

Ovoca Bio Public Limited Company

Interim Unaudited Consolidated Financial Statements
for the six months ended 30 June 2020

Ovoca Bio plc
Interim results for the six months ended 30 June 2020

CONDENSED CONSOLIDATED INCOME STATEMENT	Unaudited 6 Months ended 30/06/2020 €000	Unaudited 6 Months ended 30/06/2019 €000	Unaudited 6 Months ended 30/06/2020 \$'000	Unaudited 6 Months ended 30/06/2019 \$'000
Continuing operations				
Administration expenses	(1,103)	(1,184)	(1,216)	(1,345)
Other (losses)/gains	(1,091)	463	(1,202)	526
Operating loss	(2,194)	(721)	(2,418)	(819)
Finance costs	(8)	(4)	(9)	(5)
Finance income	195	286	215	325
Loss for the period before tax	(2,007)	(439)	(2,212)	(499)
Income tax	-	-	-	-
Loss for the period from continuing operations	(2,007)	(439)	(2,212)	(499)
Discontinued operations				
(Loss)/profit from discontinued operations net of tax	(32)	41	(35)	47
Loss for the period	(2,039)	(398)	(2,247)	(452)
Loss for the period attributable to:				
Owners of the parent	(2,003)	(150)	(2,208)	(172)
Non-controlling interest	(36)	(248)	(39)	(280)
	(2,039)	(398)	(2,247)	(452)
(Loss)earnings per share				
Basic loss per share from continuing operations	(2.46)	(0.49)	(2.71)	(0.55)
Basic (loss)/earnings per share from discontinued operations	(0.04)	0.05	(0.04)	0.06
Fully diluted loss per share from continuing operations	(2.46)	(0.49)	(2.71)	(0.55)
Fully diluted (loss)/earnings per share from discontinued operations	(0.04)	0.05	(0.04)	0.06

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME	Unaudited 6 Months ended 30/06/2020 €000	Unaudited 6 Months ended 30/06/2019 €000	Unaudited 6 Months ended 30/06/2020 \$/000	Unaudited 6 Months ended 30/06/2019 \$/000
Loss for the period	(2,039)	(398)	(2,247)	(452)
Other comprehensive income/(expense):				
<i>Items that may not be reclassified subsequently to profit or loss</i>				
Fair value movement on equity securities designated as at FVOCI	2,557	3,015	2,819	3,427
Exchange movement on equity securities designated as at FVOCI	(277)	(659)	(305)	(749)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign exchange (loss)/gain arising from translation of financial statements of a foreign operation	(256)	260	(198)	121
Total comprehensive (loss)/income for the period	(15)	2,218	69	2,347
Total comprehensive (loss)/income for the period attributable to:				
Owners of the parent	83	2,395	176	2,547
Non-controlling interest	(98)	(177)	(107)	(200)
	(15)	2,218	69	2,347

There is no income tax impact in respect of components recognised within the consolidated statement of comprehensive income.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited	Share capital €000	Treasury Shares €000	Share based payment reserve €000	Other reserves €000	Foreign Currency translation reserve €000	Retained earnings €000	Total (attributable to owners of the parent) €000	Non-controlling interest €000	Total Equity €000
At 1 January 2020	11,057	(547)	21	681	4,730	6,402	22,344	1,492	23,836
Comprehensive loss									
Loss for the period	-	-	-	-	-	(2,003)	(2,003)	(36)	(2,039)
Other comprehensive (loss)/ income									
Transfer to retained earnings from sales of equity securities designated as at FVOC	-	-	-	(571)	-	571	-	-	-
Movement on equity securities designated as at FVOCI	-	-	-	2,557	-	-	2,557	-	2,557
Exchange movement on equity securities designated as at FVOCI	-	-	-	(277)	-	-	(277)	-	(277)
Foreign exchange gain arising from translation of financial statements of a foreign operation	-	-	-	-	(194)	-	(194)	-	(194)
Total comprehensive income/(loss) for the period	-	-	-	1,709	(194)	(1,432)	83	(36)	47
Transactions with owners of the Company									
Share based payments	-	-	15	-	-	-	15	-	15
Changes in ownership interest									
Purchase of the remaining interest in a subsidiary	-	-	-	-	(62)	(2,649)	(2,711)	(1,456)	(4,167)
Balance at 30 June 2020	11,057	(547)	36	2,390	4,474	2,321	19,731	-	19,731

Unaudited	Share capital €000	Treasury Shares €000	Share based payment reserve €000	Other reserves €000	Foreign Currency Translation Reserve €000	Retained earnings €000	Total (attributable to owners of the parent) €000	Non-controlling interest €000	Total Equity €000
At 1 January 2019	11,057	(547)	-	3,968	4,512	(524)	18,466	2,160	20,626
Comprehensive (loss)/income									
Loss for the period	-	-	-	-	-	(151)	(150)	(248)	(398)
Other comprehensive (loss)/ income									
Movement on equity securities designated as at FVOCI	-	-	-	3,015	-	-	3,015	-	3,015
Exchange movement on equity securities designated as at FVOCI	-	-	-	(659)	-	-	(659)	-	(659)
Foreign exchange gain arising from translation of financial statements of a foreign operation	-	-	-	-	189	-	189	71	260
Total comprehensive (loss)/income for the period	-	-	-	2,356	189	(151)	2,395	(177)	2,218
Transactions with owners of the Company									
Share based payments	-	-	1	-	-	-	1	-	1
Changes in ownership interest									
Changes in non-controlling interest	-	-	-	-	-	-	-	(429)	(429)
Balance at 30 June 2019	11,057	(547)	1	6,324	4,701	(675)	20,862	1,554	22,416

Ovoca Bio plc
as at 30 June 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30/06/2020 €000	Audited 31/12/2019 €000	Unaudited 30/06/2020 \$'000	Audited 31/12/2019 \$'000
Assets				
Non current assets				
Goodwill	4,021	4,039	4,523	4,575
Other intangible assets	1,563	1,682	1,758	1,884
Property, plant and equipment	4	3	4	3
Equity investments at fair value through other comprehensive income	6,906	7,489	7,767	8,387
	12,494	13,213	14,052	14,849
Current assets				
Inventories	173	203	195	227
Trade and other receivables	126	171	142	191
Cash and cash equivalents	6,744	10,075	7,586	11,283
	7,043	10,449	7,923	11,701
Assets included in disposal group classified as held for sale	416	601	468	673
Total assets	19,953	24,263	22,443	27,223
Equity and liabilities				
Equity				
Ordinary shares	11,057	11,057	15,586	15,586
Treasury shares	(547)	(547)	(607)	(607)
Other reserves	2,390	681	2,807	923
Foreign currency translation reserve	4,474	4,730	616	868
Share based payment reserve	36	21	41	24
Retained earnings	2,321	6,402	3,749	8,244
	19,731	22,344	22,192	25,038
Non controlling interest	-	1,492	-	1,707
	19,731	23,836	22,192	26,745
Current liabilities				
Trade and other payables	205	349	231	391
Contingent provisions	11	0	12	0
Borrowings	-	0	-	0
	216	349	243	391
Liabilities included in the disposal group classified as held for sale	7	78	8	87
Total equity and liabilities	19,953	24,263	22,443	27,223

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30/06/2020 €000	Unaudited 30/06/2019 €000	Unaudited 30/06/2020 \$'000	Unaudited 30/06/2019 \$'000
Cash flows from operating activities				
Loss for the period before tax	(2,039)	(398)	(2,247)	(452)
Depreciation and amortisation	35	36	38	42
Share options expense	15	1	17	1
Finance income	(195)	(282)	(214)	(320)
Decrease/(Increase) in inventories	32	(30)	36	(33)
Decrease in trade and other receivables	171	34	193	40
Decrease in trade and other payables	(134)	(63)	(150)	(72)
Net movement in assets & liabilities included in the disposal group	(26)	73	(29)	87
Gain on disposal of assets	(4)	-	(4)	-
Finance costs	8	4	9	5
Net cash used in operating activities	(2,137)	(625)	(2,351)	(702)
Cash flow from financing activities				
Loan repayment	-	(989)	-	(1,133)
Finance costs	(8)	(4)	(9)	(5)
Net cash generated from financing activities	(8)	(993)	(9)	(1,138)
Cash flows from investing activities				
Dividends received	195	286	214	325
Additions of research and development costs internally developed	(117)	(342)	(132)	(364)
Additions of patents acquired	(21)	0	(24)	-
Acquisition of additional interest in subsidiary	(4,106)	(429)	(4,377)	(528)
Net proceeds from sale of equity securities at FVOCI	2,203	2,986	2,423	3,393
Proceeds from disposal of assets	24	(41)	26	(45)
Net cash generated from investing activities	(1,822)	2,460	(1,870)	2,781
Effects of foreign exchange	565	47	453	54
Net decrease in cash and cash equivalents	(3,402)	889	(3,777)	995
Cash and cash equivalents at the beginning of period	10,075	1,823	11,283	2,088
Cash and cash equivalents at the end of the period	6,673	2,712	7,506	3,083
Cash and Cash equivalents included in the disposal group	71	10	80	11
Cash and Cash Equivalents for Continuing operations	6,744	2,722	7,586	3,094

Ovoca Bio plc
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1 Basis of Preparation

The interim consolidated financial statements for the six months ended 30 June 2020 are presented in €'000, which is the functional currency of the Group. The US\$'000 are shown for information purposes only. The Financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board as adopted by European Union.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the financial year ended 31 December 2019.

2 Accounting Policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the financial year ended 31 December 2019.

Other pronouncements

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

3 Going concern

The directors have reviewed the current state of the Group's finances, taking into account resources currently available. The directors are satisfied that sufficient funding will be available to the Group to enable it to trade for the foreseeable future. On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis. The directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. In the first half of 2020, the outbreak of COVID-19 spread throughout Asia, Europe and Worldwide. The initial impact of this has been severe and has resulted in a significant worldwide slowdown in economic activity. In Ireland, the economic impact of this pandemic has been characterised by the temporary closure of many businesses in "non-essential" areas to ensure that people's movements are restricted in order to slow down the spread of the virus. The effect of COVID-19 presents many risks to businesses, the effects of which cannot be fully quantified at the end of the period.

Although the effects cannot be fully determined, the directors believe that the main risks and uncertainties associated with COVID-19 are as follows:

- a potential reduction in economic activity which may result in reduced consumer and business spending
- a reduction in asset values
- a prolonged period of government restrictions on the movement of people and supplies
- a delay in completing planned research and development activities
- a delay in expanding the international activities of the Group

The financial statements do not include any adjustments that would result if the director's plans were not successful.

4 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the financial year ended 31 December 2019.

5 Segmental reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker and used to allocate resources to the segments and to assess their performance.

At 30 June 2020 and 2019, the Group had two business segments, Bio-pharmaceutical and Investment segments. Bio-pharmaceutical activities are exclusively carried out by IVIX LLC in Russia and Australia. Investing activities are carried out by another subsidiary, Silver Star Ltd., a company located in Bermuda. Administrative costs represent group administration costs, incurred in Ireland and the Russian Federation.

The Exploration segment is presented as being discontinued as reported in the 31 December 2019 Annual Report.

Period ended 30 June 2020	Bio-pharmaceutical	Investment	Admin.	Total	Bio-pharmaceutical	Investment	Admin.	Total
	€000	€000	€000	€000	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation & amortisation	(35)	-	-	(35)	(39)	-	0	(39)
Administration expenses	(245)	(164)	(659)	(1,068)	(270)	(181)	(726)	(1,177)
Other gains/(losses)	86	(1,184)	7	(1,091)	95	(1,305)	8	(1,202)
Operating loss	(194)	(1,348)	(652)	(2,194)	(214)	(1,486)	(718)	(2,418)
Finance costs	(1)	(2)	(6)	(9)	(1)	(2)	(7)	(10)
Finance income	2	194	-	196	2	214	-	216
Loss before tax	(193)	(1,155)	(658)	(2,007)	(213)	(1,274)	(725)	(2,212)
Income Tax	-	-	-	-	-	-	-	-
Loss after tax	(193)	(1,155)	(658)	(2,007)	(213)	(1,274)	(725)	(2,212)
Segment assets	2,358	13,728	3,452	19,538	2,652	15,440	3,883	21,975
Segment liabilities	(221)	-	(5)	(216)	(249)	-	(6)	(255)
Net assets	2,137	13,728	3,457	19,322	2,403	15,440	3,877	21,720

Period ended 30 June 2019	Bio-pharmaceutical	Investment	Admin.	Total	Bio-pharmaceutical	Investment	Admin.	Total
	€000	€000	€000	€000	US\$'000	US\$'000	US\$'000	US\$'000
Administration expenses	(552)	(255)	(377)	(1,184)	(627)	(290)	(428)	(1,345)
Other gains	360	96	7	463	409	110	8	527
Operating loss	(192)	(159)	(370)	(721)	(218)	(180)	(420)	(818)
Finance costs	-	(3)	(1)	(4)	-	(3)	(1)	(4)
Finance income	3	283	-	286	3	322	-	325
(Loss)/profit before tax	(189)	121	(371)	(439)	(215)	139	(421)	(497)
Segment assets	2,891	15,912	3,264	22,067	3,253	18,052	3,746	25,051
Segment liabilities	(99)	-	(15)	(114)	(112)	-	(17)	(129)
Net assets	2,792	15,912	3,249	21,953	3,141	18,052	3,729	24,922

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6 Purchase of the remaining interest in a subsidiary

On 30 September 2018, the Group acquired 50.02% of the equity instruments of IVIX LLC, a Russian based business, thereby obtaining control. The acquisition was made to diversify the Group's position. As disclosed at the time of its initial investment in IVIX, Ovoca also acquired a further participation interest (shareholding), newly issued by IVIX LLC for US\$2.04 million which would increase its overall participation interest in the charter capital of IVIX by 9.9 per cent to approximately 59.9 per cent. On 20 March 2020, Ovoca through its subsidiary Silver Star acquired the remaining share capital of IVIX (approximately 40%) and is now the sole shareholder of IVIX LLC. The consideration agreed and paid for the 40% share was €4.11 million (US\$4.38 million). The carrying amount of the parent's equity and NCI's share of equity are adjusted to reflect changes in their relative ownership interest.

7 Intangible assets

Licenses, Patents and Patent applications acquired by the Group's subsidiary, IVIX LLC qualify for separate recognition and are recognised as Intangible assets. Based on the successful completion of the Clinical Trials in Russia and the stage of preparation of the files for the registration of the drug Ovoca Bio Plc has begun to capitalise development expenses as Intangible assets. The development costs not meeting the criteria for capitalisation are expensed as incurred. The total capitalised amount as at 30 June 2020 amounted to €0.12 million (US\$0.13 million).

Intangible Assets	Patents & Licenses €000	Development costs €000	Total €000	Patents & Licenses US\$'000	Development costs US\$'000	Total US\$'000
Cost						
€000						
1 January 2019	958	-	958	1,097	-	1,097
Additions	109	521	630	122	584	706
Disposal	-	-	-	-	-	-
Translation adjustments	142	24	166	135	27	162
31 December 2019	1,209	545	1,754	1,354	611	1,965
Additions	21	117	138	23	129	152
Disposal	(33)	0	(33)	(36)	-	(36)
Translation adjustments	(157)	(68)	(225)	(170)	(72)	(242)
30 June 2020	1,040	594	1,634	1,171	668	1,839
Amortisation						
€000						
1 January 2019	-	-	-	-	-	-
Amortisation	(72)	-	(72)	(81)	-	(81)
31 December 2019	(72)	0	(72)	(81)	0	(81)
Amortisation	(1)	(35)	(35)	(1)	(39)	(40)
Disposal	(14)	-	(14)	(15)	-	(15)
Translation adjustments	1	49	50	1	54	55
30 June 2020	(86)	14	(71)	(96)	15	(81)
Balance at June 30, 2020	954	608	1,563	1,075	683	1,758
Balance at December 31, 2019	1,137	545	1,682	1,273	611	1,884

8 Equity securities designated at FVOCI

The Group holds investments in equity securities at FVOCI because these represent investments held for long term strategic purposes. During the period, the Group disposed 145,000 shares in Polymetal. The net proceeds from the sales amounted to €2.20 million (US\$2.42 million) as a result of managing its strategic investments and cash flows which approximates its fair value. The Group realised a gain of €0.57 million (US\$0.63 million). This gain has been transferred to retained earnings. The Group is relying on its equity investments to raise the funds required to further develop its ambitious pharmaceutical program.

9 Financial Instruments

The Group monitors relevant aspects of financial instrument risk on an ongoing basis. Financial instrument risks primarily relates to foreign exchange risk, credit risk, liquidity risk and market risk as reported in the 31 December 2019 annual report.

	Unaudited 30/06/2020 €000	Audited 31/12/2019 €000	Unaudited 30/06/2020 US\$'000	Audited 31/12/2019 US\$'000
Financial assets not measured at fair value				
Cash and cash equivalents	6,744	10,075	7,586	11,283
Other debtors	126	109	142	122
	6,870	10,184	7,728	11,405
Financial assets measured at fair value				
Equity securities designated at FVOCI	6,906	7,489	7,767	8,387
	6,906	7,489	7,767	8,387
Financial liabilities not measured at fair value				
Trade and other payables	215	349	242	391
	215	349	242	391

The carrying amount of the financial assets and liabilities is considered a reasonable approximation of fair value:

- Other debtors
- Cash and cash equivalents
- Trade and other payables.

10 Fair value measurement

Equity securities FVOCI are measured at level 1 hierarchy since the securities are quoted in an active market. The equity securities are investments at Polymetal International plc (Polymetal), which is listed on the London stock exchange.

11 Dividends

The Company made no distributions during the period (2019: €NIL).

12 Events after the reporting period

In July and August 2020, the Group, through its subsidiary, Silver Star Ltd., sold 209,000 shares of Polymetal International plc for €4.33 million (US\$5.07 million) which approximates its fair value during the financial period.

13 Approval of the financial statements

The interim report was approved by the Board of Directors on 18 September 2020 and is included on the Company's website, www.ovocabio.com.