales and direct inputs for DNA production.

Selling and administration expenses

Selling, general and administrative expenses were a combined £1.9 million in H1 2023 (H1 2022: £1.4 million) This includes non-cash items relating to amortisation and depreciation of £190k and share options charges of £87k. Otherwise, expenditure increased with additional headcount across business development, legal and support services.

Operations expense

Operations expense was £0.6 million (H1 2022: £0.4 million) This reflects the scaling of the manufacturing and quality assurance team between the two periods.

Research and development

Overall research and development expenditure for H1 2023 was £1.8 million (H1 2022: £1.5 million), of which £0.3 million was capitalised in the period (H1 2022: £0.5 million). Overall expenditure increased due to the ongoing expansion of the UK team. Capitalised expenditure relates to platform research undertaken in Spain.

Tax

Tax represents R&D tax credits expected to be recovered in relation to expenditure during the first half of the year.

Balance sheet

Non-current assets increased to £6.5 million at 30 June 2023 from £5.8 million at 31 December 2022; this related to additions of tangible fixed assets in the UK and capitalised R&D expenditure in Spain as shown in notes 6 and 7 to the half year results. Current assets fell to £5.1 million at 30 June 2023 from £5.9 million at 31 December

2022, due primarily to cash outflows during the first half of 2023. As a result, closing cash balances at 30 June 2023 stood at £3.6 million (31 December 2022: £4.4 million).

Current liabilities were stable at £1.5 million at 30 June 2023 (31 December 2022: £1.5 million) with a modest decline in short term financial liabilities offset by an increase in trade payables. Long term financial liabilities reflect the drawdown on the 2Invest AG loan facility. As a result, overall long term liabilities stood at £6.7 million as at 30 June 2023 (31 December 2022: £3.1 million). Other long term liabilities represent deferred grant income in Spain.

Share Capital at both 30 June 2023 and 31 December 2022 reflects the capital contributions arising from the 2020 spin out process as explained in note 3.2 to the financial statements included in the Annual Report for 2021.

Cash flow

Net cash outflows from operations were £3.0 million for the period ended 30 June 2023 (period ended 30 June 2022: outflows of £2.5 million). This reflects an increase in operating cashflows directly arising from the growth in operations between the periods as presented in the profit and loss statement.

Cash outflows from investing activities declined with the investment in tangible fixed assets of £0.4 million for the period ended 30 June 2023 (period ended 30 June 2022: £1.0 million) relating to both operations and R&D equipment. In addition, intangible assets including capitalised development expenditure in 4basebio S.L.U. represented a cash outflow of £0.3 million from £0.4 million in period ended 30 June 2022.

Cashflows from financing for the period ended 30 June 2023 reflect in particular the drawdowns from 2Invest AG under the loan facility of £3.5 million, partially offset by repayments of Spanish softloans.

Exchange differences for the period represent changes in the British pound value of cash balances held in foreign currency, almost entirely euro denominated.

Tim McCarthy

Chairman

20 September 2023

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2023

in £'000	Note	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	Year ended 31 December 2022 (audited)
Revenues		238	152	268
Cost of goods sold		(77)	(37)	(29)
Gross profit		161	115	239
Sales and marketing expenses		(248)	(97)	(245)
Administration expenses		(1,603)	(1,306)	(2,711)
Operations expense		(596)	(367)	(928)
Research and non-capitalised development expenses		(1,596)	(1,024)	(2,081)
Other operating expenses		(18)	(37)	(181)
Other operating income		136	2	67
Loss from operations		(3,764)	(2,714)	(5,840)
Finance expense		(98)	(16)	(89)
Loss before tax		(3,862)	(2,730)	(5,929)
Income tax credit / expense	4	307	300	779
Loss for the period		(3,555)	(2,430)	(5,150)
Loss per share				
- Basic and diluted (in £/share)	5	(0.29)	(0.20)	(0.42)
Items that may be reclassified to the income statement in subsequent periods				
Exchange rate adjustments		(243)	173	447
Total comprehensive income		(3,798)	(2,257)	(4,703)

All of the loss for each period is from continuing operations.

Consolidated statement of financial position

30 June 2023

in £'000	Note	30 June 2023 (unaudited)	31 December 2022 (audited)
Assets			
Intangible assets	6	2,366	2,124
Property, plant and equipment	7	4,088	3,633
Other non-current assets		34	35
Non-current assets		6,488	5,792
Inventories		199	133
Trade receivables		60	54
Other current assets		1,251	1,359
Cash and cash equivalents	8	3,558	4,351
Current assets		5,068	5,897
Total assets		11,556	11,689
Liabilities			
Financial liabilities		(321)	(415)
Trade payables		(528)	(490)
Other current liabilities		(635)	(613)
Current liabilities		(1,484)	(1,518)
Financial liabilities		(6,551)	(2,935)
Other liabilities		(110)	(116)
Non-current liabilities		(6,661)	(3,051)
Total liabilities		(8,145)	(4,569)
Net assets		3,411	7,120
Share capital		11,132	11,130
Share premium		706	706
Merger reserve		688	688
Capital reserve		13,394	13,307
Foreign exchange reserve		(229)	14
Profit and loss reserve		(22,280)	(18,725)
Total Equity	9	3,411	7,120

Consolidated statement of changes in equity

for the six months ended 30 June 2023

in £'000	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange	Profit and loss reserve	Total equity
Balance at 1 January 2022 (audited)	11,130	706	688	13,179	(433)	(13,575)	11,695
Loss for the year	-	-	-	-	-	(5,150)	(5,150)
Foreign Exchange difference arising on translation of 4basebio S.L.U.	-	-	-	-	447	-	447
Share based payments	-	-	-	128	-	-	128
Balance at 31 December 2022 (audited)	11,130	706	688	13,307	14	(18,725)	7,120

in £'000	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange	Profit and loss reserve	Total equity
Balance at 1 January 2023 (audited)	11,130	706	688	13,307	14	(18,725)	7,120
Loss for the year	-	-	-	-	-	(3,555)	(3,555)
Foreign Exchange difference arising on translation of 4basebio S.L.U.	-	-	-	-	(243)	-	(243)
Share option charge	-	-	-	87	-	-	87
Shares issued in period	2	-	-	-	-	-	2
Balance at 30 June 2023 (unaudited)	11,132	706	688	13,394	(229)	(22,280)	3,411

Consolidated statement of cash flows

for the six months ended 30 June 2023

in £'000	30 June 2023 (unaudited)	30 June 2022 (unaudited)	31 December 2022 (audited)
Net loss for the period	(3,555)	(2,430)	(5,150)
<i>Adjustments to reconcile net loss for the period to net cashflows</i>			
Income taxes	(307)	(300)	(779)
Interest charge	98	16	89
Depreciation of property, plant and equipment	315	226	404
Amortisation and impairment of intangible assets	16	13	27
Other non-cash items	87	57	136
Tax receipt	561	-	401
Working capital changes:			
(Increase)/decrease in trade receivables and other current assets	(104)	(216)	140
Increase/(decrease) in trade payables and other current liabilities	(28)	157	(2)
(Increase)/decrease in inventories	(70)	10	30
Net Cash flows from operating activities	(2,987)	(2,467)	(4,704)
Investments in property, plant and equipment and intangible assets	(406)	(969)	(1,155)
Investments in capitalised development and intangible assets	(330)	(404)	(786)
Cash flows from investing activities	(736)	(1,373)	(1,941)
Net receipt/(payment) of loans	3,187	(272)	1,412
Interest paid	(26)	(17)	(93)
Capital lease payments	(49)	(38)	(75)
Proceeds of shares issue	2	-	-
Cash flows from financing activities	3,114	(327)	1,244
Net change in cash and cash equivalents	(609)	(4,167)	(5,401)
Exchange differences	(184)	178	166
Cash and cash equivalents at the beginning of the period	4,351	9,586	9,586
Cash and cash equivalents at the end of the period	3,558	5,597	4,351

Notes to the financial statements

For the six months ended 30 June 2023

1. General information

4basebio PLC (the “Company” or “4basebio”) is registered in England and Wales with company number 13519889.

The Company is domiciled in England and the registered office of the Company is 25 Norman Way, Over, Cambridge CB24 5QE. 4basebio PLC is the parent of a group of companies (together, “the Group”). The Group focusses on life sciences and in particular the development of synthetic DNA and nanoparticles suitable for inclusion in, or delivery of, therapeutic payloads for cell & gene therapies and vaccines.

The Company’s shares are traded on London Stock Exchange’s AIM market. The international securities number (ISIN) number for its AIM traded shares is GB00BLD8ZL39; its ticker symbol is 4bb.l.

The interim report was approved by the board of directors on 20 September 2023.

2. Significant accounting policies

Basis of preparation

This half year report, which is not audited, has been prepared in accordance with the measurement and recognition criteria of UK adopted International Accounting Standards. It does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022.

The accounting policies applied in this half year report are consistent with those in the financial statements for the year ended 31 December 2022, as described in those financial statements.

Significant judgments

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The significant judgments made in relation to the financial statements are further set out below.

Going concern

The directors have, at the time of approving the half year report, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Internally-generated intangible assets – research and development expenditure

Development expenditure is capitalised when the conditions referred to in Note 4 of the Company's 2022 annual report are met. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Foreign currencies

The functional currency of the Group is British Pounds.

The principal currency rate of the Group other than the British Pounds is the euro which has developed as follows in relation to the equivalent of one pound (GBP/€):

	Closing exchange rate		Average exchange rate		
			Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
in GBP	30 June 2023	31 December 2022			

Euro	0.8583	0.8869	0.8764	0.8424	0.8524
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4. Income taxes

The Group anticipates claiming R&D tax credits in both the UK and Spain in relation to the year ended 31 December 2023. The quantum of such claims for the first half of 2023 is estimated at £0.3 million (period ending 30 June 2022: £0.3 million).

5. Loss per share

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Numerator in £'000			
Loss for the period	(3,555)	(2,430)	(5,150)
Denominator number of shares			
Weighted average number of registered shares in circulation (ordinary shares) for calculating the undiluted earnings per share	12,318,987	12,317,473	12,317,473
Diluted and Undiluted earnings per share (£/share)	(0.29)	(0.20)	(0.42)

6. Intangible assets

in £'000	Development costs	Licences	Total
Cost or acquisition value			
01 January 2022	2,390	200	2,590
Additions	499	287	786
Exchange differences	151	17	168
31 December 2022	3,040	504	3,544
01 January 2023	3,040	504	3,544
Additions	263	67	330
Exchange differences	(104)	(14)	(118)
30 June 2023	3,199	557	3,756
Cumulative amortisation and impairment			
01 January 2022	1,286	33	1,319
Amortisation	9	18	27
Exchange differences	72	2	74
31 December 2022	1,367	53	1,420

01 January 2023	1,367	53	1,420
Amortisation	3	14	17
Exchange differences	(45)	(2)	(47)
30 June 2023	1,325	65	1,390
Net book value			
31 December 2022	1,673	451	2,124
30 June 2023	1,874	492	2,366

7. Property, plant and equipment

in £'000	Operating equipment	Land and buildings	Right of use assets	Assets under construction	Total
Cost or acquisition value					
01 January 2022	882	997	635	751	3,265
Additions	1,152	43	143	-	1,338
Transfers	751	-	-	(751)	-
Disposals	-	-	(143)	-	(143)
Exchange differences	18	-	8	-	26
31 December 2022	2,803	1,040	643	-	4,486
01 January 2023	2,803	1,040	643	-	4,486
Additions	405	1	372	-	778
Exchange differences	(14)	(2)	(3)	-	(19)
30 June 2023	3,194	1,039	1,012	-	5,245
Cumulative amortisation and impairment					
01 January 2022	357	51	98	-	506
Depreciation	298	89	87	-	474
Disposals	-	-	(143)	-	(143)
Exchange differences	15	-	1	-	16
31 December 2022	670	140	43	-	853
01 January 2023	670	140	43	-	853
Depreciation	230	25	60	-	315
Exchange differences	(8)	(2)	(1)	-	(11)
30 June 2023	892	163	102	-	1,157

Net book value					
31 December 2022	2,133	900	600	-	3,633
30 June 2023	2,302	876	910	-	4,088

8. Cash and cash equivalents

in £'000	30 June 2023	31 December 2022
Bank balances and cash in hand	3,558	4,351
Cash and cash equivalents	3,558	4,351

9. Equity

On 14 February 2023, 2,000 shares were issued pursuant to an exercise of employee share options. As a result, the share capital of 4basebio PLC as of 30 June 2023 amounts to a total of €12,319,473 divided into 12,319,473 shares of €1 (31 December 2022: €12,317,473 shares of €1). These are all registered ordinary shares. There are no shares with special rights or other restrictions on voting rights.

Share-based payments

During H1 2023, 60,000 share options to subscribe for shares in the Company were granted to employees with an average weighted exercise price of £5.55 per share. The share options awarded vest one quarter on the anniversary of grant, over four years. Consistent with previous awards as explained in note 24 to the 2022 financial statements, the awards were valued using a Black Scholes valuation model.

An overall share-based payments charge of £86,601 has been expensed in the period with a corresponding amount recognised in equity based on fair values of between £0.31 and £2.38 per option, as at the dates of grant.

10. Legal matters

As disclosed in note 26 of the 2022 financial statements, the Company was notified in March 2021 of legal action against it in Germany in relation to the spin out process of 4basebio SE (now 4basebio PLC) dating to 2020. Since 30 June 2023, the directors understand this process is now nearing a conclusion, with any fees and costs associated with this matter expected to be below £100k.

Separately, the Company previously commenced legal proceedings against a Spanish entity in relation to patent entitlement and breach of confidentiality and is pursuing appropriate legal recourse. On 19 September 2023, the Company received a counterclaim for breach of confidentiality.

11. Approval of the half year report

The half year report was approved by the board of directors and authorised for publication on 20 September 2023.

Forward-looking statements

This announcement may contain certain statements about the future outlook for the 4basebio. Although the directors believe their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.