4D pharma plc
Interim Report 2020

Leading the development of Live Biotherapeutics

4D pharma plc

Pioneering a revolutionary class of medicines:

Live Biotherapeutic products

What we do

4D was established with the mission of leveraging the deep and varied interactions between the human body and the gut microbiome – the trillions of bacteria that colonise the human gastrointestinal tract – to develop an entirely novel class of drug: Live Biotherapeutics.

We are focussed on understanding how individual strains of bacteria function and how their interactions with the human host can be exploited to treat particular diseases, from cancer to asthma to conditions of the central nervous system.

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Highlights

Financial highlights

- Net assets at 30 June 2020 of £31.5 million (30 June 2019: £35.0 million and 31 December 2019: £22.3 million).
- Cash and cash equivalents and short-term deposits at 30 June 2020 of £10.0 million (30 June 2019: £12.9 million and 31 December 2019: £3.8 million).
- Loss and total comprehensive income for the six months ended 30 June 2020 of £13.6 million (30 June 2019: £11.3 million and 31 December 2019: £23.7 million).
- Research and development expenditure for the six months ended 30 June 2020 of £12.4 million (30 June 2019: £10.8 million and 31 December 2019: £26.5 million).

Operational highlights

- Delivered the first global clinical evidence of the safety and therapeutic potential of oral Live Biotherapeutics in cancer, in an interim analysis of 4D's clinical trial of MRx0518 in combination with Keytruda®. The Part A safety phase of the ongoing trial was successfully completed in May, and the Part B cohort expansion phase commenced in June.
- Completed an interim analysis of a Phase II trial of irritable bowel syndrome (IBS) candidate Blautix® which demonstrated non-futility in the primary endpoint and a safety profile comparable to placebo.
- Commenced a clinical trial of immunomodulatory candidate MRx-4DP0004 in hospitalised COVID-19 patients. The Company's rapid response was enabled by a detailed understanding of its drug candidates driven by the MicroRx® platform, and the safety profile of Live Biotherapeutics.
- Appointed Prof. Dr. Axel Glasmacher as Non-Executive Chairperson. Prof. Glasmacher joined 4D pharma as a Non-Executive Director in 2019. His vast experience in the successful development of novel cancer therapies at Celgene will be critical in guiding the clinical development of 4D pharma's pipeline of Live Biotherapeutics.

Since the period end

- In July 2020 4D pharma undertook a fundraise through the issue of new Ordinary Shares to raise approximately £7.7 million in gross proceeds (£7.3 million net). The additional funding provides working capital into Q1 2021 and allows sufficient cash runway to achieve a number of major clinical readouts across multiple programmes including oncology, respiratory and gastrointestinal diseases.
- In August 4D pharma announced comprehensive clinical benefit data from Part A of the trial. The 42% disease control rate observed in Part A of our ongoing trial far exceeded the predefined 10% threshold for expansion in Part B.
- 4D pharma CSO Dr. Alex Stevenson and Research Director Dr. Imke Mulder hosted an R&D webinar in which Dr. Mulder and senior members of her team discussed the Company's MicroRx® platform and development pipeline, as well as successes of 4D pharma's functional approach to the discovery and development of Live Biotherapeutics, followed by a Q&A session with eight participating analysts.
- Appointment of Dr. Katrin Rupalla as a Non-Executive Director. Dr. Rupalla brings vast experience to 4D pharma with over 20 years of experience in the pharmaceutical industry, and extensive regulatory and development expertise in the fields of oncology and neuroscience.

Contents

1 Highlights
2 Chairperson and Chief Executive Officer's Joint Review
5 Group Statement of Total Comprehensive Income
6 Group Statement of Financial Position
7 Group Statement of Changes in Equity
8 Group Cash Flow Statement
9 Notes to the Interim Financial Report

Chairperson and Chief Executive Officer's Joint Review

Axel Glasmacher, Non-Executive Chairperson, and Duncan Peyton, Chief Executive Officer

So far in 2020, the rapidly maturing microbiome therapeutics field has made huge strides, delivering clinical data that supports the early research and therapeutic potential shown with the novel modality to date. 4D pharma has continued to lead the way in developing Live Biotherapeutic products (LBPs) to treat diseases with high unmet medical need in tissues and organs distal from the gut, from oncology to respiratory and diseases of the central nervous system (CNS). Driven by our approach to LBP discovery with the MicroRx® platform that is highly focussed on function, 4D pharma's pipeline is one of the most advanced and deepest in the field, boasting four unique clinical-stage LBP candidates and six clinical trials ongoing in the first half of 2020.

First-in-class proof-of-concept oncology data

Earlier this year we delivered first-in-class clinical proof-of-concept data demonstrating clinically meaningful benefit from the combination of Live Biotherapeutic MRx0518 with the immune checkpoint inhibitor Keytruda® in patients with relapsed and refractory solid tumours.

As part of our clinical collaboration with Merck & Co., the ongoing Phase I/II trial is enrolling heavily pre-treated patients with solid tumours refractory to prior immune checkpoint therapy and who have no other available treatment options. The trial is made up of two parts – Part A, an initial safety phase assessing dose-limiting toxicities after one three-week cycle of treatment, and the Part B cohort expansion phase.

Part A was successfully completed in May 2020, and the safety review committee determined that it is safe to proceed to Part B of the study, which is ongoing.

Importantly, patients enrolled in both Parts A and B are eligible to remain on treatment for up to two years, to assess clinical efficacy in addition to safety and tolerability of the combination. In the 12 patients comprising Part A, the combination of MRx0518 and Keytruda® achieved a disease control rate of 42%, including three patients who achieved partial responses – an objective response rate (ORR) of 25% – and a further two patients with durable stable disease of six months or longer. The updated data has been submitted for presentation at a scientific conference later this year.

4D pharma is now rapidly moving forward with the Part B cohort expansion phase, opening four additional sites to accelerate enrolment. The Company expects to make further announcements from Part B as appropriate throughout 2020 and into 2021.

Continuing commitment to oncology

To further support this combination therapy data, in the second half of 2020 4D pharma expects to announce initial results from a neoadjuvant monotherapy biomarker study. This study has been designed to investigate the immune-mediated mechanism of action of MRx0518 in the clinical setting, by analysing tumour samples before and after monotherapy treatment. Data generated could be highly informative for the future development of MRx0518 and provide insights into relevant biomarkers for patient selection and treatment.

Highly encouraged by the early signals of clinical activity seen in the open-label trial of MRx0518 in combination with Keytruda®, and demonstrating the Company's commitment to oncology, in January 4D pharma launched its third clinical trial of MRx0518, in combination with radiotherapy for resectable pancreatic cancer.

Subjects will be dosed daily with MRx0518 for one week prior to and throughout radiotherapy, up until 24 hours prior to surgical resection. In addition to the primary endpoint of safety and tolerability, the study will evaluate preliminary clinical efficacy including changes in tumour-infiltrating lymphocytes and the gut microbiome. This study is being conducted at the University of Texas M.D. Anderson Cancer Center as part of our strategic collaboration to evaluate 4D's Live Biotherapeutic oncology pipeline across a range of cancer settings. Results from this study were initially expected in Q4 2020 but recruitment has been delayed due to COVID-19. The Company now expects to announce initial results in 2021.

"The disease control rate observed in Part A of the study, at 42%, far exceeds the 10% threshold for success agreed with our partner MSD for the cohort expansion phase, boding well for the outcome of the ongoing Part B of the study. We are encouraged by the durable benefit we have shown, clearly clinically meaningful for these patients who have no other treatment alternatives. This is groundbreaking for the microbiome in immuno-oncology. Considering the advanced stage of disease of the patients in the study, end of line patients who have previously failed on a checkpoint inhibitor and have little to no remaining treatment options, these results are very promising."

Dr. Alex Stevenson
Chief Scientific Officer

Chairperson and Chief Executive Officer's Joint Review continued

Axel Glasmacher, Non-Executive Chairperson, and Duncan Peyton, Chief Executive Officer

Developing a new approach to IBS

4D pharma is conducting the world's largest clinical trial of a Live Biotherapeutic to date with its Phase II trial of Blautix® for the treatment of irritable bowel syndrome (IBS).

In April, the Company announced the successful completion of an interim futility analysis of the trial on a total of 118 IBS-C (constipation-predominant) and 128 IBS-D (diarrhoea-predominant) patients. This pre-specified interim analysis was not designed to quantify interim results, only to demonstrate that the study was not futile with respect to the primary endpoint. The interim analysis achieved its limited objective, and 4D pharma was encouraged to continue the analysis of the full trial data.

Moreover, Blautix was shown to have a safety profile comparable to placebo, with 3% and 2% patient discontinuation due to adverse events in the Blautix® and placebo arms respectively, and mild or moderate adverse events reported in 24% of subjects for both Blautix® and placebo arms.

The trial has now completed enrolment of approximately 370 patients and 4D pharma expects to announce full topline results in the first few days in Q4. Blautix® has the potential to be the world's first disease modifying therapy for IBS, by treating the underlying microbiome cause of disease.

New challenges, new ideas, new opportunities

The SARS-CoV-2 global pandemic has posed an unprecedented challenge, not just to the pharmaceutical sector but almost every aspect of our society. However, it has also spurred unprecedented levels of innovation, to rapidly find solutions to a new problem.

4D pharma recognised the potential for its novel therapeutics to contribute to the management of the pandemic, with its immuno-modulatory Live Biotherapeutic MRx-4DP0004. Importantly, the inherent safety of LBPs is highly attractive when mounting a rapid and effective response to a novel disease. MRx-4DP0004 is in an ongoing clinical trial in asthma patients, and to date has demonstrated an excellent safety profile, as expected. Further, as studies emerged describing the immune response to SARS-CoV-2 infection, 4D recognised that the hyperinflammatory response associated with more severe cases of COVID-19 aligned with the unique immune modulating profile of MRx-4DP004 previously demonstrated in vitro and in vivo.

4D was able to move from ideation to approval of a UK Phase II trial in under a month, and to site opening in just three months. This speed and responsiveness were made possible by 4D's functional understanding of its drug candidates through the MicroRx® platform, as well as its pioneering Clinical and Regulatory teams which have been instrumental in shaping the clinical development path of a whole new class of drug. As the COVID-19 pandemic has evolved in the UK, case numbers and hospitalisations have fluctuated resulting in unpredictable recruitment rates across all clinical trials in the field, including but not limited to 4D pharma's Phase II trial in patients hospitalised with COVID-19. As previously reported, the Company initially expected results from this trial in Q4 2020, though this will be dependent on future dynamics and case numbers. The Company continues to evaluate strategic options to support enrolment, and looks forward to announcing data and findings from the study as soon as reasonably possible.

Continuing to expand our shareholder base

In February 4D pharma completed a fundraising by way of placing and subscription of new Ordinary Shares, raising gross proceeds of £22 million (£20.5 million net). The fundraising also included the allotment of warrants, through which each placee and subscriber was allotted one warrant for every two fundraising shares subscribed. The warrants have an exercise price of 100 pence and may be exercised at any time up to five years from the date of admission.

This was followed, in July, by a second placing and subscription of new Ordinary Shares, raising gross proceeds of approximately £7.7 million (£7.3 million net). In both fundraises 4D pharma brought in new investors, from both Europe and the US, in addition to continued support and participation from certain existing investors. As previously announced, the Company continues to evaluate opportunities with regards to the US capital markets which the Board believes would provide a platform for longer-term funding for the business to achieve its strategic goals.

The net proceeds of the two fundraisings, excluding any proceeds from the exercise of warrants and together with existing cash resources, are anticipated to provide the Company with sufficient working capital through into Q1 2021 (see note 2). The funds will support 4D pharma's ongoing clinical trials in oncology, IBS and asthma, and are expected to provide cash runway to a number of major clinical readouts. One of these milestones, comprehensive clinical benefit data from Part A of our trial of MRx0518 in combination with Keytruda® in oncology, has already been achieved in 2020. 4D pharma expects to announce additional clinical readouts in oncology, IBS and COVID-19 in H2 2020 and into 2021.

Building strong leadership

As 4D pharma continues to grow as a business, from a pioneering research outfit to an established clinical-stage biotech, we have ensured our leadership reflects this development. In 2019 we welcomed Prof. Dr. Axel Glasmacher (former Senior Vice President and Head of Clinical Research and Development Hematology Oncology at Celgene), Dr. Ed Baracchini (former CBO of Xencor, among others) and Dr. Sandy Macrae (current CEO of Sangamo Therapeutics) as Non-Executive Directors.

In April 2020, Prof. Glasmacher was appointed as Non-Executive Chairperson of 4D pharma. His impressive background in the successful clinical development of novel oncology therapies has been invaluable in refining our clinical development strategy, in particular regarding lead immuno-oncology candidate MRx0518 but also across our Live Biotherapeutic pipeline.

Chairperson and Chief Executive Officer's Joint Review continued

Axel Glasmacher, Non-Executive Chairperson, and Duncan Peyton, Chief Executive Officer

Building strong leadership continued

Also in April of this year, we welcomed Glenn Dourado as our Chief Business Officer. Glenn brings to 4D a wealth of expertise in biopharma business development and strategy, with extensive experience particularly in NASDAQ-listed biotech and the field of oncology. His extensive experience will steer 4D pharma's ongoing business development activities, as 4D's suite of development candidates progresses into and through the clinic, and we seek to generate value from our refined and optimised MicroRx® platform through additional collaborations.

After the period end, in September 2020, 4D pharma further increased the experience of its Board with the addition of Dr. Katrin Rupalla as Non-Executive Director. Dr. Rupalla brings to 4D pharma over 20 years of experience in the pharmaceutical industry, and extensive regulatory and development expertise in the fields of oncology and neuroscience. Dr. Rupalla currently serves as Senior Vice President, Global Head Regulatory Affairs, Medical Documentation and R&D Quality at CNS-specialist biopharma Lundbeck. She has previously served in several senior positions at Celgene, Roche and Bristol-Myers Squibb (BMS), including BMS Global Head of Oncology Regulatory and Head of BMS R&D China. Throughout her career, she has led multiple regional and global teams responsible for obtaining approvals for multiple new therapeutics and indications, including blockbuster cancer therapies Opdivo, Yervoy, Rituxan, Avastin and Revlimid, among others.

Lastly, 2020 also marks the retirement of 4D pharma's long-time Chairperson David Norwood. David served as 4D's Chairperson from its inception in 2014 until earlier this year, and on behalf of the Board we would like to thank him for his incredible contribution and commitment helping to bring 4D to where it is today.

These appointments in 2020 collectively bring decades of experience in successful novel drug development to 4D pharma's leadership, reflecting the Company's rapid growth and increasing focus on delivering clinical data.

Conclusion

In the first half of 2020, we have begun to convert on the strong clinical foundations laid in previous years, delivering the robust clinical data the field has been demanding, while continuing to expand our clinical development activities. We have added yet more experience to our Board, positioning 4D pharma to continue its growth throughout the remainder of 2020 and beyond. So far 2020 has the makings of a pivotal year for the microbiome field, and we look forward to continuing to pioneer this rapidly maturing novel area of medicine, and delivering more ground-breaking data.

Axel Glasmacher
Non-Executive Chairperson

Duncan Peyton
Chief Executive Officer
29 September 2020

Group Statement of Total Comprehensive Income

For the six months to 30 June 2020

	Notes	**Unaudited six months ended 30 June 2020 £000**	Unaudited six months ended 30 June 2019 £000	Audited year to 31 December 2019 £000
Revenue		**275**	—	211
Research and development costs		**(12,418)**	(10,796)	(26,512)
Administrative expenses		**(4,404)**	(2,337)	(4,359)
Foreign currency gains/(losses)		**920**	(739)	(1,006)
Other operating income		**21**	16	34
Operating loss before non-recurring cost		**(15,606)**	(13,856)	(31,632)
Non-recurring income		**—**	—	2,659
Operating loss after non-recurring cost		**(15,606)**	(13,856)	(28,973)
Finance income		**5**	65	61
Finance expense		**(88)**	(286)	(514)
Loss before taxation		**(15,689)**	(14,077)	(29,426)
Taxation	3	**1,963**	2,086	5,360
Loss for the period		**(13,726)**	(11,991)	(24,066)
Other comprehensive income:				
Exchange differences on translating foreign operations		**165**	658	379
Loss and total comprehensive income for the period		**(13,561)**	(11,333)	(23,687)
Loss per share				
Basic and diluted for the period	4	**(14.06)p**	(18.31)p	(36.75)p

Group Statement of Financial Position

At 30 June 2020

	Notes	**At 30 June 2020 £000**	At 30 June 2019 £000	At 31 December 2019 £000
Assets				
Non-current assets				
Property, plant and equipment:				
– Owned assets		**4,150**	4,635	4,196
– Right-of-use assets		**911**	1,051	964
Intangible assets		**14,181**	14,258	13,988
Taxation receivables		**191**	247	188
		19,433	20,191	19,336
Current assets				
Inventories		**212**	288	198
Trade and other receivables		**2,046**	1,713	1,118
Taxation receivables		**8,228**	7,470	6,122
Cash and cash equivalents		**10,027**	12,895	3,836
		20,513	22,366	11,274
Total assets		**39,946**	42,557	30,610
Liabilities				
Current liabilities				
Trade and other payables		**6,423**	2,940	6,192
Lease liabilities		**73**	65	68
Contingent consideration	5	**—**	375	—
		6,496	3,380	6,260
Non-current liabilities				
Lease liabilities		**1,027**	1,099	1,043
Contingent consideration	5	**—**	2,145	—
Deferred tax		**966**	965	964
		1,993	4,209	2,007
Total liabilities		**8,489**	7,589	8,267
Net assets		**31,457**	34,968	22,343
Capital and reserves				
Share capital	6	**274**	164	164
Share premium	6	**130,186**	108,296	108,296
Merger reserve		**958**	958	958
Translation reserve		**611**	725	446
Other reserve		**(864)**	(864)	(864)
Share-based payments reserve		**1,010**	699	367
Retained earnings		**(100,718)**	(75,010)	(87,024)
Total equity		**31,457**	34,968	22,343

Approved by the Board and authorised for issue on 29 September 2020.

Duncan Peyton
Director
29 September 2020

Group Statement of Changes in Equity

For the six months to 30 June 2020

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Other reserve £000	Share-based payment reserve £000	Retained earnings £000	Total £000
At 30 January 2019	164	108,296	958	67	(864)	708	(63,566)	45,763
Loss and total comprehensive income for the period	—	—	—	658	—	—	(11,991)	(11,333)
Issue of share-based compensation	—	—	—	—	—	538	—	538
Lapsed options	—	—	—	—	—	(547)	547	—
At 30 June 2019	164	108,296	958	725	(864)	699	(75,010)	34,968
Loss and total comprehensive income for the period	—	—	—	(279)	—	—	(12,075)	(12,354)
Issue of share-based compensation	—	—	—	—	—	(271)	—	(271)
Lapsed options	—	—	—	—	—	(61)	61	—
At 31 December 2019	164	108,296	958	446	(864)	367	(87,024)	22,343
Issue of share capital	110	21,890	—	—	—	—	—	22,000
Total transactions with owners recognised in equity for the period	110	21,890	—	—	—	—	—	22,000
Loss and total comprehensive income for the period	—	—	—	165	—	—	(13,726)	(13,561)
Issue of share-based compensation	—	—	—	—	—	675	—	675
Lapsed options	—	—	—	—	—	(32)	32	—
At 30 June 2020	**274**	**130,186**	**958**	**611**	**(864)**	**1,010**	**(100,718)**	**31,457**

Group Cash Flow Statement

For the six months to 30 June 2020

	Notes	**Unaudited six months ended 30 June 2020 £000**	Unaudited six months ended 30 June 2019 restated £000	Audited year to 31 December 2019 £000
Loss after taxation		**(13,726)**	(11,991)	(24,066)
Adjustments for:				
Depreciation of property, plant and equipment		**508**	531	1,065
Amortisation of intangible assets		**110**	144	216
Loss/(profit) on disposal of property, plant and equipment		**—**	29	(17)
Loss on disposal of property, plant and equipment		**—**	—	29
Lease liabilities included in the Income Statement*		**68**	76	159
Finance income		**(5)**	(65)	(61)
Finance expense		**88**	286	514
Expenses on issue of shares		**1,498**	—	—
Release of contingent consideration		**—**	—	(2,659)
Share-based compensation		**675**	538	267
Cash flows from operations before movements in working capital		**(10,784)**	(10,452)	(24,553)
Changes in working capital:				
(Increase)/decrease in inventories		**(14)**	2	92
(Increase)/decrease in trade and other receivables		**(1,037)**	(584)	130
Increase in taxation receivables		**(2,111)**	(2,190)	(780)
Increase in trade and other payables		**19**	299	3,555
Cash outflow from operating activities		**(13,927)**	(12,925)	(21,556)
Cash flows from investing activities				
Purchases of property, plant and equipment		**(160)**	(271)	(538)
Purchase of software and other intangibles		**(15)**	(18)	(57)
Cash received on disposal of assets		**—**	—	43
Interest received		**5**	76	94
Monies drawn from deposit		**—**	10,174	10,174
Net cash (outflow)/inflow from investing activities		**(170)**	9,961	9,716
Cash flows from financing activities				
Proceeds from issues of ordinary share capital	6	**22,000**	—	—
Expenses on issue of shares		**(1,498)**	—	—
Lease liability payments*		**(126)**	(104)	(197)
Interest paid*		**(88)**	(90)	(180)
Net cash inflow/(outflow) from financing activities		**20,288**	(194)	(377)
Increase/(decrease) in cash and cash equivalents		**6,191**	(3,158)	(12,217)
Cash and cash equivalents at the start of the year		**3,836**	16,053	16,053
Cash and cash equivalents at the end of the year		**10,027**	12,895	3,836

* Lease liability payments reported in the June 2019 interim accounts have been updated to separately identify the cash flow effect of the implementation of IFRS 16. The net effect of the change is as follows:

	Original	Restated	Adjustment
Lease liabilities included in the Income Statement	—	76	76
Increase in trade and other payables	187	299	112
Lease liability payments	(6)	(104)	(98)
Interest paid	—	(90)	(90)
Increase in cash and cash equivalents	181	181	—

Notes to the Interim Financial Report

For the six months to 30 June 2020

1. Basis of preparation

The Group's half-yearly financial information, which is unaudited, consolidates the results of 4D pharma plc and its subsidiary undertakings up to 30 June 2020. The Group's accounting reference date is 31 December. 4D pharma plc's shares are quoted on the AIM market of the London Stock Exchange (AIM).

The Company is a public limited liability company incorporated, registered and domiciled in the UK. The consolidated financial information is presented in round thousands of Pounds Sterling (£000).

The interim accounts for the six months ended 30 June 2020 and 30 June 2019 are unaudited.

Full audited financial statements of the Group in respect of the period ended 31 December 2019, which drew attention to the material uncertainty over the going concern basis of preparation but received an unqualified audit opinion, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2020 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the European Union (IFRS) and are consistent with those which will be adopted in the annual financial statements for the year ending 31 December 2020.

Whilst the financial information included has been prepared in accordance with the recognition and measurement criteria of IFRS, the financial information does not contain sufficient information to comply with IFRS.

4D pharma plc has not applied IAS 34 'Interim Financial Reporting', which is not mandatory for UK AIM listed groups, in the preparation of this interim financial report.

2. Going concern

The Group and parent company are subject to a number of risks similar to those of other development-stage pharmaceutical companies. These risks include, amongst others, generation of revenues in due course from the development portfolio and risks associated with research, development and obtaining regulatory approvals of its products. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil the Group's commercial and development activities and generating a level of revenue to support the Group's cost structure.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecast period. The Directors estimate that the cash held by the Group together with known receivables and the proceeds of the fundraise in July 2020 will be sufficient to support the current level of activities into Q1 2021. The Directors are continuing to explore sources of finance available to the Group including equity and debt, and have a reasonable expectation that they will be able to secure sufficient cash inflows into the Group to continue its activities for not less than 12 months from the date of approval of these accounts. They have therefore prepared the financial statements on a going concern basis.

Because the additional finance is not committed at the date of approval of these financial statements, these circumstances represent a material uncertainty as to the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce the balance sheet values of assets to their recoverable amounts, and to provide for future liabilities that may arise.

3. Taxation

The tax credit is made up as follows:

	Unaudited six months ended 30 June 2020 £000	Unaudited six months ended 30 June 2019 £000	Audited year to 31 December 2019 £000
Current income tax			
Total current income tax	**2,010**	2,086	5,373
Adjustment in respect of prior years	**(47)**	—	(13)
Total income tax credit recognised in the year	**1,963**	2,086	5,360

Notes to the Interim Financial Report continued

For the six months to 30 June 2020

4. Loss per share

(a) Basic and diluted

	Unaudited six months ended 30 June 2020 £000	Unaudited six months ended 30 June 2019 £000	Audited year to 31 December 2019 £000
Loss for the year attributable to equity shareholders	**(13,726)**	(11,991)	(24,066)
Weighted average number of shares:			
Ordinary shares in issue	**97,647,688**	65,493,842	65,493,842
Basic loss per share (pence)	**(14.06)p**	(18.31)p	(36.75)p

The basic and diluted loss per share are the same as the effect of share options is anti-dilutive.

(b) Adjusted

Adjusted loss per share is calculated after adjusting for the effect of non-recurring income in relation to the re-assessment of the contingent liability.

Reconciliation of adjusted loss after tax:

	30 June 2020 £000	30 June 2019 £000	31 December 2019 £000
Reported loss after tax	**(13,726)**	(11,991)	(24,066)
Non-recurring income	**—**	—	(2,659)
Adjusted loss after tax	**(13,726)**	(11,991)	(26,725)
Adjusted basic loss per share (pence)	**(14.06)p**	(18.31)p	(40.81)p

5. Contingent consideration

	Unaudited six months ended 30 June 2020 £000	Unaudited six months ended 30 June 2019 £000	Audited year to 31 December 2019 £000
Brought forward	**—**	2,325	2,325
Fair value adjustment on contingent consideration	**—**	—	(2,659)
Unwinding of discount	**—**	195	334
	—	2,520	—
Analysed as follows:			
Within one year	**—**	375	—
More than one year	**—**	2,145	—
	—	2,520	—

The above contingent consideration relates to the amounts due on the remaining milestones which form part of the original contingent acquisition costs for the entire issued share capital in Tucana Health Limited (now 4D Pharma Cork Limited) on 10 February 2016.

Notes to the Interim Financial Report continued

For the six months to 30 June 2020

5. Contingent consideration continued

The contingent consideration is based on milestones in the development of the MicroDx diagnostic platform which has been designed to diagnose, stratify and monitor the treatment of patients based on their gut microbiome, the bacteria which colonise the human gastrointestinal tract. There were three milestones involved in the contingent consideration, these being:

1) Technical validation of a diagnostic platform for IBS dysbiosis

The milestone was achieved by 23 August 2017 and triggered the issue of 635,692 shares for an aggregate market value of €2.6 million (at £3.7575 per 4D pharma plc share, being the average mid-market price of a 4D share for the five business days immediately preceding the date of allotment). The shares were subsequently admitted on 31 August 2017.

2) Clinical validation of the optimal IBS dysbiosis diagnostic platform based on more than 1,000 patients in a multicentre trial

It is anticipated that the clinical validation stage will be completed in 2020. Whilst there are currently no adverse indicators relating to the clinical validation of the platform, the time-based criteria for the completion of the milestone, which required completion of this phase by 23 August 2019, were not achieved and the fair value of the contingent consideration has been reduced by £1.877 million to bring the balance at 23 August 2019 to £Nil.

3) Regulatory approval of a diagnostic platform for IBS dysbiosis

The third milestone is also time based and linked to approval being achieved by 23 August 2020. Based on the patient recruitment at milestone two it is anticipated that regulatory approval cannot be achieved before 2021 meaning that probability of achieving milestone three by the required date is considered to be minimal; as a result the fair value has been reduced to £Nil, releasing £0.782 million of the contingent consideration.

6. Share capital

The Company and the Group	Ordinary shares Number	Share capital £000	Share premium £000	Total £000
Allotted, called up and fully paid ordinary shares of 0.25p				
At 1 January 2019, 30 June 2019 and 31 December 2019	65,493,842	163,735	108,295,837	108,459,571
Placing and issue on 18 February 2020	44,000,000	110,000	21,890,000	22,000,000
At 30 June 2020	**109,493,842**	**273,735**	**130,185,837**	**130,459,571**

The balances classified as share capital and share premium include the total gross proceeds (nominal value and share premium respectively) on issue of the Company's equity share capital, comprising 0.25 pence ordinary shares.

7. Subsequent events

Fundraising events

In July 2020 the Group raised £7.7 million (approximately £7.3 million net of expenses) through a placing of 16,807,616 new Ordinary Shares and subscription of 5,090,784 new Ordinary Shares with certain existing and new investors at an issue price of 35 pence per share. The net proceeds of the fundraising, together with its existing cash resources, are expected to enable the Company to continue to fund its operations to at least Q1 2021.

Directors' participation in the fundraising

Certain of the Directors agreed to subscribe for fundraising shares at the issue price. The number of fundraising shares subscribed for by each of these Directors pursuant to the fundraising, and their resulting shareholdings immediately following admission, of all of the new shares issued pursuant to the fundraising are set out below:

Director	Number of existing Ordinary Shares	Number of fundraising shares subscribed for	Consideration for fundraising shares	Number of Ordinary Shares held on admission	Percentage of enlarged share capital on admission
Duncan Peyton	7,788,407	571,428	£200,000	8,359,835	6.36%
Alex Stevenson	7,746,468	571,428	£200,000	8,317,896	6.33%
David Norwood	8,557,061	285,714	£100,000	8,842,775	6.73%
Axel Glasmacher	Nil	30,000	£10,500	30,000	0.02%

Notes to the Interim Financial Report continued

For the six months to 30 June 2020

8. Principal Risks and Uncertainties

The Company operates within a complex regulatory environment, which is subject to change. The nature of LBP development exposes the Company to a number of additional risks and uncertainties which could affect its ability to meet its strategic goals, its business model and its operating environment.

The Company sets out its Company and market specific risk factors on a continual basis in its annual reports, which supplement the risk factors set out in its original admission document (which is available on the Company's website). The Company's most recently published annual report is that for the year to 31 December 2019, which is also available on the Company's website: https://www.4dpharmaplc.com/en/investors/reports-presentations. In July 2020, some additional risk factors were set out in the announcement confirming the fundraising at that time (https://www.4dpharmaplc.com/investors/rns). The risk factors listed in these sources are not necessarily comprehensive, but represent, in the Board's view, the principal risks and areas of uncertainty that the Company currently faces. Shareholders and potential investors should take independent advice if they wish to consider the suitability of these risks with regard to their own particular circumstances and investment criteria.

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