For immediate release 7.00am: 21 September 2017

HVIVO PLC

("hVIVO" or the "Company")

HALF-YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Strengthening our position as a specialised centre of excellence in clinical research and development of treatments for respiratory and infectious diseases

hVIVO plc (AIM: HVO), a specialty biopharma company with clinical testing capabilities, is pleased to announce its half-year financial report for the six months ended 30 June 2017.

Financial Highlights

- Revenue was £3.9 million this financial period (H1'16: £8.9 million), with focus on the advancement of our equity investment pipeline and the completion of the PrEP-001 studies and significant work on the FLU-v study. Given our currently contracted pipeline, we expect revenue to be significantly higher in the second half of 2017.
- Gross profit was £1.0 million and gross margin 25.6% (H1'16 £0.9 million and 10.4%) which is illustrative of the ongoing cost and process efficiencies being achieved across the platform.
- Research and development expense was £2.8 million (H1'16: £2.9 million) as we prioritised discovery research and clinical trial capabilities.
- Loss before tax was £9.1 million (H1'16: £11.8 million) and loss for the period was £7.7 million (H1'16: £9.7 million).
- Short-term deposits, cash and cash equivalents at 30 June 2017 was £15.4 million (30 June 2016: £34.1 million; 31 December 2016 £25.7 million) before receipt, post-period, of a R&D tax credit of £4.0 million. We continue to focus on implementing cost and process efficiencies, as well as prioritising investment spend to achieve near term value inflection milestones in our equity investment pipeline.

Operational Highlights

- Completed two Phase IIb studies for Imutex's universal flu vaccine (FLU-v) with US NIAID (National Institute of Allergy and Infectious Diseases, part of US National Institutes of Health) and EU UNISEC (Universal Influenza Vaccines Secured Consortium). On track for results to be available at year end.
- Initiated a first-in-man Phase I study for Imutex's mosquito-borne illness vaccine platform (AGS-v) with NIAID expected to be completed at year end.
- Announced PrEP-001 Phase IIa dosing and asthma study results. Analysis of PrEP-001 potential asthma responder groups is underway with results expected at year end.
- Launched a novel asthma precision development capability enabled by our proprietary platform.
- Public health grants awarded to hVIVO from US DARPA (Defense Advanced Research Projects Agency) for a flu contagiousness R&D project and to Imutex from the UK's innovation agency, Innovate UK, for further development of AGS-v (£3.0 million), both post period end.

Kym Denny, Chief Executive Officer, commented:

"During the first six months of the year, we continued to generate and consolidate proprietary insights from our Pathomics platform, strengthening our position as a specialised centre of excellence for clinical research and development in respiratory and infectious disease. While this allows us to offer a unique suite of offerings to clients in our services business, it is their application to our own development pipeline that has facilitated the most progress during the period.

The coming months will see us focused on conducting a number of studies for clients, providing higher billable utilisation of our quarantine unit. We will also begin to leverage our new precision development approach to tackle the stubborn development challenges of asthma therapeutics and we are seeing a lot of interest from global pharma regarding this. We expect candidate selection against our Pathomics-derived HVO-001 drug target for severe flu to be completed in the coming months. Additionally, we are looking forward to results from Imutex's FLU-v Phase IIb studies with NIAID and with UNISEC in late 2017, with data readouts from AGS-v following close on their heels.

Our drive for operational efficiencies continues, with an ongoing focus to maximise our cash reserves and prioritise our investment spend to achieve near term value inflection milestones, such that for 2017 we currently believe that our revenue and gross margin will be in line with market expectations, while our year end cash position will be markedly ahead."

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Notes to Editors:

hVIVO plc ("hVIVO"), a specialty biopharma company with discovery and clinical testing capabilities, is pioneering a human-based analytical platform to accelerate drug discovery and development in respiratory and infectious diseases. Leveraging human disease models in flu, RSV and asthma exacerbation, the hVIVO platform captures disease in motion, illuminating the entire disease life cycle from healthy to sick and back to health. Based in the UK, market leader hVIVO has conducted more than 50 clinical studies, inoculated over 2500 volunteers and has three first-in-class therapies currently in development with a growing pre-clinical pipeline.

hVIVO plc
Statement from Chief Executive Officer

Introduction

I am pleased to present the hVIVO half-year financial report for the six months ended 30 June 2017. During this period, we continued to develop and leverage our suite of proprietary Pathomics platform technologies that are based on sophisticated human disease models in respiratory diseases such as flu, RSV, and asthma.

The hVIVO platform captures 'disease in motion', illuminating the entire disease life cycle as otherwise-healthy human subjects progress to sickness and then recover. When coupled to our extensive expertise, these models, and the unique insights that they provide, drive clients to our clinical trials services business, inform clinical development decisions for assets that we control and allow us to evaluate opportunities to acquire, or in-licence, rights to others. We believe this multi-pronged approach positions us well for creating significant and sustainable shareholder value as we move forward.

In particular, the first half of 2017 saw us progress our three first-in-class clinical stage assets, access grant funding to progress our programmes that address threats to public health, and cultivate significant interest in our new asthma precision development service. We have also further bolstered our IP portfolio with additional patent application filings. In addition, we welcomed a new member to the Board, Dr Trevor Phillips, formerly Chief Operations Officer and President of US Operations at Vectura Group, who joined as a Non-Executive Director in June. Trevor's extensive drug development and corporate development experience will be invaluable as we progress our precision medicine based inventions and products towards commercialisation.

Operational Review

Precision Clinical Development: Asthma

Since 2015, hVIVO has been validating new human models that we can add to our service business and that will also enable us to gain proprietary insights to drive decision making in the identification of compelling new drug candidates for our own account. We have arrived at this stage with asthma.

The complexity of asthma arises from the existence of many disease subtypes with differing underlying pathologies. We believe that being able to elucidate and exploit these subtle differences in clinical trials is vital in developing new, effective and targeted treatments.

In 2016, hVIVO data mined samples from our newest human model in asthma exacerbation and as a result developed an asthma-worsening predictor. We have built on 2016's progress, creating additional models that we believe will allow us to progress the concept of precision development in asthma that in a way is analogous to the approach in oncology that has led to the approval of precision, or targeted, medicines in oncology. Multiple, highly visible failures in late stage clinical trials of once promising asthma drug candidates have occurred, causing pharma and biotech companies focused on asthma to look for other approaches to minimise risk. We believe that hVIVO is well positioned to capitalise from this change in thinking.

In the first new model in our service, the hVIVO platform is used to define a 'responder toolkit' of biomarkers, patient characteristics and study designs for early development in asthma. After launching this service only in May 2017, we have already seen significant client response with multiple discussions with big pharma ongoing.

Steady Progress in Pipeline Products: FLU-v, AGS-v and PrEP-001

Our own development pipeline arises from equity investments in Imutex Limited (FLU-v and AGS-v) and PrEP Biopharm Limited (PrEP-001). hVIVO works with both companies to guide the clinical development of these assets and to conduct clinical studies using our model and clinical trials management expertise.

Universal Flu Vaccine, FLU-v

FLU-v is a 'universal flu' vaccine that is designed to provide broad spectrum coverage against multiple flu strains, with two Phase IIb studies underway. The Phase IIb study for FLU-v being conducted by hVIVO and PepTcell Limited (trading as the SEEK Group) as sponsor (together being the Imutex joint venture) and in collaboration with National Institutes of Allergy and Infectious Diseases (NIAID), part of the US National Institutes of Health (NIH), completed this Spring. With few specific guidelines established for universal flu vaccines, we are working with NIAID to capture a wide range of potentially meaningful endpoints for such T-cell vaccines and are currently defining the statistical analysis plan before analysis commences. We remain on track for data to read out at the end of the year.

In addition, the FLU-v Phase IIb study with the Universal Influenza Vaccines Secured Consortium (UNISEC) has completed dosing and is progressing according to plan with results also expected at the end of 2017.

Mosquito-borne Disease Vaccine, AGS-v

AGS-v is a mosquito-borne disease vaccine with a novel proposed dual action mechanism: preventing infection in humans whilst controlling the mosquito population. An AGS-v Phase I first-in-man study with NIAID began in early 2017 as part of a clinical trial agreement with PepTcell, with results expected in early 2018.

Unlike other vaccines targeting specific mosquito-borne diseases, AGS-v is designed to trigger an immune response to mosquito saliva rather than a specific virus or parasite carried by mosquitoes. When the mosquito feeds, blood containing the AGS-v specific immune response is taken up in the blood meal and binds to salivary glands. This shortens the survival of mosquitos by blocking feeding and therefore prevents the transmission of the disease to other humans while simultaneously reducing the overall mosquito population.

Just after the H1'17 period end, Imutex was awarded a £3.0 million Small Business Research Initiative (SBRI) contract by the UK's innovation agency, Innovate UK, to accelerate development of the AGS-v vaccine. On the heels of this Innovate UK award, Imutex is also investigating vector control funding opportunities for Aedes mosquitos in third-world countries where mosquito-borne diseases such as dengue and malaria are endemic. Malaria is a considerable public health threat with over 212 million cases reported worldwide (2015). Vector control is an essential component of malaria prevention, with insecticide-treated mosquito nets (ITN) a well-utilised method – with over 500 million nets delivered to sub-Saharan Africa alone. However, resistance to pyrethroids, commonly ones used in ITNs, are frequently reported.[1]

Novel Pan-Viral Prophylactic, PrEP-001

PrEP-001 is a novel, nasally administered, broad-spectrum agent designed to leverage the body's innate immune system to prevent respiratory tract viral infections. We have previously reported positive proof-of-concept challenge studies in healthy volunteers challenged with influenza and human rhinovirus 16, HRV-16 (common cold). In February 2017, we announced data from two additional Phase IIa clinical studies. One that profiled PrEP-001 in asthmatics and another that explored additional dosing schedules. While these exploratory studies did not meet their primary endpoints, analysis of the results

[1] World Malaria Report, WHO 2016

is providing valuable insights. In the first half of 2017, we began investigations into a potential treatment effect in an asthma responder subgroup for this complex respiratory disease where, as we have indicated above, multiple phenotypes are recognised but not fully understood. Work regarding the responder analysis is ongoing in the second half of 2017.

PrEP Biopharm has also conducted two additional biomarker studies to further investigate safety and dosing for planning future studies. These are completed and are awaiting publication in a peer reviewed journal. We continue to work closely with PrEP Biopharm to elucidate the further development pathway for this drug.

Pathomics at Work: Mapping of Severe Flu and Associated Novel Drug Targets

In 2015 and 2016, we developed the first Pathomics maps in influenza which describe the host response to flu and that allows us to qualify potential biomarkers and targets. Importantly, this work has enabled us to bifurcate flu into two related conditions, 'normal' flu and 'severe' flu. In turn this discovery has led us to identify a new and specific drug target (HVO-001) for severe flu that we believe is highly relevant to tackling this area of high unmet need.

This year we have used this proprietary insight to begin evaluating potential drug candidates, from a number of sources, specifically for severe flu and we expect to be in a position to in-licence the selected compound around year end. This work has generated several opportunities to generate novel intellectual property and patent filings are on-going.

DARPA Award

Post period end and building upon our patent in flu contagiousness, hVIVO was recently awarded a cost share grant from the US Defense Advanced Research Projects Agency (DARPA) through its Prometheus program. Our patent protects our discovery of a minimal set of biological signals in a person recently infected with disease that would indicate within 24 hours of exposure to the pathogen whether that individual will become contagious to flu.

hVIVO has been awarded funding to further develop this invention in the context of influenza and identifying molecular biomarkers for the transmission and spread of the virus. DARPA will be leveraging hVIVO's know-how on contagiousness with hVIVO collecting disease in motion samples to qualify, enrich and fine tune the Company's contagiousness algorithm. This approach has utility in hVIVO's clinical unit to shorten patient isolation duration during studies, becoming a valuable clinical trial management tool exclusive to hVIVO – but more broadly, the approach could improve forecasting of infectious disease outbreaks.

Clinical Trial Services Business

In the first half of 2017, hVIVO's quarantine unit actively worked to complete the Phase IIb FLU-v study in 123 volunteers, as well as completion of work relating to the PrEP-001 studies. A third-party client asthma study was cancelled by the client at very short notice due to a change in their strategic priorities, which created unutilised capacity in the quarantine unit in April and May 2017. We also commenced work for a number of other client projects with quarantines in the second half of the year.

As we readied for the launch of our new precision development service in asthma in May, we made significant progress in the honing of our operational excellence, particularly around patient recruitment and subject management. It has been an ongoing focus of hVIVO to develop clinical trial management methodology that ensures we perform well above industry norms for patient enrolment and data delivery.

Financial Review

Condensed Consolidated Statement of Comprehensive Income

hVIVO operates a hybrid business model where revenues arise from the provision of specialist clinical research and development services, principally the execution of clinical trials or human 'challenge' studies in our dedicated quarantine unit. Contracting customers are either third-party clients or partners whose assets we partly own through equity investments (PrEP Biopharm and PrEP-001; Imutex and FLU-v).

Revenue for the six months ended 30 June 2017 was £3.9 million (H1'16: £8.9 million; 2016: £19.9 million) and arose primarily from the conduct of the majority of quarantines for the PepTcell FLU-v study in H1'17, as well as completion of work relating to the PrEP-001 studies. Additionally, workload and costs arising from a scope change that required additional quarantines in the FLU–v study have been reported in the income statement as 'provision of services to joint ventures', with income expected to be recognised in H2'17.

Gross profit for the period was £1.0 million and gross margin 25.6% (H1'16: £0.9 million and 10.4%; 2016: £4.2 million and 21.3%), which is illustrative of the ongoing cost and process efficiencies being achieved in the platform, offset by a cancelled client engagement in this financial period.

Research and development expense was £2.8 million (H1'16: £2.9 million; 2016: £6.3 million) and reflects hVIVO's continued investment in discovery research and clinical trial capabilities. hVIVO's R&D spend is being managed tightly to prioritise investment to near term value inflection and collaboration opportunities.

Administration expense was £6.1 million (H1'16: £6.3 million; 2016: £13.8m). Reductions of approximately £0.7 million (10%) have been achieved in H1'17 through the continuation of cost savings initiatives during the period, balanced by associated termination costs and provisions in the period together with our investment in the implementation of a medical management technology application, and we expect 2017 administration expense to reduce further as we benefit from the results of these initiatives.

The share of the loss of associate was £0.6 million (H1'16: £3.9 million; 2016: £7.4 million), which reflects the share of results of hVIVO's investments in PrEP Biopharm and Imutex. This has reduced year-on-year due to the completion of the clinical study work with hVIVO Services Limited.

Loss before taxation was £9.1 million (H1'16: £11.8 million; 2016: £22.6 million).

Condensed Consolidated Statements of Financial Position and Cash Flows

As at 30 June 2017, net assets amounted to £38.4 million (H1'16: £54.0 million; 2016: £46.1 million), including short-term deposits and cash and cash equivalents of £15.4 million (H1'16: £34.1 million; 2016: £25.7 million). A 2016 R&D tax credit refund of £4.0 million was received from HM Revenue & Customs on 5 July 2017, three working days following the end of the H1'17 financial period.

Net cash used in operating activities over the six months to 30 June 2017 was £10.1 million (H1'16: £10.1 million; 2016: £17.8 million).

Summary and Outlook

We continue to generate and consolidate proprietary insights from our Pathomics platform, strengthening our position as a specialised centre of excellence for clinical research and development in respiratory and infectious disease. While this allows us to provide a unique suite of offerings to clients in our services business, it is their application to our own development pipeline and service offerings that has facilitated the most progress in the first half of 2017.

The coming months will see us focused on conducting on a number of client studies. We will also begin to leverage our new precision development approach to tackle the stubborn development challenges of asthma therapeutics and start to build out a pipeline. We expect to complete candidate selection against our Pathomics-derived HVO-001 drug target for severe flu in the coming months. Given the potential risk to public health that severe flu presents, we will also investigate non-dilutive funding from government and charitable sources to help facilitate and accelerate development. Additionally, we are looking forward to results from Imutex's FLU-v Phase IIb studies with NIAID and with UNISEC in late 2017, with data readouts from AGS-v following close on their heels.

From a financial performance perspective, we enter the second half of the year with higher billable utilisation of the quarantine unit. Our drive for operational efficiencies continues, with an ongoing focus to maximise our cash reserves and prioritise our investment spend to achieve near term value inflection milestones, such that for 2017 we currently believe that our revenue and gross margin will be in line with market expectations, while our year end cash position will be markedly ahead.

I look forward to updating you further as we achieve key milestones, and I would like to thank our staff, volunteers, clients, partners and investors for their invaluable, continuing support.

Kym Denny
Chief Executive Officer
20 September 2017

hVIVO plc

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

	Note	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Revenue	2	**3,924**	**8,855**	19,850
Cost of sales		**(2,920)**	**(7,934)**	(15,629)
Gross profit		**1,004**	**921**	4,221
Other income		**95**	**147**	276
Research and development expense		**(2,817)**	**(2,886)**	(6,282)
Administrative expense		**(6,063)**	**(6,256)**	(13,767)
Loss on provision of services to joint ventures	4	**(744)**	**-**	-
Share of loss of associates and joint ventures	5	**(606)**	**(3,868)**	(7,371)
Loss from operations		**(9,131)**	**(11,942)**	(22,923)
Finance income		**42**	**188**	310
Finance costs		**(27)**	**(9)**	(18)
Loss before taxation		**(9,116)**	**(11,763)**	(22,631)
Taxation	6	**1,393**	**2,098**	4,750
Loss for the period		**(7,723)**	**(9,665)**	(17,881)
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates and joint ventures		**(21)**	**(29)**	207
Exchange differences arising on translating foreign operations		**(8)**	**8**	(65)
Total comprehensive loss for the period attributable to owners of the parent		**(7,752)**	**(9,686)**	(17,739)
Loss per share - basic (pence)	7	**(9.9p)**	**(12.4p)**	(22.9p)
Loss per share - diluted (pence)	7	**(9.9p)**	**(12.4p)**	(22.9p)

All results derive from continuing operations.

The accompanying notes are an integral part of the Condensed Consolidated Statement of Comprehensive Income.

hVIVO plc

Condensed Consolidated Statement of Financial Position
As at 30 June 2017

	Note	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
Assets				
Non-current assets				
Goodwill		**1,722**	**1,722**	1,722
Intangible assets		**3,411**	**3,184**	3,375
Property, plant and equipment		**936**	**2,081**	1,552
Investment in associates and joint ventures	8	**13,522**	**17,496**	14,150
		19,591	**24,483**	20,799
Current assets				
Inventories		**1,978**	**2,027**	1,986
Current intangible asset	9	**-**	**1,394**	-
Trade and other receivables		**3,060**	**3,539**	3,704
Research and development tax credit receivable		**6,031**	**6,369**	4,558
Short-term deposits		**5,000**	**25,022**	-
Cash and cash equivalents		**10,355**	**9,063**	25,679
		26,424	**47,414**	35,927
Total assets		**46,015**	**71,897**	56,726
Equity and liabilities				
Equity				
Share capital		**3,906**	**3,904**	3,905
Share premium account		**93,256**	**93,180**	93,217
Other reserve		**211**	**211**	211
Share-based payment reserve		**286**	**201**	238
Merger reserve		**4,199**	**4,199**	4,199
Retained deficit		**(63,470)**	**(47,665)**	(55,718)
Total equity		**38,388**	**54,030**	46,052
Non-current liabilities				
Other payables		**363**	**438**	400
Provisions		**2,925**	**2,638**	3,131
		3,288	**3,076**	3,531
Current liabilities				
Trade and other payables	10	**4,339**	**14,791**	7,143
		4,339	**14,791**	7,143
Total liabilities		**7,627**	**17,867**	10,674
Total liabilities and equity		**46,015**	**71,897**	56,726

The accompanying notes are an integral part of the Condensed Consolidated Statement of Financial Position.

The Interim Condensed Consolidated Financial Statements of hVIVO plc (registered company number 08008725) were approved by the Board of Directors and authorised for issue on 20 September 2017 and signed on its behalf by:

Graham E Yeatman
Chief Financial & Business Officer

hVIVO plc

Condensed Consolidated Statement of Changes in Equity

As at 30 June 2017

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Other reserve £'000	Retained deficit £'000	Total equity £'000
As at 1 January 2016	**3,903**	**93,145**	**144**	**4,199**	**211**	**(37,979)**	**63,623**
Share-based payments	-	-	94	-	-	-	94
Proceeds from shares issued:							
Issue of new shares	2	72	-	-	-	-	74
Total transactions with owners in their capacity as owners	2	72	94	-	-	-	168
Loss for the year	-	-	-	-	-	(17,881)	(17,881)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	207	207
Total comprehensive income	2	72	94	-	-	(17,674)	(17,506)
Exchange differences on translation of foreign assets	-	-	-	-	-	(65)	(65)
As at 31 December 2016	**3,905**	**93,217**	**238**	**4,199**	**211**	**(55,718)**	**46,052**
Loss for the period	-	-	-	-	-	(7,723)	(7,723)
Other comprehensive income	-	-	-	-	-	(29)	(29)
Total comprehensive income	-	-	-	-	-	(7,752)	(7,752)
Issue of new shares	1	39	-	-	-	-	40
Share-based payments	-	-	48	-	-	-	48
As at 30 June 2017	**3,906**	**93,256**	**286**	**4,199**	**211**	**(63,470)**	**38,388**

As at 1 January 2016	**3,903**	**93,145**	**144**	**4,199**	**211**	**(37,979)**	**63,623**
Loss for the period	-	-	-	-	-	(9,665)	(9,665)
Other comprehensive income	-	-	-	-	-	(21)	(21)
Total comprehensive income	-	-	-	-	-	(9,686)	(9,686)
Issue of new shares	1	35	-	-	-	-	36
Share-based payments	-	-	57	-	-	-	57
As at 30 June 2016	3,904	93,180	201	4,199	211	(47,665)	54,030

The accompanying notes are an integral part of the Condensed Consolidated Statement of Changes in Equity.

hVIVO plc

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

		6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
Net cash used in operating activities	11	**(10,092)**	**(10,136)**	(17,832)
Cash flows from investing activities				
Acquisition of intangible assets		**(194)**	**(312)**	(660)
Acquisition of property, plant and equipment		**(38)**	**(84)**	(162)
(Increase)/decrease in balances on short-term deposit		**(5,000)**	**12,009**	37,031
Investment in associates and joint ventures		**-**	**(6,792)**	(7,138)
Interest received		**42**	**138**	310
Net cash (used in)/generated from investing activities		**(5,190)**	**4,959**	29,381
Cash flows from financing activities				
Net proceeds from issue of shares		**-**	**-**	-
Other payables repaid		**(37)**	**(37)**	(75)
Net cash used in financing activities		**(37)**	**(37)**	(75)
Net (decrease)/increase in cash and cash equivalents		**(15,319)**	**(5,214)**	11,474
Exchange (loss)/gain on cash and cash equivalents		**(5)**	**72**	-
Cash and cash equivalents at the start of financial period		**25,679**	**14,205**	14,205
Cash and cash equivalents at the end of financial period		**10,355**	**9,063**	25,679

The accompanying notes are an integral part of the Condensed Consolidated Statement of Cash Flows.

hVIVO plc

Notes to the Condensed Consolidated Interim Financial Statements

1. Accounting policies

Basis of preparation and approval of the Interim Financial Statements

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those set out in the Group's Annual Report and Financial Statements 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board ("IASB"), and are expected to be consistent with the accounting policies that will be applied in the Group's Annual Report and Financial Statements 2017. They are prepared in accordance with IAS 34, "Interim Financial Reporting".

The Interim Financial Statements for the six months ended 30 June 2017 do not include all the information required for full Annual Financial Statements and should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2016. The financial information for the six months ended 30 June 2017 and for the six months ended 30 June 2016 is unaudited.

The Interim Financial Statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board on 19 April 2017 and 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(2) or Section 498(3) of the Companies Act 2006.

Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. The forecasts include assumptions regarding the status of client engagements and sales pipeline, future revenues and costs together with various scenarios which reflect growth plans, opportunities, risks and mitigating actions. The forecasts also include assumptions regarding the timing and quantum of investment in the Group's research and development programme. The Directors are satisfied that there is sufficient discretion and control as to the timing and quantum of cash outflows to ensure that the Group will meet its liabilities as they fall due for the foreseeable future. The Directors have a reasonable expectation that the Group will have adequate cash resources to continue to meet the requirements of the business for at least the next twelve months. Accordingly, the Board continues to adopt the going concern basis in preparing the Interim Financial Statements.

The Company is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The Group Financial Statements are presented in pounds Sterling (£), which is the Group's presentational currency, and all values are rounded to the nearest thousand (£'000) except where indicated otherwise.

The Interim Financial Statements were approved by the Board of Directors on 20 September 2017.

2. Segmental information

The Group's Chief Operating Decision Maker, the Chief Executive Officer, is responsible for resource allocation and the assessment of performance. In the performance of this role, the Chief Executive Officer reviews the Group's activities, in the aggregate. The Group has therefore determined that it has only one reportable segment under IFRS 8 Operating Segments, which is "medical and scientific services".

The Group carries out its main activities from the United Kingdom. The Group conducts sales activities in the US and in Europe which are carried out through hVIVO Inc and hVIVO Services Limited respectively. All revenue is derived from activities undertaken in the UK.

3. Interpretations of accounting standards

The Group has not adopted any standards or interpretations early in either the current or comparative periods. The Directors are of the opinion that the only standards in issue but not yet effective which could have an impact on the Financial Statements are IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. Management are considering the likely impact of the adoption of IFRS 15 but do not expect it to have a material impact on the financial statements.

4. Loss on provision of services to joint ventures

During H1'17 hVIVO Services performed a scope change for additional study work for a joint venture partner of hVIVO plc. This quarantines were successfully completed by 30 June 2017, but due to the timing of ongoing contract negotiations the income from work done has not been invoiced or recognised before the period end.

5. Share of loss of associates and joint ventures

hVIVO plc holds equity investments in development stage Biopharmaceutical Companies. As the invested companies are incurring expenditure to develop products no revenue will be generated, and losses will be presented, until the products are successfully developed.

At 30 June 2017, the Group held an investment in one associate, PrEP Biopharm Limited, and one joint venture, Imutex Limited (see Note 8).

The Group's share of after tax losses of associates and joint ventures is set out below:

	6 months ended 30 Jun 2017 Unaudited £'000	**6 months ended 30 Jun 2016 Unaudited £'000**	Year ended 31 Dec 2016 Audited £'000
Share of loss of associate and joint venture	**(606)**	**(3,868)**	(7,371)
Share of comprehensive income	**(21)**	**(29)**	207
Share of total comprehensive income	**(627)**	**(3,897)**	(7,164)

Share of loss of associates and joint ventures (cont'd)

Summarised combined income statement information in respect of PrEP Biopharm Limited and Imutex Limited is set out below:

	6 months ended 30 Jun 2017 Unaudited £'000	**6 months ended 30 Jun 2016 Unaudited £'000**	Year ended 31 Dec 2016 Audited £'000
Revenue	**-**	**-**	-
R&D Expenditure	**(1,429)**	**(6,301)**	(11,613)
Loss after taxation	**(1,765)**	**(6,231)**	(11,591)
Comprehensive income	**(108)**	**(46)**	(125)
Total comprehensive income	**(1,873)**	**(6,277)**	(11,716)

In the Company's unaudited half-year financial report for the six months ended 30 June 2016, it was reported that the Company had entered into a joint venture with PepTcell Limited and acquired 49.0% of the share capital of Imutex Limited. It was also reported that, due to the linked nature of hVIVO plc's equity investment in Imutex Limited and the clinical services contracted to be provided by the Company's subsidiary hVIVO Services Limited to PepTcell Limited, the £5.5 million value of contracted services was recorded as an obligation to provide services and which is extinguished through delivery of services, with any resulting gains being recognised in the income statement.

On 13 April 2017, the Company announced in its trading update that having further reviewed the position and considered the nature and substance of the arrangement, the accounting treatment for the contract for clinical services with PepTcell returned to the original expectation, as announced on 22 April 2016. hVIVO plc recognises the £5.5 million FLU-v Phase IIb clinical study as revenue as the work is completed. The revenue recognised in relation to the work completed for this contract for the period ended 30 June 2017 was £2.6 million (H1'16: £0.2 million; 2016: £2.8 million). The comparative period to 30 June 2016 has been re-presented in these financials to reflect the subsequently reversed final presentation of these results.

6. Taxation

	6 months ended 30 Jun 2017 Unaudited £'000	**6 months ended 30 Jun 2016 Unaudited £'000**	Year ended 31 Dec 2016 Audited £'000
Tax Benefit:			
R&D tax credit	**(1,459)**	**(1,649)**	(4,293)
Adjustments in respect of prior periods	**28**	**(473)**	(473)
Foreign current tax	**38**	**24**	16
	(1,393)	**(2,098)**	(4,750)

The Group continues to account for its recurring annual SME R&D tax credit as an income tax benefit due to the requirement to surrender tax losses in exchange for recoverable R&D credits.

The Group has not recognised any deferred tax assets including carried forward losses and other temporary differences. These deferred tax assets have not been recognised as the Group's management considers that there is insufficient taxable income, taxable temporary differences and feasible tax planning strategies to utilise all the cumulative losses and it is probable that the deferred tax assets will not be realised in full.

7. Loss per share (LPS)

The calculation of the basic and diluted LPS is based on the following data:

	6 months ended 30 Jun 2017 Unaudited £'000	**6 months ended 30 Jun 2016 Unaudited £'000**	Year ended 31 Dec 2016 Audited £'000
Loss:			
Loss for the period	**(7,723)**	**(9,665)**	(17,881)
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic LPS	**78,120,802**	**78,064,355**	78,076,407
Effect of dilutive potential ordinary shares:			
- share options	**-**	**-**	-
- warrants	**-**	**-**	-
Weighted average number of ordinary shares for the purpose of diluted LPS	**78,120,802**	**78,064,355**	78,076,407

In the six months ended 30 June 2017 and in the comparative periods presented, the potential ordinary shares were not treated as dilutive as the Group is loss making, therefore the weighted average number of ordinary shares for the purposes of the basic and diluted loss per share were the same.

8. Investment in associates and joint ventures

At 30 June 2017, the Group held investments in one associate, PrEP Biopharm Limited, and one joint venture, Imutex Limited. A reconciliation of the carrying value of the Group's investments in joint ventures and associates is as follows:

	2017 £'000	**2016 £'000**
At 1 January	**14,150**	**14,254**
Additions	-	7,139
Loss after tax recognised in the consolidated statement of comprehensive income	(606)	(3,868)
Other comprehensive income recognized in the consolidated income statement	(22)	(29)
At 30 June	**13,522**	**17,496**

	2016 £'000
At 1 January	**14,254**
Additions	7,138
Loss after tax recognised in the consolidated statement of comprehensive income	(7,371)
Share of other comprehensive income	129
At 31 December	**14,150**

Investment in associates and joint ventures (cont'd)

PrEP Biopharm Limited

hVIVO management has concluded that despite holding 62.6% of PrEP Biopharm Limited equity and having significant influence, the terms of the Investment and Shareholders' Agreement means that it does not have the power to direct the relevant activities of PrEP Biopharm Limited.

Accordingly, hVIVO's investment in PrEP Biopharm Limited has been accounted for as an investment in an associate.

Imutex Limited

hVIVO holds 49.0% of the equity of Imutex Limited and, under the terms of the Joint Venture Agreement, appoints two of the current four Directors. hVIVO management have concluded that the relevant activities of Imutex Limited are jointly controlled by the investors and therefore it is appropriate for hVIVO to equity account for the investment as a joint venture with joint control.

9. Current intangible asset

	30 Jun 2017 Unaudited £'000	**30 Jun 2016 Unaudited £'000**	31 Dec 2016 Audited £'000
Opening balance	**-**	**2,935**	2,935
Additions	**-**	**1,982**	3,475
Released to cost of sales	**-**	**(3,523)**	(6,410)
Closing balance	**-**	**1,394**	-

Where hVIVO commences clinical studies with a view to the study data generating future economic benefit the cost of performing these studies is capitalised. As income is recognised the cost is released to the P&L. In 2016 this balance related to work being performed on licensing agreements for the PrEP-001 clinical studies.

10. Trade and other payables

	30 Jun 2017 Unaudited £'000	**30 Jun 2016 Unaudited £'000**	31 Dec 2016 Audited £'000
Trade payables	**1,605**	**1,903**	2,204
Other taxes and social security	**278**	**367**	350
VAT payable	**-**	**233**	-
Other payables	**79**	**89**	178
Foreign current tax payable	**14**	**-**	-
Accruals	**1,065**	**1,023**	1,347
Deferred income	**1,298**	**11,176**	3,064
	4,339	**14,791**	7,143

11. Net cash used in operations

	6 months ended 30 Jun 2017 Unaudited £'000	**6 months ended 30 Jun 2016 Unaudited £'000**	Year Ended 31 Dec 2016 Audited £'000
Cash flow from operating activities			
Loss before taxation	**(9,116)**	**(11,763)**	(22,631)
Adjustments for:			
Gain on provision of services to joint venture	**-**	**(114)**	-
Share of loss of associates and joint ventures	**606**	**3,868**	7,371
Depreciation of property, plant and equipment	**655**	**682**	1,288
Amortisation of intangible assets	**158**	**158**	315
Share-based payments	**48**	**57**	94
Payment of Non-Executive Director fees by issue of shares	**40**	**36**	74
Finance costs	**27**	**9**	18
Finance income	**(42)**	**(188)**	(310)
Gain on foreign exchange	**(3)**	**(64)**	-
R&D Expenditure Credit included in other income	**(40)**	**(170)**	(267)
Decrease in provisions	**(206)**	**(502)**	(9)
Changes in working capital:			
Decrease in inventories	**8**	**114**	155
Decrease in current intangible asset	**-**	**1,541**	2,935
Decrease/(increase) in trade and other receivables	**633**	**(847)**	(1,062)
Decrease in trade and other payables	**(2,818)**	**(2,944)**	(10,359)
Cash used in operations	**(10,050)**	**(10,127)**	(22,388)
Finance costs	**(27)**	**(9)**	(18)
Income tax refund	**-**	**-**	4,574
Foreign tax paid	**(15)**	-	-
Net cash used in operating activities	**(10,092)**	**(10,136)**	(17,832)