Shield Therapeutics plc

("Shield" or the "Company" or the "Group")

Interim Report for the Six Months Ended 30 June 2017

London, UK, 20 September 2017. Shield Therapeutics plc (LSE:STX), a specialty pharmaceutical company focused on secondary care, today announces its unaudited interim results for the six months ended 30 June 2017.

Highlights (including post period end)

Operational

- Continued focus on early Feraccru® commercialisation initiatives in our first European target markets:
    - Commercial team reorganised with Country Managers now reporting directly to the CEO to deliver increased focus on sales traction and maximise resources
    - More than 20 specialist staff driving product recognition and sales ramp in Germany and the UK
    - Application submitted to the EMA to extend the label for Feraccru to all patients with IDA
- Delivering on strategy to out-license Feraccru across non-core markets via agreement with AOP for Scandinavia and Ewopharma for Switzerland
- Clinical progress across multiple trials:
    - The AEGIS-CKD pivotal Phase 3 study has recruited 97% of the required subjects with Last Patient In expected imminently, resulting in primary top line data expected in early 2018
    - AEGIS-H2H study progressing as per previous guidance, with data expected in H1 2018
    - Data from the paediatric pharmaco-kinetic study also expected in H1 2018
- Pre-approval notification for Feraccru was received from the Swiss regulatory authority in June 2017 with first revenues from our recently signed commercial partner expected in early 2018
- Significant new patent grants received for Feraccru's Composition of Matter patent extending and enhancing the product's IP coverage from 2023 through to 2035 in the USA, Europe, Australia, and Canada

Financial

- Reported revenues of £142,000 (H1 2016: £240,000, which included initial stocking orders in UK)
- H1 2017 'in market demand' (the metric Shield uses to represent the number of packs being sold to patients) and partner revenues together totalled c. £0.18 million meeting guidance stated at the time of the June 2017 equity financing
- Net loss of £9.6m (H1 2016: £8.9m);
- Adjusted net loss (excluding exceptional items) of £8.4m (H1 2016: £5.1m);
- Net cash of £21.5m (H1 2016: £28.5m), which includes net proceeds raised during the period via the warrant exercise and placing of £11.9m net.

Board and Management

The Board has appointed Dr Karl Keegan as interim CFO following Joanne Estell's recent resignation. Furthermore, having undertaken a detailed review of operational effectiveness the Company has reorganised its commercialisation operations to a more country-focused 'in-market' structure with the General Managers now reporting directly to the CEO. This has resulted in a small number of central commercial staff leaving the organisation, including Paul Steckler, the head of our central commercial operations. The Group does not intend to replace these positions.

Commenting on the interim results, Carl Sterritt, CEO of Shield Therapeutics plc, said: *"Shield has continued to make progress in bringing the substantial benefits of Feraccru to IDA patients with IBD in Germany and the UK. Frustratingly, whilst prescriber, clinical investigator and patient feedback on the positive impact of Feraccru has continued to be reassuringly positive, recent market penetration has been slower than originally anticipated due to certain short term operational issues. We believe the issues are being addressed by more focus on in-country operations.*

"Considering Feraccru's potential more widely, in addition to continuing to successfully out-licence Feraccru in additional markets, we have also been granted a composition of matter patent in Europe and the USA, which now provides broad commercial protection through 2035. Also, we have submitted an application to the EMA to extend the label for Feraccru to all patients with IDA and the approval of this application in early 2018 would open up the larger commercial opportunity across Europe earlier than originally anticipated.

"We will also be ready to take full advantage of the positive data we anticipate generating from the soon to report AEGIS-CKD study, which is expected to facilitate a regulatory filing in the USA and increase the current 330,000 patient opportunity for Feraccru in IBD-IDA in Europe to upwards of 2.5 million patients with IBD or CKD related IDA in the EU5 and the USA.

"Finally, I was also pleased we augmented our balance sheet through the £11.9m net proceeds raised from the warrant exercise and placing in June. The Group has a clear strategy upon which we continue to focus and I look forward to announcing further progress in the coming months."

Webcast and conference call for analysts

A briefing for analysts will be held at 9.30am BST on 20 September 2017 in the Guildhall Room at 85 Gresham Street, London EC2V 7NQ. There will be a simultaneous webcast and live conference call with Q&A. The presentation and access to the webcast will be on Shield's website at www.shieldtherapeutics.com.

Dial in details:

Participant local dial-in:	+44 (0) 1452 555566
Participant free phone dial-in:	08006940257
Participant code:	79287285

To access the audio webcast, please follow this link or alternatively visit the Shield Therapeutics investor relations page.

An audio replay file will be made available shortly afterwards via the Company website: www.shieldtherapeutics.com

For further information please contact:

Shield Therapeutics plc +44 (0)207 186 8500
Carl Sterritt, Chief Executive Officer
Karl Keegan, Interim Chief Financial Officer

Nominated Advisor and Joint Broker +44 (0)203 100 2222
Liberum Capital Limited
Christopher Britton/Steve Pearce

Joint Broker +44 (0)207 418 8900
Peel Hunt LLP
James Steel/Dr Christopher Golden

Financial PR Advisor +44 (0)203 709 5700
Consilium Strategic Communications
Mary-Jane Elliott/Matthew Neal

US Investor Relations +1 (212) 867 1762
Lazar Partners
Fern Lazar/David Carey

About Shield Therapeutics plc

Shield Therapeutics is a specialty pharmaceutical company focused on the commercialisation and development of late-stage, hospital-focused pharmaceuticals which address areas of unmet medical need. Our clear purpose is to help our patients become people again, by enabling them to enjoy the things that make the difference in their everyday lives. The Group has a marketed product, Feraccru, for the treatment of iron deficiency anaemia (IDA) in adult patients with inflammatory bowel disease (IBD) which has exclusive IP rights until the mid-2030s in key territories. Shield Therapeutics, headquartered in London, is listed on LSE's AIM under the ticker STX. For more information please visit www.shieldtherapeutics.com.

Glossary

CCG – clinical commissioning groups

IDA – Iron Deficiency Anaemia

IBD – Inflammatory Bowel Disease

MAA – Marketing Authorisation Approval

Note

This announcement is released by Shield Therapeutics plc and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("**MAR**") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of Shield Therapeutics plc was Carl Sterritt, Chief Executive Officer.

CEO's Statement

In the period since our preliminary results announcement, Shield has continued to make progress targeting Feraccru at IDA patients with IBD in the UK and Germany, whilst also successfully augmenting our balance sheet through the warrant exercise and placing in June. With overwhelmingly positive feedback on the utility and benefit of Feraccru from prescribers and patients alike, the Company's immediate commercial focus continues to be to grow Feraccru sales in the UK & Germany, whilst prosecuting national pricing and reimbursement submissions in the remaining three major European markets of France, Italy and Spain. The broader in-country commercial infrastructures that will come with these approvals will then provide a strong base from which to expand into new indications and products in these key geographies.

We are also pleased to report that with recruitment at 97% in the AEGIS CKD pivotal Phase 3 study, the final subject is expected to be enrolled imminently, with top line data expected early in 2018.

Feraccru – initial focus on targeting IDA patients with IBD in UK and Germany

Feraccru is the Company's lead product and is a novel therapy for the treatment of IDA. The global iron replacement market was circa £2bn in 2016, approximately split evenly in revenue terms between intravenous and existing salt-based oral iron products. This is a commercially attractive market for Shield with approximately 3 million patients diagnosed with IBD in the US and EU5, growing at an estimated 2% per annum. IDA is a common complication of IBD (c. 47% of diagnosed IBD patients have IDA), driven by a reduction in iron consumption, absorption and an increase in blood loss.

Germany

Following the appointment of Andreas Off, a General Manager with more than 20 years of in-market experience with specialty pharmaceuticals, to lead Shield's German operations, the affiliate's management team is now fully active, the field-based sales force is expanding following some hiring challenges through the summer months and is on its way to reaching a headcount of 20 sales representatives during the first half of 2018. Feraccru uptake increases with a larger share of voice and we expect this significant increase in presence on the ground will better drive uptake in this important and well-funded market.

The in-country sales teams are focused on conversion of clear physician interest into prescription sales. Feraccru benefits from both significantly more pre-launch awareness (Shield had more hospitals in Germany actively involved in key pre-approval clinical trials of Feraccru) as well as strong pricing in this territory. These elements, combined with the benefits Feraccru provides to patients, prescribers and payors, have led to continued progress in uptake during the first half of 2017. According to IMS, in-market pack sales per month have increased by 375% from December 2016 to July 2017. Notwithstanding this progress, we believe full year demand may be negatively impacted by delays in recruiting the full complement of sales people over the summer. However, with further increases in both manpower and targeted promotional activities, we anticipate demand improving by the end of 2017 and into 2018.

UK

As previously reported the commercial dynamics of the UK market are significantly different to those in Germany. Initial focus in the UK has been on achieving the required formulary access with hospitals and clinical commissioning groups (CCGs) that enables prescriber usage demand to be met. Reimbursement submissions continue and have now been made to formularies that account for approximately 55% of the patient opportunity (increased from 31% at 31 December 2016). Shield remains broadly on track to submit to 75% of formularies by the end of 2017. However, as these processes take time - as demonstrated by the fact that at the end of July 2017 Shield was still awaiting decisions from submissions to 38 CCGs, without which we are unable to get Feraccru prescribed in the institutions related to these payors - our target of having 60% or more approved by year-end is at risk of being impacted by bureaucratic delays in decisions from CCGs in England. Encouragingly we do continue to improve Feraccru's prescribing status in those

areas where formulary has been granted and as at the end of July, we have 80 centres in the UK ordering per month, compared to 48 as at 31 December 2016. According to IMS, in the period from December 2016 to July 2017, UK pack sales per month have increased 184%.

Tangible progress is being made with the NHS and UK prescriber interest in Feraccru is clearly increasing. The upcoming label expansion, AEGIS-CKD data and AEGIS-H2H data are all due in the first half of 2018 and we remain confident that continued investment in manpower and activities in the UK will create an attractive market for Feraccru in the UK.

Delivering on Shield's out-licensing strategy

Geographic expansion of Feraccru outside the Group's stated core markets is an important element of Shield's broader commercialisation strategy and good progress continues to be made in this respect. The Group recently concluded an update to and expansion of the existing agreement with AOP Pharmaceuticals which provides for improved commercial terms in existing territories and the addition of commercial rights to Feraccru in Scandinavia. This expanded agreement will accelerate access to near-term revenues in this market region and allows Shield to focus its resources on our core markets.

In July, Shield entered into an exclusive sale, supply, distribution and marketing agreement for Feraccru in Switzerland with Ewopharma AG. Under the terms of the agreement, Shield is continuing to manage all regulatory aspects of Feraccru's initial marketing authorisation, supply product to Ewopharma as well as provide significant product training and support for the brand. Ewopharma has responsibility for maintaining Feraccru's marketing authorisation and managing commercialisation of the planned future label expansion, with support from Shield, as well as all aspects of pricing, reimbursement, marketing and distribution. Switzerland is a well-developed market for the treatment of Iron Deficiency Anaemia (IDA), currently contributing almost 15% of total European IV iron sales from a little more than 2% of the population.

Regulatory approval of Feraccru is expected imminently in Switzerland (Shield received a pre-approval notification from the Swiss regulatory authority in June 2017) and the Board believes Feraccru will be an important product for Ewopharma with first product revenues expected in early 2018. With its existing expertise in the IDA market, together with a focus on gastroenterology, Ewopharma is ideally positioned to rapidly and effectively launch Feraccru into the Swiss market.

Discussions are also progressing in other non-core markets, where the Group does not plan to deploy its own existing commercial infrastructure, including Australia and Canada. Shield hopes to report on progress with these and other territories in the near to medium term. Preliminary discussions continue on our earlier stage pipeline, including PT20, whilst as previously advised we are also undertaking initial manufacturing development of PT40 before seeking commercial partners.

Pivotal research and development to support broader commercialisation of Feraccru

AEGIS-CKD Phase 3 study

The AEGIS-CKD study is aiming to prove the effectiveness of Feraccru in the highly attractive market of treating IDA in pre-dialysis CKD patients (stages 3 and 4), which account for c. 7% of CKD sufferers in the US and the EU5, with IDA affecting c. 20% of these. During the summer period, the rate of recruitment marginally slowed but as of 18 September, the trial had recruited 97% of the subjects required and we expect the final subjects imminently. Following these last subjects completing the 16-week placebo-

controlled treatment phase, primary top line data is expected shortly thereafter, during early 2018.

A positive result from the AEGIS-CKD study is relevant to the Company's long-term commercial plans as it will facilitate a regulatory filing in the US in 2018 and support broader commercialisation activities in Europe, as we seek to capitalise on having a broad IDA label for Feraccru once granted by the EMA. Together this wider evidence base for Feraccru will increase our existing target population from the 330,000 IBD patients in the EU5 with IDA to c. 1.3 million in Europe as well as a further c. 1.3 million US patients with IBD or CKD-IDA for whom Feraccru will then become a realistic treatment option following regulatory approval as early as the first half of 2019 in the world's largest pharmaceutical market. The attraction of the US opportunity is further enhanced by the routinely higher pricing opportunity in the US market, which we anticipate will be approximately three times the premium achieved in the UK of £1.70 per day.

The Group continues to evaluate a dual track approach with regard to US commercialisation and an advisor has been engaged to identify and assess potential partners in the US, as well as Japan and China. The Board will evaluate the opportunities these initiatives create and determine the most appropriate US strategy with a focus on balancing risk and reward for shareholders. The timeline for any formal action on potential US partnering will be post read-out of the AEGIS-CKD study, allowing for interpretation of the data by potential partners and maximisation of the opportunity to Shield's shareholders.

AEGIS-H2H non-inferiority Phase 3b study – primary endpoint data anticipated H1 2018

The AEGIS-H2H Phase 3b study is designed as a non-inferiority trial comparing the efficacy and safety of Feraccru to the market-leading latest generation form of IV iron (Ferinject, ferric carboxymaltose).

Primary endpoint data from the AEGIS-H2H study is still expected to be available during the first half of 2018. Based on these timelines for primary endpoint data availability from the AEGIS-H2H trial, the Company conservatively anticipates launch in France, Italy and Spain in the first half of 2019.

Other trials and data collection efforts

With Feraccru now commercially available Shield's medical and commercial teams are actively working to enable and facilitate other methods of data collection to support marketing activities and pricing and reimbursement applications for Feraccru. This includes a patient registry in Germany and a real-world evidence study across a number of UK prescribing centres involving upwards of 100 patients receiving commercial Feraccru. As well as generating supportive data for the use of Feraccru, involvement in such programmes should more directly increase the prescriber's knowledge of the product being assessed.

The Group's first paediatric pharmaco-kinetic study of Feraccru has now commenced recruitment of 36 subjects across six expert paediatric centres in the UK. Recruitment is going well and Shield is observing a high degree of interest and involvement from the participating centres. Data from this study will help the Group design the small Phase 3 study that the EMA requires to enable Feraccru to be marketed for the treatment of IDA in children.

Further strengthening of the intellectual property protection of Feraccru

Shield continues to strengthen its IP position regarding Feraccru. Following the UK grant notification in October 2016 for the composition of matter patent for Feraccru, Australian and Canadian patent grants were received in March and April 2017, respectively. In May 2017, the European Patent Office also notified Shield that it intended to grant the patent across its jurisdiction, followed most recently with notification of allowance of grant from the US Patent Office in September. The results of these positive opinions is that the active substance of Feraccru is now broadly protected through to late 2034 in the UK and late 2035 in the USA, Europe, Australia, and Canada thereby adding a significant number of years to the peak sales

opportunity for Feraccru in these commercially important markets. Applications and prosecutions continue in other commercially relevant markets.

Board and management team changes

Post period end, Joanne Estell, resigned her Board position and as Chief Financial Officer and Company Secretary to pursue other business interests outside the healthcare sector and will leave in October 2017. The Board has appointed Dr Karl Keegan as interim Chief Financial Officer for the duration of a search process. Karl, in his previous capacity as Director of Corporate Development, has worked closely with myself, Joanne, Shield's Leadership Team and the Board on all aspects of the Group's operations and strategy development.

To provide more in-market focus the Company has reorganised its commercialisation structure towards a more in-country model, resulting in a small number of staff being made redundant. This includes Paul Steckler, Chief Commercial Officer, who will leave the Company at the end of September. The Group does not intend to replace his position for the foreseeable future. We thank Joanne and Paul for their efforts at Shield and wish them both well for the future.

Finally, the search for a new non-executive director with commercial experience related to both European and US pharmaceutical markets is progressing well through an appointed executive search consultancy. The Company will update on any developments on this in due course.

Summary and outlook

Total in-market demand and partner revenues for Feraccru during the first half of 2017 were in line with the Board's guidance issued at the time of the equity fundraise in June 2017. The patient and prescriber feedback we are getting on Feraccru is overwhelmingly positive and the Board has generally been pleased with the initial activity we have seen from our commercially active licensing partners during this period. Since the period end, demand for Feraccru has also continued to grow in Germany and the UK, however this has been at a slightly slower rate than required to meet existing 2017 guidance for in market demand and partner revenues. Consequently, through the reorganisation of our commercial operations as announced today, we believe we have taken the necessary action to ensure the Company's limited resources are most efficiently focused to increase our commercial traction and improve execution of lead conversion. We therefore reiterate our mid-term sales guidance of £20-25m in 2020.

Carl Sterritt
CEO, Shield Therapeutics plc

Financial Review

Statement of profit and loss

The Group measures sales performance by monitoring in market demand sales and initial partner revenues to understand real patient traction of Feraccru®, rather than stocking of distribution channels. For the first half of the year this key metric was £180k, in line with the Board's expectations. For the first half of the year revenue was £142k (H1 2016: £240k), down on the prior year by £98k, due to the impact of initial stocking of the distribution channel in 2016 for the UK market.

Normalised operating expenses in the period (excluding exceptional items) were £6.6m (H1 2016: £3.4m), reflecting the Group's continued investment to commercialise Feraccru® in the UK and Germany. In the period, the Group's headcount (including external contractors) has increased from 60 to 72.

Expenditure on research and development for the first half of the year was £3.8m (H1 2016: £1.7m). Of this amount, research and development charged to the statement of profit and loss was £1.9m (H1 2016: £0.8m) and included initial costs relating to the pivotal Phase 3 CKD study and additional costs associated with the Marketing Authorisation approval. Costs of research and development which have moved out of research and into the development phase in relation to the head to head and paediatric studies, amounting to £1.9m (H1 2016: £0.9m), have been capitalised within intangible assets, together with CMC costs relating to the maintenance and scale up of manufacturing activity.

The above results translated into an adjusted loss before tax of £8.4m (H1 2016: loss of £5.1m). After adjusting for exceptional operating expenses of £1.2m relating to the amortisation of acquired intangibles (£1.0m) and share based payments (£0.2m), the statutory reported loss before tax for the period was £9.6m (H1 2016: loss of £8.9m).

Balance sheet

In June 2016, the Company raised £12m (before expenses of £0.4m) through a co-ordinated exercise of the Warrants at a price of 150p per share raising approximately £10.3m, a placing of 1,000,000 new ordinary shares at 150p per share raising £1.5m and a subscription of 96,669 new ordinary shares at 150p per share by the directors and a senior manager of the Company raising approximately £0.15m.

At 30 June 2017, the Group held net assets of £50.8m (H1 2016: £54.3m), including cash of £21.5m (H1 2016: £28.5m) and intangible assets of £29.9m (H1 2016: £27.5m).

The carrying value of £29.9m for intangible assets includes £24.3m relating to the intellectual property of Phosphate Therapeutics, £4.3m of capitalised development costs for Feraccru® and £1.2m for acquiring, maintaining and expanding the patent portfolio of Feraccru®.

At the balance sheet date, the Company had also received further Warrant exercise notices for aggregate gross subscription proceeds of £0.5m. On the balance sheet, this asset is included within trade and other receivables. Any unexercised Warrants at 30 June 2017 expired in accordance with the terms of the Warrant instrument and the Warrant has now been removed from trading on the AIM market.

Cash flows

As at 31 December 2016 the Group had cash of £21.5m. During the period, cash burn (net cash outflow from operating and investing activities) was £11.0m, versus £5.8m for the first half of 2016. As mentioned above, the Company raised net proceeds of £11.9m in the period, resulting in a net cash balance of £21.5m (H1 2016: £28.5m).

Foreign exchange management

The Group takes a conservative position with regard to foreign exchange activities and does not take out forward contracts against uncertain or forecast expenditure, as the timings and extent of future cash flow requirements denominated in foreign currencies are difficult to predict. Part of our IPO-related funds inflow was in Euros and this had the benefit of providing us with a significant level of natural hedging against the Brexit-related weakening of Sterling. Future currency needs are continually monitored and we will purchase when the extent and timings of such needs are known.

Loss per share

The Group loss was £9.6m (H1 2016: £8.9m), resulting in a loss per share of £0.09 (H1 2016: £0.09) for the period. After adding-back non-recurring and exceptional items (see Note 11) the adjusted loss per share was £0.08 (H1 2016: £0.05).

Carl Sterritt
CEO, Shield Therapeutics plc

Consolidated statement of profit and loss and other comprehensive income

for the six months ended 30 June 2017

	Note	**Six months ended 30 June 2017 (unaudited) £000**	Six months ended 30 June 2016 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Revenue	8	**142**	240	304
Cost of sales		**(38)**	(54)	(100)
Gross profit		**104**	186	204
Operating costs – selling, general and administrative expenses	9	**(7,787)**	(5,004)	(10,675)
Other operating income		**-**	40	40
Operating loss before research and development expenditure		**(7,683)**	(4,778)	(10,431)
Research and development expenditure		**(1,941)**	(787)	(2,029)
Operating loss		**(9,624)**	(5,565)	(12,460)
Analysed as:				
Operating loss before exceptional items		**(8,434)**	(4,010)	(10,303)
Exceptional items	10	**(1,190)**	(1,555)	(2,157)
Operating loss		**(9,624)**	(5,565)	(12,460)
Net foreign exchange (losses)/gains		**(4)**	151	270
Net foreign exchange losses on financial instruments	10	**-**	(1,059)	(1,059)
Net loss on financial instruments designated as fair value through profit or loss	10	**-**	(2,398)	(2,398)
Financial income		**10**	27	58
Financial expense		**(10)**	(7)	(14)
Loss before tax		**(9,628)**	(8,851)	(15,603)
Taxation		**-**	-	587
Loss for the period		**(9,628)**	(8,851)	(15,016)
Attributable to:				
Equity holders of the parent		**(9,628)**	(8,851)	(15,016)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences – foreign operations		**(23)**	(30)	112
Total comprehensive expenditure for the period		**(9,651)**	(8,881)	(14,904)
Attributable to:				
Equity holders of the parent		**(9,651)**	(8,881)	(14,904)
Total comprehensive expenditure for the period		**(9,651)**	(8,881)	(14,904)
Earnings per share				
Basic and diluted loss per share	11	**£(0.09)**	£(0.09)	£(0.15)
Non-GAAP measure				
Adjusted loss per share	11	**£(0.08)**	£(0.05)	£(0.09)

Group balance sheet

at 30 June 2017

	Note	**30 June 2017 (unaudited) £000**	30 June 2016 (unaudited) £000	31 December 2016 (audited) £000
Non-current assets				
Intangible assets	13	**29,870**	27,527	28,984
Property, plant and equipment		**16**	23	19
		29,886	27,550	29,003
Current assets				
Inventories		**138**	246	418
Trade and other receivables		**2,104**	1,182	1,985
Cash and cash equivalents		**21,521**	28,455	20,978
		23,763	29,883	23,381
Total assets		**53,649**	57,433	52,384
Current liabilities				
Trade and other payables		**(2,634)**	(2,978)	(3,827)
Other liabilities		**(197)**	(181)	(161)
		(2,831)	(3,159)	(3,988)
Total liabilities		**(2,831)**	(3,159)	(3,988)
Net assets		**50,818**	54,274	48,396
Equity				
Share capital	14	**1,746**	1,622	1,622
Share premium		**88,338**	77,963	77,963
Warrants reserve		**-**	2,760	2,760
Merger reserve		**28,358**	28,358	28,358
Currency translation reserve		**50**	(69)	73
Retained earnings		**(67,674)**	(56,360)	(62,380)
Total equity		**50,818**	54,274	48,396

Group statement of changes in equity

for the six months ended 30 June 2017

	Share capital £000	Share premium £000	Warrants reserve £000	Merger reserve £000	Currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2016 (audited)	690	-	-	28,358	(39)	(47,652)	(18,643)
Loss for the year	-	-	-	-	-	(15,016)	(15,016)
Other comprehensive income:							
Foreign currency translation differences	-	-	-	-	112	-	112
Total comprehensive income/(expense) for the year	-	-	-	-	112	(15,016)	(14,904)
Transactions with owners, recorded directly in equity							
Share issue – IPO	325	26,487	2,760	-	-	-	29,572
Share options exercised	309	25,011	-	-	-	-	25,320
Phosphate Therapeutics Limited acquisition	298	26,465	-	-	-	-	26,763
Equity-settled share-based payment transactions	-	-	-	-	-	288	288
Balance at 31 December 2016 (audited)	1,622	77,963	2,760	28,358	73	(62,380)	48,396
Loss for the period	-	-	-	-	-	(9,628)	(9,628)
Other comprehensive income:							
Foreign currency translation differences	-	-	-	-	(23)	-	(23)
Total comprehensive expense for the period	-	-	-	-	(23)	(9,628)	(9,651)
Transactions with owners, recorded directly in equity							
Share issue – exercise of warrants	108	10,235	(2,760)	-	-	2,760	10,343
Share issue – placing	15	-	-	-	-	1,381	1,396
Share issue – subscription	1	140	-	-	-	-	141
Equity-settled share-based payment transactions	-	-	-	-	-	193	193
Balance at 30 June 2017 (unaudited)	**1,746**	**88,338**	**-**	**28,358**	**50**	**(67,674)**	**50,818**

Group statement of cash flows

for the six months ended 30 June 2017

	Six months ended 30 June 2017 (unaudited) £000	Six months ended 30 June 2016 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Cash flows from operating activities			
Loss for the period	**(9,628)**	(8,851)	(15,016)
Adjustments for:			
Depreciation and amortisation	**1,186**	1,372	1,936
Loss on derivative financial instruments	**-**	2,398	2,398
Equity-settled share-based payment expenses	**193**	143	288
Financial income	**(10)**	-	-
Financial expense	**10**	(155)	-
Unrealised foreign exchange losses	**49**	1,105	984
	(8,200)	(3,988)	(9,410)
Decrease/(increase) in inventories	**280**	(246)	(418)
(Increase)/decrease in trade and other receivables	**(221)**	427	(377)
Decrease in trade and other payables	**(1,409)**	(988)	(154)
Increase in other liabilities	**36**	108	103
Financial income	**10**	-	-
Financial expense	**(10)**	-	-
Income tax received	**587**	-	-
Net cash flows from operating activities	**(8,927)**	(4,687)	(10,256)
Cash flows from investing activities			
Acquisitions of intangible assets	**(175)**	(378)	(528)
Capitalised development expenditure	**(1,894)**	(879)	(2,639)
Acquisition of property, plant and equipment	**-**	(10)	(8)
Cash acquired with Phosphate Therapeutics Ltd	**-**	177	177
Net cash flows from investing activities	**(2,069)**	(1,090)	(2,998)
Cash flows from financing activities			
Proceeds of warrants exercise	**10,306**	-	-
Proceeds of placing	**1,500**	-	-
Proceeds of subscription	**145**	-	-
Share issue costs	**(413)**	-	-
Proceeds of IPO	**-**	32,500	32,500
IPO costs	**-**	(2,427)	(2,427)
Other costs	**-**	(501)	(501)
Share options exercised	**-**	3,935	3,935
Net cash flows from financing activities	**11,538**	33,507	33,507
Net increase in cash	**542**	27,730	20,253
Cash and cash equivalents at beginning period	**20,978**	725	725
Effects of currency translation on cash and cash equivalents	**1**	-	-
Cash and cash equivalents at period end	**21,521**	28,455	20,978

Notes

for the six months ended 30 June 2017

1. General information

Shield Therapeutics plc (the "Company") is incorporated in England and Wales as a public limited company. The Company trades on the London Stock Exchange's AIM market, having been admitted on 26 February 2016.

The Company is domiciled in England and the registered office of the Company is at Northern Design Centre, Baltic Business Quarter, Gateshead Quays NE8 3DF.

This interim report, which is not audited, has been prepared in accordance with the measurement and recognition criteria of EU Adopted International Financial Reporting Standards. It does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company and its subsidiaries (the "Group") as at and for the year ended 31 December 2016. This financial information does not constitute statutory financial statements as defined in Section 435 of the Companies Act 2006. It does not comply with IAS 34 Interim financial reporting, as is permissible under the rules of AIM.

The interim report was approved by the board of directors on 19 September 2017.

2. Fundraising

During the period the Company raised gross proceeds of £12.4m through the combination of an exercise of Warrants, institutional placing and subscription for shares. In addition £36.4m was raised in the prior financial year through the Company's IPO and an exercise of shareholder options. Details of these transactions are provided below.

AIM listing

Shield Therapeutics plc was admitted to AIM on 26 February 2016 with a placing price of £1.50 per share for the additional 21.7m new shares issued pursuant to the placing. The Company's Shares and Warrants (see below) commenced trading on 26 February 2016. £32.5m gross was raised through the listing process and £2.4m of issue costs were incurred in the process.

On 26 February 2016 debt with a fair value of £21.4m was converted to equity and this included certain options converted to equity at an exercise price of £3.9m. As a consequence of this transaction, reserves increased by £25.3m and the Group became debt free. Fair value costs of £2.4m and foreign exchange translation costs of £1.1m were charged to the profit and loss account during the prior year as a consequence of the fair value remeasurement of the debt prior to its conversion.

Exercise of Warrants

As part of the listing process 11,666,658 of Warrants were issued to participants in the placing, which traded under the ticker STXW. The Warrants were scheduled to expire at 30 June 2017.

During June 2017 7,193,766 Warrants were exercised at a strike price of £1.50, raising gross proceeds of £10.8m. £0.5m of the proceeds remain due to the Company at the period end. The remaining 4,472,892 Warrants lapsed at 30 June 2017.

Placing

On 28 June 2017 the Company issued an additional 1,000,000 Ordinary Shares to participants in a placing, raising gross proceeds of £1.5m. The placing was undertaken by means of a cash box structure. Consequently relief was available under s612 of the Companies Act 2006 from recording share premium and the difference between net proceeds and the nominal value of shares issued was transferred to retained earnings.

Subscription

On 28 June 2017 the Company's directors and senior management subscribed to an issue of 96,669 Ordinary Shares, raising gross proceeds of £145,000.

Expenses of £0.5m were incurred in the course of the exercise of Warrants, placing and subscription. £0.1m of these expenses remained due for payment at the period end.

3. Acquisition of Phosphate Therapeutics Limited

On 26 February 2016 Shield Therapeutics plc acquired 100% of the share capital of Phosphate Therapeutics Limited in consideration for 19,887,791 shares in the Company with a fair value of £27m. This has been accounted for as the acquisition of Phosphate Therapeutics Limited's intellectual property.

4. Merger of Swiss entities

During 2016 the group merged its Swiss legal entities, Shield Holdings AG, Iron Therapeutics Holdings AG and Iron Therapeutics (Switzerland) AG, with effect from 31 August 2016. Following completion of the merger process Shield Holdings AG and Iron Therapeutics (Switzerland) AG have been dissolved. The surviving entity, Iron Therapeutics Holdings AG changed its name to Shield TX (Switzerland) AG and now contains the assets formerly held by the dissolved Swiss entities.

5. Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information. The financial information is prepared on the historical cost basis except for derivative financial instruments that are stated at their fair value. The functional currency of the Company is GBP. The consolidated financial information is presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated.

Going concern

The Directors have considered the funding requirements of the Group for a period of 12 months from the date of approval of this report.

In June 2017 the Company succeeded in raising gross proceeds of £12.4m through the combination of an exercise of Warrants, institutional placing and subscription for shares. At the period end the Group held £21.5m of cash and net assets of £50.8m.

After consideration of the above the Directors believe that the Group is well placed to manage its key risks, including the funding of its further development. They have, therefore, a reasonable expectation that the Group has adequate resources to continue to meet its liabilities as they fall due for at least the next 12 months from the date of approval of this report. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial information.

Basis of consolidation

The consolidated financial information comprises the financial information of the Group and its subsidiaries as at 30 June 2017.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial information of the subsidiaries is prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances and transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentation currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the currency translation reserve.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

5. Accounting policies (continued)

Classification of financial instruments issued by the Group (continued)

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in this financial information for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash at bank and in hand, restricted cash, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade payables, other payables and other liabilities

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances in the bank and restricted cash.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and is measured using standard costing techniques. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In arriving at net realisable value provision is made for any obsolete or damaged inventories.

Embedded derivatives

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through the profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Intangible assets

Research and development

Expenditure on research activities is recognised as an expense in the statement of profit and loss.

Expenditure on development activities directly attributable to an intangible asset is capitalised when the following conditions are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

5. Accounting policies (continued)
Intangible assets (continued)

The Group considers that Marketing Authorisation Approval "MAA" regulatory approval in the relevant jurisdiction confirms these criteria.

Internally developed intangible assets are recorded at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised directly attributable development costs include clinical trial costs, Chemistry, Manufacturing and Controls "CMC" costs and contractor costs. Internal salary costs have not been capitalised as they are not considered to directly relate to bringing the asset to its working condition and employee costs are not allocated by project.

Expenditure in relation to patent registration and renewal of current patents is capitalised and recorded as an intangible asset. Registration costs are continually incurred as the Group registers these patents in different countries. Patent assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the statement of profit and loss on the straight-line basis. Amortisation commences when patents are issued, or in the case of other capitalised development expenditure when substantive revenue is being generated from products. Amortisation is charged as follows.

Patents, trademarks and development costs	– over the term of the patents (currently until 2029 – 2035)
Chemistry, Manufacturing and Controls costs (development costs)	– over five years
Intellectual property purchase costs	– over the term of the patents

Impairment of assets

An impairment review is carried out annually for assets not yet in use. An impairment review is carried out for assets being amortised or depreciated when a change in market conditions and other circumstances indicates that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation. The cost of property, plant and equipment includes the purchase price and any costs directly attributable to bringing it into working order.

Depreciation on property, plant and equipment is calculated to allocate the cost to the residual values over the estimated useful lives, as follows:

Furniture, fittings and equipment	– 25% reducing balance basis
Computer equipment	– 33.33% straight-line basis

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Revenue
Revenue is net invoice value after the deduction of value added tax and other sales taxes. Deductions are made for product returns based on historical experience.

Revenue is recognised in the consolidated statement of profit and loss and other comprehensive income when the risks and rewards associated with the ownership of goods are transferred to the customer. This is deemed to occur when the customer collects and loads the product, resulting in the legal transfer of title.

Other operating income
Other operating income is measured at the fair value of consideration received or receivable for management services supplied to related parties. Income is recognised when the service has been delivered.

5. Accounting policies (continued)

Expenses

Financial income and expense

Financial expense comprises interest payable, finance charges on shares classified as liabilities and net foreign exchange losses that are recognised in the statement of profit and loss (see foreign currency accounting policy). Financial income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of profit and loss on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Share-based payments

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant date.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

6. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 5, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of intellectual property acquired with Phosphate Therapeutics Limited

The valuation of intellectual property acquired with Phosphate Therapeutics Limited during the prior year is based on cash flow forecasts for the underlying business and an assumed appropriate cost of capital and other inputs in order to arrive at a fair value for the asset. The realisation of its value is ultimately dependent on regulatory approval and successful commercialisation of the asset. Work on the development of a suitable commercial formulation of the drug product is ongoing and a strategic commercial/co-development partner for the asset is being sought. In the event that commercial returns are lower than current expectations this may lead to an impairment.

6. Critical accounting judgments and key sources of estimation uncertainty (continued)

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them.

Fair value of derivative instruments
Where the fair value of derivative instruments recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as entity value and volatility.

Deferred tax assets
Estimates of future profitability are required for the decision whether or not to create a deferred tax asset. To date no deferred tax assets have been recognised.

Development expenditure
Development expenditure is capitalised when the conditions referred to in Note 5 are met.

7. New standards and interpretations
The Group has not adopted any standards, amendments or interpretations in this financial information for the first time.

At the balance sheet date the following standards, amendments and interpretations were in issue but not yet effective. The Group has not early adopted any of these standards, amendments and interpretations and is currently assessing their impact.

- IFRS 9 Financial instruments.
- IFRS 15 Revenue from contracts with customers.

The Group is continuing to assess the impact of IFRS 15 and does not expect its introduction to materially impact 2017 revenue based on an initial assessment.

8. Segmental reporting
The following analysis by segment is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Chief Operating Decision Maker (considered to be the Board of Directors) to assess performance and make strategic decisions about the allocation of resources. Segmental results are calculated on an IFRS basis.

A brief description of the segments of the business is as follows:

- Feraccru® – development and supply of the Group's lead Feraccru® product
- PT20 – development of the Group's secondary asset

Assets and liabilities which cannot be allocated to an individual segment are recorded as central and unallocated overheads.

Notes (continued)

for the six months ended 30 June 2017

8. Segmental reporting (continued)

The revenue analysis in the table below is based on the country of registration of the fee paying party. All revenue is derived from the sale of goods.

	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2016 (audited) £000
UK	**-**	240
Europe	**142**	64
	142	304

An analysis of revenue by customer is set out in the table below.

	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Customer A	**-**	160
Customer B	**129**	113
Customer C	**13**	31
	142	304

Six months ended 30 June 2017 (unaudited)	**Feraccru® £000**	**PT20 £000**	**Central and unallocated overheads £000**	**Total £000**
Segment assets	**7,396**	**24,481**	**21,772**	**53,649**
Segment liabilities	**(2,514)**	**(9)**	**(308)**	**(2,831)**
Total net assets	**4,882**	**24,472**	**21,464**	**50,818**
Depreciation, amortisation and impairment	**189**	**997**	**-**	**1,186**
Capital expenditure	**-**	**-**	**-**	**-**
Capitalised development costs	**1,894**	**-**	**-**	**1,894**

Year ended 31 December 2016 (audited)	Feraccru® £000	PT20 £000	Central and unallocated overheads £000	Total £000
Segment assets	6,450	25,394	20,540	52,384
Segment liabilities	(3,645)	(129)	(214)	(3,988)
Total net assets	2,805	25,265	20,326	48,396
Depreciation, amortisation and impairment	172	1,764	-	1,936
Capital expenditure	8	-	-	8
Capitalised development costs	2,639	-	-	2,639

All material segmental non-current assets are located in the UK.

9. Operating costs – selling, general and administrative expenses

Operating costs are comprised of:

	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Selling costs	**3,859**	4,174
General and administrative expenses	**2,742**	4,565
Depreciation and amortisation	**1,186**	1,936
	7,787	10,675

10. Exceptional items

Exceptional items are separately disclosed on the basis that the Directors believe this is necessary to enable a fuller understanding of the performance of the Group. The Directors define exceptional items as:

- Material items that are unusual by size or incidence – this includes costs related to the IPO, including those related to complex financial instruments that expired at IPO; or
- Non-cash charges which, whilst recurring in nature, at this stage in the Group's development, are of a disproportionate size relative to the Group's other expenditure – this includes the amortisation of the Phosphate Therapeutics licences and share-based payment charges.

	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Phosphate Therapeutics Ltd. intellectual property amortisation	**997**	1,702
Share-based payments charge	**193**	288
Non-recurring legal and professional fees	**-**	167
Exceptional items charged within operating loss	**1,190**	2,157
FX movement on share options	**-**	1,059
Fair value remeasurement of share options	**-**	2,398
Total exceptional items	**1,190**	5,614

Notes (continued)

for the six months ended 30 June 2017

11. Loss per share

	Six months ended 30 June 2017 (unaudited)			Year ended 31 December 2016 (audited)		
	Loss £000	**Weighted shares 000**	**Loss per share £**	Loss £000	Weighted shares 000	Loss per share £
Basic and diluted	**(9,628)**	**108,223**	**(0.09)**	(15,016)	101,160	(0.15)
Adjusted – basic and diluted	**(8,438)**	**108,223**	**(0.08)**	(9,402)	101,160	(0.09)
Proforma adjusted – basic and diluted	**(8,438)**	**108,223**	**(0.08)**	(9,402)	108,135	(0.09)

Basic EPS is calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the period.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the period plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

At the date of approval of the report 2,759,506 of share options were in issue under the Company's LTIP and CSOP, which are considered non-dilutive and potentially provide 2,759,506 additional Ordinary Shares (approximately 2% of the current share capital). The level of options exercisable under the LTIP is dependent on the achievement of targets against the Compound Annual Growth Rate in the Company's share price over the vesting period.

The adjusted loss is calculated after adding back non-recurring and exceptional items as illustrated in the table below, in order to illustrate the underlying performance of the business.

The adjusted loss is calculated using the weighted average number of Ordinary Shares in issue during the period.

The adjusted proforma loss per share is calculated using the number of Ordinary Shares in issue following the IPO, and is presented to show how the loss per share would appear had the post-IPO level of Ordinary Shares been in place from the beginning of 2016.

The table below reflects the income used in the basic, diluted and adjusted (non-GAAP) EPS computations:

	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Loss for the period as used for calculating basic EPS	**(9,628)**	(15,016)
Fair value remeasurement of share options	**-**	2,398
Phosphate Therapeutics Ltd. intellectual property amortisation	**997**	1,702
FX movement on share options	**-**	1,059
Non-recurring legal and professional fees	**-**	167
Share-based payments charge	**193**	288
Loss attributable to ordinary equity holders of the parent adjusted for the effect of one-off and exceptional items as used for calculating Adjusted EPS	**(8,438)**	(9,402)

Notes (continued)

for the six months ended 30 June 2017

12. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	Six months ended 30 June 2017 (unaudited) Number	Year ended 31 December 2016 (audited) Number
R&D	**9**	7
Medical	**3**	2
Commercial	**13**	8
Finance and administration	**15**	12
	40	29

The aggregate payroll costs of these persons were as follows:

	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Wages and salaries	**2,121**	3,221
Share-based payments	**193**	288
Other employee benefits	**119**	199
Pensions	**82**	108
	2,515	3,816

13. Intangible assets

Group	**Patents and trademarks £000**	**Development costs £000**	**Phosphate Therapeutics licences £000**	**Total £000**
Cost				
Balance at 1 January 2016 (audited)	689	-	-	689
Additions – externally purchased	528	-	-	528
Additions – internally developed	-	2,639	-	2,639
Acquisition with Phosphate Therapeutics Limited	-	-	27,047	27,047
Effect of movements in foreign exchange	223	-	-	223
Balance at 31 December 2016 (audited)	1,440	2,639	27,047	31,126
Additions – externally purchased	175	-	-	175
Additions – internally developed	-	1,894	-	1,894
Balance at 30 June 2017 (unaudited)	**1,615**	**4,533**	**27,047**	**33,195**
Accumulated amortisation				
Balance at 1 January 2016 (unaudited)	176	-	-	176
Charge for the period	113	115	1,702	1,930
Effects of movements in foreign exchange	36	-	-	36
Balance at 31 December 2016 (unaudited)	325	115	1,702	2,142
Charge for the period	60	126	997	1,183
Balance at 30 June 2017 (unaudited)	**385**	**241**	**2,699**	**3,325**
Net book values				
30 June 2017 (unaudited)	**1,230**	**4,292**	**24,348**	**29,870**
31 December 2016 (audited)	1,115	2,524	25,345	28,984

Notes (continued)

for the six months ended 30 June 2017

14. Share capital

	Number 000	£000
At 31 December 2016 (audited)	108,135	1,622
Exercise of warrants	7,194	108
Issuance of shares pursuant to placing	1,000	15
Issuance of shares pursuant to subscription	97	1
At 30 June 2017 (unaudited)	**116,426**	**1,746**

The issuance of share capital during the period is described further in Note 2.