06 September 2023

Oxford Nanopore Technologies plc

Interim results for the six months ended 30 June 2023

- *Underlying[1] Life Science Research Tools (LSRT) revenue up 53% or 46% on a constant currency basis driven by high quality, recurring consumables revenue and new customer acquisition*
- *LSRT gross margin up 280 basis points driven by improvements to flow cell margins from optimised manufacturing techniques and efficiency*
- *Continued investment in innovation and commercial infrastructure drives increased use of our technology by existing and new customers, further strengthening market position*

Oxford Nanopore Technologies plc (LSE: ONT) ("Oxford Nanopore" or the "Group"), the company behind a new generation of molecular sensing technology based on nanopores, today announces its interim results for the six months ended 30 June 2023.

Gordon Sanghera, Chief Executive Officer, commented:
"We delivered strong performance in the first half, with underlying Life Science Research Tools revenue up 46% on a constant currency basis, as more researchers harnessed our sequencing technology to help find solutions to some of the planet's most pressing problems. We have invested significantly in innovative new products and platform enhancements, so that customers can benefit from richer, faster and more accessible data wherever they need it. We have also launched important new partnerships and collaborations aimed at opening opportunities in clinical and applied sequencing markets."

Summary financial performance

£ million Unless otherwise stated	**H1 2023**	**H1 2022**	**Change reported**	**Change CC[2]**
Total revenue	86.0	122.3	(29.7)%	(33.0)%
- Legacy Covid Testing Revenue	-	51.8	(100)%	(100)%
- Life Science Research Tools (LSRT) revenue	86.0	70.6	+22%	+16%
Underlying[1] LSRT revenue	75.6	49.4	+53%	+46%
Gross profit	49.5	78.0	(37)%	
Gross margin	57.6%	63.7%	(610)bps	
LSRT Gross margin	57.6%	54.8%	+280bps	
Adjusted EBITDA[3]	**(39.4)**	**(34.6)**	(4.8)	
Loss for the period	**(70.1)**	**(30.2)**	(39.9)	

Notes:
Certain numerical figures included herein have been rounded. Therefore, discrepancies in between totals and the sums may occur due to such rounding.
[1]Underlying revenue excludes revenue from COVID sequencing and revenue from the Group's largest customer, The Emirati Genome Program (EGP). All references to underlying growth in this document have been adjusted for COVID sequencing and EGP revenues.
[2]Constant currency applies the same rate to the H1 23 and H1 22 non-GBP results based on H1 22 rates
[3]Adjusted EBITDA is the EBITDA adjusted for i) Share-based payment expense on founder LTIP ii) Employers' social security taxes on pre-IPO awards, iii) Revenue and expenses associated with the settlement of the COVID testing contract with the DHSC and iv) impairment of investment in associate – see note 4(b).

H1 Financial highlights

- LSRT revenue increased by 22% to £86 million, primarily driven by new customer acquisition, partially offset by a £9.9 million headwind from COVID sequencing, as expected and previously guided to.
- Underlying LSRT revenue growth up 46% on a constant currency basis.
- LSRT growth in all regions; led by the Americas with revenue up 41% on a reported basis and 72% on an underlying basis.
- Strong underlying growth across all LSRT customers (S1, S2, S3, indirect) up 36%, 61%, 53% and 61% respectively.
- LSRT gross margin increased by 280 bps to 57.6%, predominantly driven by improvements in manufacturing efficiency, partially offset by one off costs associated with excess COVID sequencing kit write offs and investment in compute upgrades.
- Total revenue and gross margin decline of 29.7% and 610 basis points respectively, reflects, as expected and previously announced, the conclusion of the Group's legacy Covid testing contract with the Department of Health and Social Care (DHSC) in 2022.
- Adjusted EBITDA loss of £(39.4) million (H1 22: £(34.6) million); higher LSRT gross profit offset by increased operating expenses, reflecting investment in commercial and marketing teams, to support long term sustainable growth.
- Increase in loss year-on-year to £(70.1) million (H1 22: £(30.2) million). The result for H1 22 included the income from the conclusion of the Group's Covid testing contract with the DHSC as described above, a net benefit of £37.9 million.

- Cash, cash equivalents and other liquid investments of £484.6 million[1], compared to £558.0 million as of 31 December 2022.

H1 Key strategic and operational highlights

Continued innovation to strengthen our unique market position

- **Q20+ chemistry roll-out nearing completion** with a large proportion of all new orders placed being for the upgraded flow cells and kits. The Q20+ chemistry generates single molecule accuracy of 99% and is delivering highly accurate variant and methylation detection at unparalleled scale with no additional capital investment necessary by our customers, further strengthening our market position.
- **Acceleration and simplification of sequencing analysis pipelines** with the latest software release enabling Q20+ data to be generated and basecalled in real time, including methylation, on the A-series PromethION® compute. The A-series compute upgrade is highly sought after by high-throughput users as they continue to scale nanopore-based projects. With all basecalling, 5mC, 5hmC and other modifications fully analysed on the sequencer, customers workflows are simple and easy to scale.
- **Democratising access to large genomes, transcriptomes and other high output applications** with the PromethION 2 (P2) product range launch underway. A diverse range of customers have purchased the P2 Solo, there are now hundreds of P2 Solos in the field in over 45 countries, with potential to expand the high-output market to substantially more users. Users can plug these highly accessible devices into their GridION ® or a stand-alone compute. The fully integrated P2(i) is with developers before broader early access launch later in 2023.
- **Driving the highest accuracy:** Early access of High Duplex flow cells is underway with key users, as they explore nanopore Q30 (99.9%) single molecule accuracy for the most demanding use cases, such as 'Telomere-to-Telomere' genomes, metagenomic assemblies or strand specific methylation.

Strategic collaborations and programmes that access and develop new growth markets, in stated target areas of human genetics, cancer and infectious disease

- **Collaborations for clinical and applied markets:** New strategic collaborations to optimise the Group's impact in emerging health and industrial applied markets, including: bioMérieux to develop innovative infectious disease diagnostics, 4bases in human and cancer genetics and Pathoquest to advance biological therapeutics.
- **Large scale UK psychiatric research programme:** Announced 22,000 sample cohort study led by the UK National Institute for Health and Care Research (NIHR) BioResource to further research in the initial areas of psychiatric, common and rare disease.
- **German programme for rare disease**: Announced research collaboration agreement with "lonGER the 'Clinical Long-read Genome Initiative' a new national German programme developed to evaluate the clinical and research applications of comprehensive nanopore-based sequencing to advance the understanding of rare disease.
- **Large scale US neurodegeneration research programme:** National Institutes of Health (NIH) Center for Alzheimer's and Related Dementias (CARD) published an end-to-end pipeline using Oxford Nanopore technology that produces state-of-the-art single nucleotide polymorphism (SNP), structural variant and methylation calls, while being cost-effective and scalable for large projects.
- **Pathogen sequencing in ICU improves outcomes:** Guy's and St Thomas' hospital published evidence of respiratory metagenomics workflow using Oxford Nanopore resulting in improved patient outcomes. Project scaleup continues.
- **Stanford shows methylation helps monitor cancer:** A Stanford University team published a nanopore-based method for characterising cell-free DNA methylomes, highlighting the future potential of applying this method for longitudinal monitoring of cancer during treatment.

Investment in operations and people to support growth strategy

- **Improving global distribution for faster and easier product delivery:** Agreement signed with UPS to drive rapid and easy global logistics and ease of delivery for broad customer base, with specific impact in North America and Asia Pacific. Flow cells will be stored in UPS Healthcare's high tech distribution facility in Singapore for the first time and be delivered within 24 to 48 hours through UPS's distribution capabilities to destinations across Asia Pacific.
- **Expansion of teams to optimise commercial traction:** Global Commercial headcount increased to 346 at 30 June 2023.
- **Board expansion reflects Pharma/Biotech potential:** Kate Priestman appointed as Non-Executive Director, adding extensive experience as a biopharma executive, serving in leadership roles across commercial, operations, corporate strategy, communications, and government affairs.

A full list of announcements in H1 23 can be found here

[1] Cash and cash equivalents of £334.8 million and Investment bonds of £149.8 million.

Key post period end highlights

- **Using Oxford Nanopore alone, for 'platinum' telomere-to-telomere (T2T) human genomes:** Researchers from a Chinese consortium published the first T2T human reference genome for a Han Chinese male, using Oxford Nanopore's ultra-long reads, further illustrating that ultra-high quality T2T human genomes are now possible using only Oxford Nanopore sequencing technology, having previously been assembled with a mixture of technologies.
- **Research shows cancer utility of nanopore single cell RNA analysis:** A research team at Northwestern University, USA, developed a computational tool, scNanoGPS (single cell Nanopore sequencing analysis of Genotypes and Phenotypes Simultaneously) to accelerate RNA sequencing analysis of same-cell genotypes and phenotypes in tumours, as detailed in a study published in Nature.
- **Using Oxford Nanopore to detect drug-resistant tuberculosis and infectious disease:** The World Health Organization (WHO) announced that a rapid sequencing solution being developed by Oxford Nanopore meets the class-based performance criteria to detect drug resistance after TB diagnosis, to guide clinical decision-making for drug-resistant TB treatment.

Financial guidance

We expect full year 2023 LSRT revenue growth of 18-25% on a constant currency basis, within the range we previously guided to. This range includes:

- COVID sequencing revenue: anticipated headwind of approximately £18m, slightly lower than previously expected.
- EGP revenue: expected to be lower than the prior year period (FY22: £13.2 million).

FY23 Underlying LSRT revenue growth, excluding COVID sequencing and the EGP, is expected to be more than 40% on a constant currency basis.

We now expect gross margin to be greater than 57% for FY23, reflecting i) the one off impact of investment in upgrading the compute towers on our large PromethION devices, which delivers competitive performance advantage by delivering high output rapid data analysis for large datasets, to drive higher long term utilisation and new customer acquisition and also ii) the write off of excess COVID sequencing kits.

All medium-term (FY26) targets are unchanged:

- Underlying LSRT revenue growth of more than 30% per annum on a constant currency basis
- LSRT gross margin of greater than 65% by FY26
- Adjusted EBITDA breakeven by FY26

Presentation of results
Management will host a conference call and webcast today at 12:00pm GMT/ 7:00am ET.
For details, and to register, please visit https://nanoporetech.com/about-us/investors/reports. The webcast will be recorded and a replay will be available via the same link shortly after the presentation.

For further details please contact ir@nanoporetech.com

Capital Markets Day - 19 October 2023

Oxford Nanopore will be hosting a Capital Markets Day for sell-side analysts and institutional investors on Thursday, 19 October 2023 from 12:00pm. The event will be held at The Science Museum, Exhibition Rd, South Kensington, London SW7 2DD.

The event will include presentations and Q&A sessions from Oxford Nanopore's Executive Leadership Team and includes a customer panel and product demonstrations.

Places are limited so if you would like to attend in-person please contact ir@nanoporetech.com. The event will also be webcast live.

-ENDS-

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About Oxford Nanopore Technologies plc:

Oxford Nanopore Technologies' goal is to bring the widest benefits to society through enabling the analysis of anything, by anyone, anywhere. The company has developed a new generation of nanopore-based sensing technology that is currently used for real-time, high-performance, accessible, and scalable analysis of DNA and RNA. The technology is used in more than 120 countries, to understand the biology of humans, plants, animals, bacteria, viruses and environments as well as to understand diseases such as cancer. Oxford Nanopore's technology also has the potential to provide broad, high impact, rapid insights in a number of areas including healthcare, food and agriculture.
For more information please visit: www.nanoporetech.com

Forward-looking statements

This announcement contains certain forward-looking statements. For example, statements regarding expected revenue growth and profit margins are forward-looking statements. Phrases such as "aim", "plan", "expect", "intend", "anticipate", "believe", "estimate", "target", and similar expressions of a future or forward-looking nature should also be considered forward-looking statements. Forward-looking statements address our expected future business and financial performance and financial condition, and by definition address matters that are, to different degrees, uncertain. Our results could be affected by macroeconomic conditions, the COVID pandemic, delays in our receipt of components or our delivery of products to our customers, suspensions of large projects and/or acceleration of large products or accelerated adoption of pathogen surveillance. These or other uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements.

Business review

Notes:
In this section, all growth rates are year-on-year unless otherwise stated. Underlying revenue equals LSRT revenue minus COVID sequencing and EGP revenues. All underlying growth rates referred to in this report have been adjusted for EGP and COVID sequencing. See reconciliation on pages 12-13.
Certain numerical figures included herein have been rounded. Therefore, discrepancies in between totals and the sums may occur due to such rounding.

Performance summary

The Group delivered strong performance in the first half of 2023, delivering LSRT revenue of £86.0 million, up 22% on a reported basis and 16% on a constant currency basis. This includes a £9.9 million year-on-year headwind from COVID sequencing as expected and a £0.9 million decline in revenue from the EGP. Total revenue of £86.0 million for H1 23 compares to £122.3 million in H1 22, which included the one off £51.8 million of revenue from the conclusion of the Group's legacy Covid testing contract with the DHSC, as previously announced.

On an underlying basis, excluding revenues from the EGP and COVID sequencing, we delivered 46% LSRT revenue growth on a constant currency basis. The strong results we continue to deliver are a testament to our highly differentiated sequencing technology platform and the strength and dedication of our teams across the globe.

Growth continues to be driven by high quality, recurring consumables revenue, accounting for 75% of LSRT revenue in H1 23, largely consistent with last year. Growth in consumables was strong, up 18% year-on-year despite a £9.9 million headwind from COVID sequencing, which predominantly comprised consumables revenue. The continued increase in the user base and utilisation of our technology is reflected in the growth of both i) consumables and ii) device, licence and warranty and other revenue during the period, up 36% year-on-year.

We delivered strong underlying growth across all LSRT customer groups in H1. After excluding revenue from the EGP and COVID sequencing, year-on-year underlying growth in the S1, S2 and S3 customer groups was 36%, 61% and 53% respectively. In addition, sales through distributors (the "indirect" group) increased by 61% year-on-year on an underlying basis.

LSRT gross margin increased by 280 basis points year-on-year to 57.6%. This margin expansion was predominantly driven by improvements to flow cell margins from optimised manufacturing techniques, more than offsetting the net negative impact of one-off costs including the write-off of COVID sequencing kits.

At a regional level, we delivered LSRT growth across all three regions, led by the Americas.

Americas – achieved growth of 72% on an underlying basis, driven by strong demand for PromethION devices and consumables. Strong commercial execution in this region reflects increased investment in commercial resources and growing demand for our unique technology platform. For our largest customers revenue growth in this region is principally driven by research in human disease in the USA and Canada, including projects looking at cancer and neurological diseases.

EMEAI – revenue grew by 57% on an underlying basis. Growth was driven by sales of consumables and PromethION devices in the UK and Germany where our largest customers are conducting human genetics and cancer research.

APAC – revenue grew 23% on an underlying basis, driven by growth in consumables and services sold through our distributors. APAC is dominated by China, which was unchanged year-on-year, but showed a strong underlying growth after excluding COVID sequencing.

Adjusted EBITDA loss of £(39.4) million, an increase of £4.8 million (H1 22: £(34.6) million). This was primarily driven by higher LSRT gross profit offset by increased operating expenses, reflecting investment in innovation and investment in commercial and marketing teams, to support long-term sustainable growth.

The loss for the period was £(70.1) million, a year-on-year increase of £39.9 million (H1 22: £(30.2) million). The result for H1 22 included the income from the conclusion of the Group's Covid testing contract with the DHSC as described above, a net benefit of £37.9 million.

At 30 June 2023, cash and cash equivalents and liquid investments[2] totalled £484.6 million, compared to £558.0 million at 31 December 2022.

Like many other similar technology companies, we took a decision last year to secure the long-term supply of inventory, to mitigate global supply risks affecting multiple technology and life science industries, that could potentially affect availability of core components. At the balance sheet date, inventory was £102.9 million, £15.2 million higher than at 31 December 2022. The significant increase in inventory in H1 reflects the shortening of lead times on core components, leading to earlier than planned deliveries of these items.

We expect inventory levels and capital expenditure on assets under operating leases to return to normal levels in relation to sales from 2024 onwards.

[2] Cash, cash equivalents and other liquid investments includes cash and cash equivalents, treasury deposits and investment bonds.

Execution of our strategy

Disruptive Innovation

Our commitment to continuous innovation is central to our strategy for growth, as our technology delivers both new and improved ways for customers to answer biological questions and therefore reshapes the market. In line with the strategic priorities set out earlier this year we have focused on driving rapid adoption of PromethION 2 (P2) Solo, strengthening the PromethION 24 (P24) and PromethION 48 (P48) with accelerated compute, and Q20+ chemistry. In addition, we are progressing our innovation pipeline with upcoming releases, including products such as P2i, the "project TurBOT"[3] automation system and MinION Mk1D device.

High-performance and rapid sequencing, across the nanopore sequencing platform:

In the first half of 2023 we continued to focus on driving performance improvements in the field through the rollout of our Q20+ chemistry, consisting of Kit 14 sample preparation kits and flow cells containing the new R10.4.1 nanopore chemistry. Q20+ chemistry combines very high single-molecule accuracy with the ability to reach all parts of the genome and characterise all types of genetic variation, through the ability to sequence any length fragments of native DNA/RNA. The platform now delivers simplex accuracy (when a single strand is read by the nanopore) of over 99%. Simplex accuracy delivers market leading detection and characterisation of Single Nucleotide Polymorphisms (SNP), Structural Variants (SV) and methylations. This mode is extensively used by all large studies of plants, animals and humans.

Field performance with our new chemistry continues to move from strength to strength and it has been exciting to see the first wave of scientific publications come through.

In one preprint, researchers from the University of California, Santa Cruz and the National Cancer Institute sequencing on PromethION 48 noted that using a single flow cell with the latest 'Q20+ chemistry', they could "*detect SNPs with F1-score better than short read sequencing*" and "*discover structural variants with F1-scores comparable to state-of-the-art methods involving [alternative long read sequencing] and trio information (but at lower cost and greater throughput*)". The paper also describes how with nanopore-based phasing, it is possible to combine and phase small and structural variants at megabase scales, all of which combines to give the clearest picture yet of the whole genome.

In a peer-reviewed Nature publication, researchers from the Children's Hospital of Philadelphia used Q20+ chemistry to demonstrate a low-cost method for targeted long-read RNA sequencing. Called TEQUILA-seq, the method enhances throughput for long-read RNA sequencing by targeted sequencing, using a preselected gene panel to analyse full-length transcripts of 468 cancer genes in 40 breast cancer cell lines. They identified novel isoforms and revealed a mechanism for inactivating tumour suppressor genes via aberrant isoform variation and degradation.

In the first half of the year, we also announced the early availability of the High Duplex flow cells, suitable for the most challenging of applications, such as 'Telomere-to-Telomere' assembly of genomes, metagenomic assemblies and strand specific methylation research. Duplex refers to the analysis of combined measured signals from double-stranded DNA to produce 99.9% single molecule accuracy (Q30).

Enabling accessible, distributed sequencing for anyone, anywhere

We continue to innovate towards a new future of near-sample, real-time, low-cost technology that can characterise biological samples in any environments from clinics to factories to classrooms.

The P2 Solo rollout continues, opening up new high-output sequencing possibilities with compact form factor. Developer access to the P2i, with integrated compute and screen, started in H1 and will continue through the year.

We have been pleased to see the strong interest in both of these devices across a diverse set of customers. P2 Solo has now been deployed into hundreds of laboratories in over 45 countries., across a broad range of users and applications. We have received orders from over 500 customers to date, with approximately 20% coming from new accounts.

With MinION, an upcoming software release will enable users to take full advantage of Apple®[4]'s latest silicon development (the M2, M2Max and M2Pro, enabling customers to pair our most affordable sequencer with the convenience of Apple hardware and generate, basecall and analyse data on the go. In addition, the MinION will be revamped for the first time since 2015 and the new, smaller format, with iPad®[4] connectivity (the "MK1D") will be with developers in H2 23[5]), ahead of a wider launch in 2024. The new MinION will continue to enable a broad scientific community to take control of their high-performance experiments, rapidly and in any environment. The MK1D will have improved temperature control enabling customers to deploy it in a broader set of environments whilst maintaining the temperature in range to generate Q20+ data. An iPad® case, in development, will offer easy compatibility from the MinION Mk1D to an iPad Pro®, enabling it to use all the latest features including long battery life, accelerated processing, 5G mobile connectivity and more.

Also, in development and now showing "Q20+" sequencing, is a new, small and low-power chip (application specific integrated circuit - ASIC) which will further drive the ability to analyse anything, anywhere. This new ASIC will underpin a new family of lower-

[3] Project TurBOT is developing a fully automated, sample-to-sequence solution featuring an integrated MinION sequencer.
[4] Apple, iPad, and iPad Pro are registered trademark of Apple Inc.
[5] Developer access: Trial release of new innovations to a small group of developers to confirm functionality and explore early use cases. Available by request only.

cost, lower-power devices, including the MinION MkII while the standard MinION ASIC is also being revamped to deliver data more quickly.

Transforming PromethION devices

In 2022, we upgraded the PromethION compute from NVIDIA ®'s V100 to A-series technology on new PromethION devices. As with the rest of our devices, existing PromethION users are offered seamless upgrade routes to the A-Series compute with its increased processing power enabling it to keep up with basecalling and methylation detection.

In the first half of 2023, we have seen strong demand for new devices and upgrades from our existing users. With the integration of our latest Algorithm architecture Dorado into our device software MinKNOW, users are seeing a 4.5x increase in basecalling speed by combining the new compute and new software. Our teams have further improvements coming as we look to accelerate further and begin to onboard secondary analysis pipelines.

Direct RNA sequencing launching in H2 23

In the first half of 2023 we announced that a new kit and flow cell for direct RNA sequencing will launch in H2 23. The new RNA kit and flow cell will deliver increased accuracy and output, with the potential to unlock a new field of biological analysis. This update will enable significant advancements in the RNA research market alongside novel applications of direct single molecule sensing such as mRNA vaccine research, where non-natural RNA bases used in their development need to be sequenced. Single molecule raw-read accuracy has increased significantly, while output has improved 3-4x compared to existing Oxford Nanopore RNA sequencing chemistry.

RNA, the messenger molecule that carries genetic information from DNA and directs the synthesis of proteins, has traditionally been sequenced by conversion to cDNA. New understanding of RNA's functional significance - and related emergence in RNA-based therapies including vaccines - has underscored the importance of RNA-related research.

Oxford Nanopore offers the only direct RNA sequencing technology, where other technologies rely on conversion of RNA to cDNA, which loses important information in the process. This represents an opportunity to provide a new generation tool and develop new applications in RNA sequencing.

Simplifying products and workflows to support broader usage

To support different users taking advantage of nanopore sequencing, innovations are being introduced to simplify and make more accessible the end-to-end sequencing process. These include provision of easy-to-use data analysis tools in EPI2ME, the analytics tool set, for increasingly broad applications, from infectious disease, biopharma quality control testing, human variations and single cell. This enhanced interface equips users at all levels of expertise with the information they need, wherever they are. New features also include the ability to run on local hardware or seamlessly integrate with cloud compute.

Our analysis platform EPI2ME support users doing applications such as metagenomics, pathogen detection, single cell analysis and others. Our Human Variation Workflow enables users in one analysis to combine small variants, structural variants and methylation into one simple pipeline.

Commercial execution

Our commercial model focuses on driving rapid adoption and utilisation of our products to catalyse change and growth of the sequencing and analysis market.

Continued growth and diversification of customer base

In the first half of 2023, we increased year-on-year LSRT revenue in all customer groups and across all geographical regions, driven by consumables sales and new customer acquisition.

Growth was driven by the Americas, up 41% year-on-year, or 72% on an underlying basis, reflecting commercial expansion in this region. After excluding revenue from the EGP and COVID sequencing, year-on-year underlying growth in the S1, S2 and S3 customer groups was 36%, 61% and 53% respectively. In addition, sales through distributors (the “indirect” group) increased by 61% year-on-year on an underlying basis.

S3 customers

Our S3 customers generate revenue greater than $250,000 per year per account. These customers are typically the established large, centralised sequencing researchers, or operators of large programmes and service providers. Our growth in this group is driven by use of our PromethION 24 and 48 devices. A key part of this market is large scale human genomics programmes, some of which support national genomics strategies, where thousands of samples are sequenced for novel insights at scale. We have key partnerships with customers including G42 in the EGP, and other high-throughput human genomics projects including Genomics England with a cancer screening project, and National Institutes of Health (NIH) in the USA, which are using our information-rich data at scale for analysis of clinical samples with neurodegenerative conditions.

Underlying S3 revenues have grown by £6.8 million or 53% year-on year, with average spend per customer of approximately $573,000 per year.

New S3 customers in the period included, a contract laboratory using PromethION for plasmid sequencing. Requiring the ability to sequence longer fragments, high-accuracy and high-output data at a low cost of cost of entry, the customer decided to invest in and standardise using Oxford Nanopore technology.

S2 customers

Our S2 customers generate between $25,000 and $250,000 per year per account and are predominantly GridION users. These customers are often experienced users of genomics technology, typically research teams or smaller university departments. In some cases, these customers have an existing sequencing platform and are taking their first steps into nanopore based sequencing, to add greater biological value to their projects or services. In other cases, these are accounts that do not have access to large capital budgets, previously sending samples to service providers. These customers benefit from our affordable, plug- and-play platforms to generate real-time sequencing data as part of their workflow.

S2 revenues have seen the highest level of growth year-on-year. Underlying revenue growth in S2 customers, was £11.6 million or 61% year-on-year.

We continue to grow customers in this group which we believe is uniquely open to Oxford Nanopore. We have added an additional 130 customers in this group, since the end of last year, whilst maintaining average spend per customer of approximately $66,000 per annum.

S1 customers

Our S1 customers generate revenue up to $25,000 per year per account. These are typically MinION users that are key to providing new insights in biology, exploiting the unique richness and rapidity of nanopore sequence data, or everyday users of sequencing technology for routine analyses. They also represent an easy entry point for nanopore sequencing; many S1 users progress to larger-scale genomics projects, or develop methods for small format devices to potentially be used at scale (for example, in future applied markets for near-sample analyses). We drive sales in this customer group primarily through digital marketing and our unique e-commerce platform.

Underlying S1 growth of £4.0 million, represented a growth rate of 36% year-on-year, driven by a net increase of more than 350 customers in the period. Average revenues remained stable at approx. $5,500 per annum.

To better communicate our distributor revenues, the Avantor indirect sales channel which had been included previously in S1 have been moved into the indirect group with the other distributors. This has been reflected in both the H1 22 and H1 23 numbers in this report.

Indirect (distributor served customers)

We are increasingly investing in improving the level of service to more difficult to reach countries. We utilise an expanding network of regionalised distributors to help us. Revenues for these indirect customers increased by £3.8m (or 61%) year-on-year, which was largely due to strong performance from Avantor, one of our distributors for entry level products such as MinION.

New collaborations paving the way for clinical and applied markets

We continue to focus on driving expansion from use of our technology in LSRT for scientific discovery, through the translational journey where methods are developed and piloted that address needs in future clinical diagnostic or industrial “applied market” applications. In the first half of 2023 we established new collaborations across a broad range of applications to optimise our impact in emerging health (such as clinical research) and industrial applied markets. These included:

- **Cancer:** Agreement with 4bases S.A. to provide for use of nanopore sequencing devices in conjunction with 4bases’ CE-IVD kits to support rapid, high-accuracy analyses in human and cancer genetics in Italy and Switzerland, with a first target of same-day BRCA1 and BRCA2 analysis
- **Industrial applied markets:** Collaboration with PathoQuest to bring the first GMP-accredited, nanopore-based biologics genetic characterisation test to market, for the biopharmaceutical industry and the advancement of biological therapeutics
- **Technology:** Collaboration with Tecan to configure Tecan automation to enable easier nanopore library preparation for high-output or larger sample numbers
- **Infectious disease:** New strategic collaboration with bioMérieux to develop innovative infectious disease diagnostics. Initial areas of collaboration will include a test for determining antibiotic resistance of tuberculosis; an assay to identify pathogens in normally sterile clinical samples; and validating Oxford Nanopore’s sequencing platform with BIOMÉRIEUX EPISEQ® CS application for rapid infection outbreak monitoring in patient-care settings

Post period end, the World Health Organization (WHO) announced that a rapid sequencing solution being developed by Oxford Nanopore meets the class-based performance criteria to detect drug resistance after TB diagnosis, to guide clinical decision-making for drug-resistant TB treatment.

Operational excellence

In line with the strategic priorities set out earlier this year, we have continued to invest in operational and manufacturing infrastructure and processes to improve efficiency and drive margin expansion.

As a result, we were able to improve LSRT margins by 280 basis points year-on-year despite ongoing inflationary pressures. Margin expansion was primarily driven by improvements to MinION and PromethION Flow Cell margins, reflecting improved manufacturing techniques and efficiency. Margins on consumables increased by approximately 410 basis points year-on-year, partially offset by an approximately 140 basis points headwind related to the COVID kit obsolescence.

In addition, margins on devices and services remained relatively flat year-on-year reflecting pricing pressures and the increased cost of compute.

We continued to make good progress automating parts of flow cell manufacturing during the period, to increase efficiency and scale. The new automation systems for MinION and PromethION Flow Cells have now been prepared for introduction into the flow cell manufacturing processes,

During the period, we continued to invest in operational and manufacturing infrastructure to ensure our future capacity requirements are met to support growth. The refurbishment of a new south Oxfordshire building to align with our occupational requirements is underway and our intention is to repurpose the existing building to serve current and future growth needs across warehousing and logistics, whilst offering new technical labs and associated office space. This new dedicated facility will complement our portfolio of existing facilities which are dedicated to R&D, corporate and manufacturing.

In February 2023, we announced an extension of our collaboration with UPS Healthcare to accelerate the delivery of our sequencing of our high-tech manufacturing facility products and consumables across the Asia Pacific region. The collaboration will strengthen our supply chain throughout Asia's main markets and our customers will benefit from faster delivery with less complexity. Flow cells will be stored in UPS Healthcare's distribution facility in Singapore for the first time and be delivered within 24 to 48 hours through UPS's distribution capabilities to destinations across the Asia Pacific.

Sustainability – Planet, Product, People

From day one, we have sought to make biological information more accessible to those who need it, and we are delighted to see how nanopore users are bringing our tools to bear on the challenges facing the world. Earlier this year we introduced a new sustainability strategy – Product, Planet, People – that encapsulates the consistency of our wider business strategy and our long-term sustainability commitments. Highlights from those commitments include:

Product

- Continue to iterate on product design to develop smaller, easier to use, and lower cost formats to enable more people in broader communities to use the technology
- Continue to establish global support and logistics to fulfil our vision to enable anyone, anywhere to use Oxford Nanopore products

Planet

- Reduce the carbon intensity of our operations by identifying projects to reduce carbon emissions with an updated target to reduce the tonnes of CO_2e emitted per £m revenue by 2.5% in 2023
- Carry out further analysis with a view of preparing a detailed plan by the end of 2023 that will set out how we will achieve net zero

People

- Embed the Values in Action programme to support an employee-engagement culture, where employees have a voice to contribute ideas that support key decisions
- Increase our Board gender diversity to at least 40% female representation within three years of IPO

Outlook and guidance

We are seeing increasing demand around the world for our unique platform and are hugely proud of the new ground that our customers are breaking with the aid of our technology, in research areas spanning large scale human genomics programmes, pathogen surveillance, human genetics, cancer, and environmental research, and in emerging clinical and industrial uses including biopharmaceutical production. This breadth underlines the scale of the opportunity we see ahead. We enter the second half of the year in a strong financial position and with a continued deep commitment to deliver on our vision to enable the analysis of anything, by anyone, anywhere.

We expect full year 2023 LSRT revenue growth of 18-25% on a constant currency basis, within the range we previously guided to. This range includes:

- COVID sequencing revenue: anticipated headwind of approximately £18m, slightly lower than previously expected.
- EGP revenue: expected to be lower than the prior year period (FY22: £13.2 million).

FY23 Underlying LSRT revenue growth, excluding COVID sequencing and the EGP, is expected to be more than 40% on a constant currency basis.

We now expect gross margin to be greater than 57% for FY23, reflecting i) the one off impact of investment in upgrading the compute towers on our large PromethION devices, which delivers competitive performance advantage by delivering high output rapid data analysis for large datasets, to drive higher long term utilisation and new customer acquisition and also ii) the write off of excess COVID sequencing kits.

All medium-term (FY26) targets are unchanged:

- Underlying LSRT revenue growth of more than 30% per annum on a constant currency basis
- LSRT gross margin of greater than 65% by FY26
- Adjusted EBITDA breakeven by FY26

Financial review

Certain numerical figures included herein have been rounded. Therefore, discrepancies in between totals and the sums may occur due to such rounding.

Performance Summary

The Group delivered Life Sciences Research Tools (LSRT) revenue for the six months ended 30 June 2023 of £86.0 million (H1 22: £70.6 million), representing year-on-year growth of 22% on a reported basis and 16% on a constant currency basis.

Underlying LSRT revenue growth, excluding revenue from the Emirati Genome Program (EGP) and COVID sequencing, was 46% on a constant currency basis. Growth continues to be driven by expansion of the Group's customer base.

Total revenue in the first six months ended June 2023 was 30% lower than the corresponding period to 30 June 2022, which included non-recurring revenue of £51.8 million following the conclusion of the Groups Covid testing contract with the Department of Health and Social Care (DHSC).

Results – at a glance

£million	**H1 23**	H1 22	***Change***
Revenue			
Legacy Covid testing revenue	**-**	51.8	-
LSRT revenue	**86.0**	70.6	+22%
Total revenue	**86.0**	122.3	(30)%
Gross profit	**49.5**	78.0	(37)%
Gross margin (%)	**57.6%**	63.7%	(610)bps
LSRT gross margin (%)	**57.6%**	54.8%	+280bps
Operating loss	**(74.8)**	(23.0)	(225)%
Adjusted EBITDA	**(39.4)**	(34.6)	(4.8)
Loss for the period	**(70.1)**	(30.2)	(39.9)

£million	**30 June 2023**	31 December 2022	***Change***
Cash, cash equivalents and other liquid investments[6]	**484.6**	558.0	(13.2)%

Revenue by LSRT customer group & operating segment is shown below:

£million	**H1 23**	**H1 22**	***Reported growth (%)***	***Underlying growth (%)***
S1	**16.0**	12.8	+25%	+36%
S2	**32.5**	24.2	+34%	+61%
S3	**26.3**	24.6	+7%	
- EGP	**4.9**	5.8	(15)%	
- S3 Excluding EGP	**21.4**	18.8	+13%	+53%
Indirect	**11.2**	8.8	+27%	+61%
Total LSRT revenue	**86.0**	70.6	+22%	+53%
Covid testing revenue	**-**	51.8	-	
Total revenue	**86.0**	122.3	(30)%	

Revenue from our S3 customer group grew by 7% compared to H1 22. This is despite a decline on EGP revenue from £5.8 million in H1 22 to £4.9 million in H1 23. Excluding revenue from the EGP and COVID sequencing, growth was £6.8 million or 53%.

The S2 customer group revenue in H1 23 was £32.5 million, growth of 34% compared to H1 22. S2 customers are key to our expansion over the medium term. Excluding revenue from COVID sequencing, growth in this customer group was £11.6 million or 61% over H1 22.

[6] Cash, cash equivalents and other liquid investments includes cash and cash equivalents, treasury deposits and investment bonds.

Looking at our S1 customers which comprise our core user base, total revenues for the period were £16.0 million, representing growth of 25%. Excluding revenue from COVID sequencing, growth was £4.0 million or 36% over H1 22.

Indirect sales in the period represent sales through distributors and were £11.2 million in H1 23, an increase of 27%. This growth was driven by our commercial partnership with Avantor which expands our reach and improves accessibility for entry level products such as MinION.

Reconciliation of reported revenue to underlying LSRT revenue by customer group:

£million	**H1 23**	**H1 22**	***Growth (%)***
S1	**16.0**	12.8	+25%
Less COVID sequencing	**(0.7)**	(1.5)	
Underlying S1 revenue	**15.3**	11.3	+36%
S2	**32.5**	24.2	+34%
Less COVID sequencing	**(1.9)**	(5.2)	
Underlying S2 revenue	**30.6**	19.0	+61%
S3	**26.3**	24.6	+7%
Less EGP	**(4.9)**	(5.8)	
Less COVID sequencing	**(1.7)**	(6.0)	
Underlying S3 revenue	**19.6**	12.8	+53%
Indirect	**11.2**	8.8	+27%
Less COVID sequencing	**(1.2)**	(2.6)	
Underlying Indirect revenue	**10.0**	6.2	+61%

Geographical trends

The Group aims to make its technology available to a broad range of scientific users, and currently supports users in around 120 countries. In some territories the Group works with distributors to achieve or enhance its own commercial presence. In H1 23, the Group experienced LSRT revenue growth in all territories compared to H1 22.

£million	**H1 23**	**H1 22**	***Reported growth (%)***	***Underlying growth (%)***
Americas	32.8	23.3	+41%	+72%
APAC	17.6	16.6	+6%	+23%
EMEAI	35.6	30.6	+16%	
- EGP	4.9	5.8	(15)%	
- EMEAI Excluding EGP	30.7	24.8	+24%	+57%
Total LSRT revenue	**86.0**	**70.6**	**+22%**	**+53%**
Legacy Covid testing Revenue				
EMEAI	-	51.8	-	
Total Revenue	**86.0**	**122.3**	**(30)%**	

Reconciliation of reported revenue to underlying LSRT revenue by geographical region:

£million	H1 23	H1 22	*Growth (%)*
Americas	**32.8**	23.3	+41%
Less COVID sequencing	**(2.0)**	(5.5)	
Underlying Americas revenue	**30.8**	17.9	+72%
APAC	**17.6**	16.6	+6%
Less COVID sequencing	**(1.1)**	(3.2)	
Underlying APAC revenue	**16.5**	13.4	+23%
EMEAI	**35.6**	30.6	+16%
Less EGP	**(4.9)**	(5.8)	
Less COVID sequencing	**(2.3)**	(6.7)	
Underlying EMEAI revenue	**28.4**	18.1	+57%

The Group's **Gross profit** of £49.5 million reduced by 37% compared to H1 22. The prior period benefited from the positive impact of the settlement with DHSC, net of impairment of associated inventory.

LSRT Gross profit contribution in H1 23 was £49.5 million, a growth of 28% from £38.7 million in H1 22.

%	H1 23	H1 22	*Change*
LSRT Gross margin %	57.6%	54.8%	+280bps

LSRT gross margin improved from 54.8% in H1 22, to 57.6% in H1 23. This is driven by operational improvements including automation, and improvements in manufacturing techniques to improve efficiency.

Impact of headcount

Average headcount (FTEs)	H1 23	H1 22	*Change (%)*
Research and development	445	358	+24%
Production	150	150	0%
Selling, general & administration	455	358	+27%
Total	**1,049**	**866**	**+21%**

In H1 23, the Group increased its average headcount by 21% from H1 22. This increase was predominantly across research and development and in the commercial and marketing teams.

The Group invested in bringing onboard new research and development staff to support the research phase into early product release across its disruptive platform. Our research and development teams work on fundamental research for novel sensing applications, membrane chemistry, sequencing chemistry, nanopores, enzymes, algorithms, software electronics and arrays to deliver future platforms and improvement on current products. As a result, high calibre scientists and researchers have been attracted to join the company with the goal to realise Oxford Nanopore's vision.

In H1 23 the Groups' manufacturing employees has remained in line with H1 22. This follows the significant expansion of the team in 2021, when staff covering all manufacturing stages and processes expansion were recruited to cater for increased demand from a growing client base.

The largest increase in the Group's average headcount took place in the selling, general and administration functions including legal functions and corporate executives, with an increase of 27%. The significant expansion of the commercial teams in key geographic regions supports the Group's business growth objectives globally. In addition, the investment in in-field and customer support teams was necessary to maintain and increase customer loyalty and customer retention.

Research and development expenses

The Group's research and development expenditure is recognised as an expense in the period as it is incurred, except for the development costs that meet the criteria for capitalisation as set out in IAS 38 (intangible assets). Capitalised development costs principally comprise qualifying costs incurred in developing the Group's core technology platform and sequencing kits.

Adjusted Research and development expenditure increased by £8.2 million in H1 23 to £40.1 million (H1 22: £31.9 million).

As amortisation related to internally generated assets has increased over time, management now consider that it is a more appropriate presentation to present amortisation and the R&D tax credit within research and development expenses, rather than as previously presented within selling, general and administration expenses. The comparative income statement has been re-presented to be consistent with the current period presentation.

£million	H1 23	H1 22
Research and development expenses (represented)	48.2	28.6
Adjusting Items		
Amortisation of capitalised development costs	(8.7)	(6.1)
Employers' social security taxes on pre-IPO share awards	0.6	9.4
Adjusted R&D Expenses	**40.1**	**31.9**
Capitalised development expenses	8.9	9.0
Total R&D Expenses and Capitalised development expenses	**49.0**	**40.9**

This increase in Adjusted Research and development expenses reflects the groups continued investment in innovation and was principally due to:

- a 24% increase in average headcount, coupled with inflationary pressures of salaries leading to a £3.3 million increased in payroll costs.
- a £4.0 million increase in materials and outsourced costs

Amortisation of capitalised development costs increased by £2.6 million to £8.7 million as expected, in line with amounts capitalised over the last few years.

Selling, general and administration costs

The Group's Adjusted Selling, general and administrative expenses increased by £15.4 million in H1 23 to £61.9 million (H1 22: £46.5 million).

	H1 23	H1 22
Selling, general and administrative expenses	76.1	72.3
Adjusting items:		
Share based payments expense on Founder LTIP	(14.9)	(35.4)
Employers' social security taxes on pre-IPO share awards	0.7	11.0
Expenses associated with the settlement of the COVID testing contract with DHSC	-	(1.4)
Adjusted selling, general and administrative expenses	**61.9**	**46.5**

The main changes were:

- The total increase in the average headcount in Selling, general and administrative of 27%, this was primarily driven by our planned increase in headcount in the commercial teams (47% increase compared to H1 22). Coupled with inflationary pressures of salaries, this resulted in a £8.7 million increase in payroll costs.
- An increase in depreciation of £0.8 million to £6.4 million in H1 23 from £5.6 million in H1 22 driven by increases in Property, plant and equipment purchases in the period.

Total share-based payment charge included in Selling, general and administrative expenses decreased by £20.8 million in H1 23 to £19.1 million compared to £39.9 million in H1 22. The reduction was primarily driven by a decrease in the Founder LTIP charge (from £35.4 million in H1 22 to £14.9 million in H1 23).

Adjusted EBITDA

£million	H1 23	H1 22
Loss for the period	**(70.1)**	(30.2)
Income tax expense	**3.5**	2.5
Finance income	**(7.2)**	(0.9)
Loan interest	**0.0**	0.1
Interest on lease	**1.1**	0.6
Depreciation and amortisation	**19.9**	16.1
EBITDA	**(52.9)**	**(11.7)**
Adjusting items:		
Share based payments expense on Founder LTIP	**14.9**	35.4
Employers' social security taxes on pre-IPO share awards	**(1.3)**	(20.4)
Settlement of Covid testing contract	**-**	(37.9)
Impairment of investment in associate	**(0.1)**	-
Adjusted EBITDA	**(39.4)**	**(34.6)**

Adjusted EBITDA losses increased from £34.6 million to £39.4 million. This was primarily driven by increasing operational expenses associated with the increase in headcount, partly offset by an increase in LSRT gross profit.

Exchange gains and losses

As the Group receives a significant amount of revenue in US Dollars, we seek to reduce the exposure of the Group to fluctuations in currency by entering into a range of derivative forward contracts.

During 2023, the strengthening of the USD has resulted in a gain of £2.1 million. This is presented in Other gains and losses (H1 22 £5.4 million loss).

Balance sheet

Key elements of change in the balance sheet during the period comprised the following:

- the net book value of Property, plant and equipment was £43.3 million at 30 June 2023 an increase of £6.0 million since 31 December 2022. This has been driven primarily by purchases of assets subject to operating leases £10.8 million, which includes the purchase of the upgraded PromethION compute from NVIDIA's V100 to A-series technology on new PromethION devices.
- Inventory of £102.9 million at 30 June 2023 has increased by £15.2 million from £87.7 million at 31 December 2022. In particular, device inventory increased by £7.8 million, as a result of the shortening of lead times on long-term supply contracts.
- Movements in Other Financial Assets between current and non-current. In the first half of 2023, the Group has liquidated its shorter-term deposits and reinvested the funds in investment bonds (with a maximum duration of three years), leading to an overall £52.8 million decrease. See table below:

£million	30 June 2023	31 December 2022
Treasury deposits	**-**	101.3
Investment bonds	**149.5**	100.9
Other financial assets	**1.3**	1.4
Total	**150.8**	**203.6**
Analysed as:		
Current	**40.9**	119.4
Non-current	**109.9**	84.1
Total	**150.8**	**203.6**

Cash flow

- Cash, cash equivalents and other liquid investments were £484.6 million at 30 June 2023, a decrease of £73.4 million since 31 December 2022 (see note 5).

- In H1 23 there was a net cash outflow of £52.2 million from operations, compared to a net cash inflow of £3.3m in H1 22, which benefitted from the £50 million settlement of the Covid testing contract.

- In H1 23, surplus cash was moved from money market deposits and invested in investment bonds (with a maximum duration of up to 3 years). Net Cash inflows from investing activities of £33.0 million (H1 22: £17.6 million outflow) includes:

    - The proceeds from other financial assets of £101.3 million (treasury deposits) partly offset by the purchase of financial assets of £49.8 million (investment bonds)
    - Interest received of £7.5 million

  Partly offset by:
    - The purchase of property, plant & machinery of £14.0 million
    - The capitalisation of development costs of £8.9 million
    - An investment in associate (Veiovia) of £3.0 million

- Net Cash outflows from financing activities of £1.9 million (H1 22: £2.2 million) includes:
    - Lease and interest payments of £3.3 million partially offset by
    - Proceeds from the issue of shares of £1.4 million (H1 22: £2.3 million)

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		6 months to June 2023	*6 months to June 2022*
		£000	*£000*
Revenue	4	**86,002**	*122,348*
Cost of sales		**(36,455)**	*(44,394)*
Gross profit		**49,547**	*77,954*
Research and development expenses*		**(48,230)**	*(28,604)*
Selling, general and administrative expenses*		**(76,101)**	*(72,314)*
Loss from operations		**(74,784)**	*(22,964)*
Finance income		**7,239**	*900*
Finance expense		**(1,069)**	*(685)*
Other gains and losses		**2,139**	*(4,877)*
Share of losses of associates		**(228)**	-
Reversal on impairment of investment in associate		**144**	-
Loss before tax		**(66,559)**	*(27,626)*
Tax expense	8	**(3,540)**	*(2,549)*
Loss for the period		**(70,099)**	*(30,175)*
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value movements on investment bonds		**(1,236)**	-
Exchange (losses) / gains arising on translation on foreign operations		**(4,079)**	*4,251*
Other comprehensive (loss) / income for the period, net of tax		**(5,315)**	*4,251*
Total comprehensive loss		**(75,414)**	*(25,924)*
		2023 Pence	*2022 Pence*
Loss per share	6	**8**	*4*

**re-presented, see note 7*

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	30 June 2023 £000	*31 December 2022 £000*
Assets			
Non-current assets			
Property, plant and equipment	9	**43,255**	*37,294*
Intangible assets	10	**30,257**	*30,039*
Investments in associates	11	**742**	*826*
Right-of-use assets		**24,226**	*25,906*
Other financial assets	13	**109,902**	*84,144*
Deferred tax assets	8	**5,467**	*7,681*
		213,849	*185,890*
Current assets			
Inventories	12	**102,939**	*87,698*
Trade and other receivables		**56,134**	*62,905*
R&D tax credit recoverable		**8,484**	*9,148*
Current tax recoverable	8	**548**	-
Other financial assets	13	**40,862**	*119,411*
Derivative financial assets		**1,195**	*2,060*
Cash and cash equivalents		**334,812**	*356,778*
		544,974	*638,000*
Total assets		**758,823**	*823,890*

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	30 June 2023 £000	*31 December 2022 £000*
Liabilities			
Non-current liabilities			
Lease liabilities		17,900	*19,049*
Share-based payment liabilities		111	*108*
Provisions	14	8,721	*8,645*
		26,732	*27,802*
Current liabilities			
Trade and other payables		73,230	*80,249*
Current tax liabilities	8	-	*1,639*
Lease liabilities		14,725	*15,049*
Derivative financial liabilities		-	*962*
Provisions	14	2,926	*4,633*
		90,881	*102,532*
Total liabilities		117,613	*130,334*
Net assets		641,210	*693,556*
Issued capital and reserves attributable to owners of the parent			
Share capital	15	83	*83*
Share premium reserve	15	628,936	*627,557*
Share-based payment reserve		189,889	*168,200*
Translation reserve		(372)	*3,707*
Accumulated deficit		(177,326)	*(105,991)*
TOTAL EQUITY		641,210	*693,556*

The notes on pages 22 to 41 form an integral part of the condensed consolidated interim financial information.

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital £000	Share premium £000	Share-based payment reserve £000	Foreign exchange reserve £000	Accumulated deficit £000	Total equity £000
Note	15	15	15			
At 1 January 2023	**83**	**627,557**	**168,200**	**3,707**	**(105,991)**	**693,556**
Loss for the period	-	-	-	-	(70,099)	(70,099)
Exchange gain on translation of foreign operations	-	-	-	(4,079)	-	(4,079)
Fair value movements on investment bonds	-	-	-	-	(1,236)	(1,236)
Comprehensive loss for the 6 months to June 2023	**-**	**-**	**-**	**(4,079)**	**(71,335)**	**(75,414)**
Issue of share capital	-	1,379	-	-	-	1,379
Employee share-based payments	-	-	21,807	-	-	21,807
Tax in relation to share-based payments	-	-	(118)	-	-	(118)
Total contributions by and distributions to owners	**-**	**1,379**	**21,689**	**-**	**-**	**23,068**
At 30 June 2023	**83**	**628,936**	**189,889**	**(372)**	**(177,326)**	**641,210**
At 1 January 2022	**82**	**623,760**	**96,350**	**(314)**	**(15,902)**	**703,976**
Loss for the period	-	-	-	-	(30,175)	(30,175)
Exchange gain on translation of foreign operations	-	-	-	4,251	-	4,251
Total comprehensive gain / (loss) for the 6 months to June 2022	**-**	**-**	**-**	**4,251**	**(30,175)**	**(25,924)**
Issue of share capital	-	2,299	-	-	-	2,299
Cost of share issue	-	(1)	-	-	-	(1)
Employee share-based payments	-	-	44,344	-	-	44,344
Tax in relation to share-based payments	-	-	1,382	-	-	1,382
Total contributions by and distributions to owners	**-**	**2,298**	**45,726**	**-**	**-**	**48,024**
At 30 June 2022	**82**	**626,058**	**142,076**	**3,937**	**(46,077)**	**726,076**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS TO 30 JUNE 2023

	Note	30 June 2023 £000	*30 June 2022 £000*
Net cash (outflow) / inflow from operating activities	17	(52,199)	*3,312*
Investing activities			
Purchase of property, plant and equipment		(14,016)	*(8,950)*
Capitalisation of development costs		(8,940)	*(8,968)*
Investment in associate		(3,000)	-
Interest received		7,511	*932*
Purchase of other financial assets		(49,794)	*(643)*
Proceeds from sale of other financial assets		101,274	-
Net cash inflow / (outflow) in investing activities		33,035	*(17,629)*
Financing activities			
Proceeds from issue of shares		1,412	*2,269*
Costs of share issue		-	*(2,381)*
Principal elements of lease payments		(2,247)	*(1,411)*
Interest paid		-	*(73)*
Interest paid on leases		(1,045)	*(601)*
Net cash outflow from financing activities		(1,880)	*(2,197)*
Net decrease in cash and cash equivalents before foreign exchange movements		(21,044)	*(16,514)*
Effect of foreign exchange rate movements		(922)	*322*
Cash and cash equivalents at beginning of period		356,778	*487,840*
Cash and cash equivalents at the end of period	17	334,812	*471,648*

1 General information

The condensed consolidated interim information for the period does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The summary of results for the year ended 31 December 2022 is an extract from the published Annual Report and Financial Statements which were approved by the Board of Directors on 20 March 2023, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report on the Annual Report and Financial Statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under s498 (2) or (3) of the Companies Act 2006.

2 Significant Accounting Policies

2.1. Basis of preparation

The annual financial statements of Oxford Nanopore Technologies plc ("Oxford Nanopore" / "the Company") are prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'.

The condensed interim financial statements have been prepared in accordance with the accounting policies set out in our Annual Report and Financial Statements for the year ended 31 December 2022.

2.2 Going concern

As at 30 June 2023, the Group held £484.6 million in cash, cash equivalents and other liquid investments on the Statement of Financial Position.

The going concern assessment period is at least 12 months to the 30 September 2024.

In order to satisfy the going concern assumption, the Directors of the Group review its budget periodically, which is revisited and revised as appropriate in response to evolving market conditions.

The Directors have considered the budget and forecast prepared through to 30 September 2024, the going concern assessment period, and the impact of a range of severe, but plausible, scenarios, including supply chain issues driven by demand, logistics interruptions, the pandemic, heightened geopolitical tension; particularly between Taiwan and the People's Republic of China and the war in Ukraine. In particular, the impact of key business risks on revenue, profit and cash flow are as follows:

- Reduced revenues due to decline in customer demand, regulatory and research and development ("R&D") delays; and
- Increased costs due to supply chain restrictions, rising utilities costs, rising wages & salary costs, additional R&D requirements and rising costs of component parts.

Under all scenarios, the Group had sufficient funds to maintain trading before taking into account any mitigating actions that the Directors could take. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and at least one year from the date of approval of the financial statements. On the basis of these reviews, the Directors consider it remains appropriate for the going concern basis to be adopted in preparing these financial statements.

3. Critical accounting judgements and sources of estimation uncertainty

In applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial information.

Judgements

i. *Internally Generated Intangible Assets – research and development expenditure ("R&D")*

Critical judgements are required in determining whether development spend meets the criteria for capitalisation of such costs as laid out in IAS 38 "Intangible Assets", in particular whether any future economic benefit will be derived from the costs and flow to the Group. The Directors believe that the criteria for capitalisation as per IAS 38 paragraph 57 for specific projects were met during the period and accordingly all amounts in relation to the development phase of those projects have been capitalised as an intangible asset during the period. All other spend on R&D projects has been recognised within R&D expenses in the income statement during the period.

Management do not have a formal timesheet process for monitoring time spent by employees on projects in their development stage. Instead, Management consults with the relevant project leaders on a regular basis to understand and estimate the time spent on projects in their development stage. When a percentage allocation has been agreed, per the estimate below, this is then applied to other, non-employee-related development costs to ensure costs are consistently and appropriately capitalised (related estimate disclosure in iii. below). The net book value of internally generated capitalised assets at 30 June 2023 is £29.9 million (31 December 2022: £29.7 million).

Estimates

i. *Non-standard customer contracts*

As noted in the revenue recognition accounting policy set out in our Annual Report and Financial Statements for the year ended 31 December 2022, revenue contracts for the sale of bundled goods and services require the allocation of the total contract price to individual performance obligations based on their stand-alone selling prices. The Group occasionally enters into larger bespoke contracts which might include a clause linked to the performance of the products and provision of consumables to fulfil the contract. This requires Management to estimate the number of items likely to be delivered under the contract. If additional consumables were required to fulfil the contract for a further 6 months, revenue recognised to the reporting date would decrease by £3.4 million. If additional consumables were required to fulfil the contract for the entirety of its term, revenue recognised to the reporting date would decrease by £5.6 million.

ii. Share-based payments

Details of the share-based payment schemes operated by the Group are disclosed in note 16. In 2021, awards were granted to the Executive Directors of the Company under the Oxford Nanopore Technologies Limited Long Term Incentive Plan 2021 (Founder LTIP). Half of the awards are subject to a non-market revenue performance condition which drives number of awards expected to vest depending on when certain revenue targets are met. At each reporting date, management make an estimate as to the extent to which the revenue condition is expected to be achieved by the end of each future reporting period. This is driven by revenue forecasts. Whilst management may make an appropriate estimate of the annual revenue target on grant date, this estimate might change in future periods. If the annual revenue forecast over the vesting period decreased/increased by 5%, the Group recognised total expenses of £21.8 million relating to equity-settled share-based payment transactions would decrease/increase by £0.8 million.

In addition, the Founder LTIP awards in issue give rise to an associated employer's social security liability. Management update the estimate for this liability at each reporting period with reference to both the expected number of awards vesting and their expected value, using the share price at the period end date. For Founder LTIP awards linked to a share price condition, the assumptions used in determining the IFRS 2 charge are determined at the point of granting the awards and are not subsequently adjusted over the vesting period. However, management have estimated the proportion likely to vest for the purposes of assessing the employer's social security contributions to accrue at each period end using a Monte Carlo simulation model which requires a number of assumptions and a large number of randomly generated projections of the Company's future share price. At 30 June 2023, the expected vesting of the share price linked awards was estimated at 54.3% (56.3% June 2022), which is reflective of the reduction in share price, which has contributed to the employer's social security provision credit of £1.5 million in the period.

iii. Internally Generated Intangible Assets research and development expenditure ("R&D")

Critical estimates are made in determining the capitalisation of costs in relation to the development phase of R&D projects. Management capitalises development costs in relation to R&D projects based on an estimate of the percentage of time spent on the project by employees while the project is in its development phase. Development costs capitalised during the 6 months ended 30 June 2023 was £8.9 million (6 months ended 30 June 2022: £9.0 million). If the percentage of time spent on the projects were to change by 5% then capitalisation of development costs would have varied between £8.5 million and £9.4 million (6 months ended 30 June 2022: £8.6 million and £9.5 million).

iv. Inventory

The Group holds inventory across a number of locations for the purposes of fulfilling sales orders and contractual obligations. Additionally, certain components of inventory are held for use within research and development. Net inventory at 30 June 2023 was £102.9 million (31 December 2022: £87.7 million). In line with the requirements of IAS 2 Inventories, inventory is stated at the lower of cost and net realisable value.

Management is required to make a number of estimates around the net realisable value of inventory, which represents the estimated selling price less all estimated costs of completion. In cases where the net realisable value is below cost, management records a provision such that inventory is held at the lower of cost and net realisable value.

To estimate the inventory provision, Management uses inputs based on the location and status of inventory held by the Group. This includes the intended use of the inventory, including whether it is expected to be sold or used for research and development purposes.

Management makes assumptions around the net realisable value of each category of inventory. These estimates are then applied to the inventory balance, based on its cost, location and intended use, to record a provision in cases where the net realisable value is below cost.

If the net realisable value had decreased by 5%, then the value of inventory would have decreased by £0.4 million and the revised stock value would have been £102.5 million (31 December 2022: £0.3 million and £87.6 million respectively). If the net realisable value had increased by 5%, then the value of inventory would have increased by £1.5 million and the revised stock value would have been £104.4 million (31 December 2022: £1.5 million and £89.4 million respectively).

4. Segment information

	30 June 2023 £000	*30 June 2022 £000*
Category		
Sale of goods	**72,269**	*112,123*
Rendering of services	**8,523**	*3,034*
Lease income	**5,210**	*7,191*
Total revenue from contracts with customers	**86,002**	*122,348*

Products and services from which reportable segments derive their revenues are set out below.

The information reported to the Group's senior management team, which is considered the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is defined by market rather than product type. The segment measure of profit evaluated by the CODM is Adjusted EBITDA, as this is considered to give the most appropriate information in respect of profitability of the individual segments.

The Directors consider that the Group reportable segments under IFRS 8 Operating Segments are as set out below:

Reportable segments	Description
Life Science Research Tools (LSRT)	Oxford Nanopore's core business, generating revenue from providing products and services for research use, including research and development expenditure and corporate expenditure.
COVID Testing	Revenue from providing products for SAR-Cov-2 testing. It should be noted that sequencing products continue to be used for the purposes of covid genomic surveillance, including variant identification, but this is reporting within the LSRT segment. No revenues have been reported in this segment the first half of 2023 and no further revenues are expected in this year. We expect this segment to not continue after this year's results.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

(a) Information about major customers

During the interim period to 30 June 2023, the Group's customer base has diversified and there were no individual customers representing more than 10% of the Group's total revenue. In the half year to 30 June 2022, the Group had one major customer, the Department of Health and Social Care ("DHSC"), which represented 42% of Group revenue and was reported within the Covid testing segment.

Segment information (continued)

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment.

	LSRT £000	Covid Testing £000	30 June 2023 £000	*LSRT £000*	*Covid Testing £000*	*30 June 2022 £000*
Revenue						
Americas	**32,760**	**-**	**32,760**	*23,321*	*-*	*23,321*
APAC	**17,640**	**-**	**17,640**	*16,621*	*-*	*16,621*
EMEAI	**35,602**	**-**	**35,602**	*30,618*	*51,788*	*82,406*
Total Revenue	**86,002**	**-**	**86,002**	*70,560*	*51,788*	*122,348*

(b) Adjusted EBITDA

	LSRT £000	Covid Testing £000	30 June 2023 £000	*LSRT £000*	*Covid Testing £000*	*30 June 2022 £000*
(Loss) / Profit after tax for the period	**(70,099)**	**-**	**(70,099)**	*(67,974)*	*37,799*	*(30,175)*
Tax expense	**3,540**	**-**	**3,540**	*2,549*	*-*	*2,549*
Finance income	**(7,239)**	**-**	**(7,239)**	*(900)*	*-*	*(900)*
Finance expense	**-**	**-**	**-**	*73*	*-*	*73*
Interest on lease	**1,069**	**-**	**1,069**	*587*	*25*	*612*
Depreciation and amortisation	**19,869**	**-**	**19,869**	*16,055*	*72*	*16,127*
Share-based payments (Founder LTIP)	**14,908**	**-**	**14,908**	*35,399*	*-*	*35,399*
Employer's social security taxes on Founder LTIP and pre-IPO share awards	**(1,277)**	**-**	**(1,277)**	*(20,399)*	*-*	*(20,399)*
Settlement of Covid testing contract	**-**	**-**	**-**	*-*	*(37,896)*	*(37,896)*
Impairments	**(144)**	**-**	**(144)**	*1*	*-*	*1*
Adjusted EBITDA	**(39,373)**	**-**	**(39,373)**	*(34,609)*	*-*	*(34,609)*

Adjusted EBITDA is defined as loss for the year before income tax expense, finance income, loan interest, interest on lease, depreciation and amortisation, adjusted for: i) share-based payment expense on Founder LTIP awards; ii) employer's social security taxes on Founder LTIP and pre-IPO share awards; iii) impairment of investment in associate; and iv) settlement of the Covid testing contract.
Adjusted EBITDA is used as a key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance, excluding exceptional items. Adjusted EBITDA is an additional profit measure and does not replace the statutory profit measure.

Segment information (continued)

(c) Supplementary information

	LSRT £000	Covid Testing £000	30 June 2023 £000	*LSRT £000*	*Covid Testing £000*	*31 December 2022 £000*
Segment assets						
Investment in associates	742	-	742	*826*	-	*826*
Acquired intangible assets	322	-	322	*346*	-	*346*
Other segment assets*	256,489	-	256,489	*243,496*	-	*243,496*
Total segment assets	257,553	-	257,553	*244,668*	-	*244,668*
Deferred tax assets			5,467			*7,681*
R&D tax credit recoverable			8,484			*9,148*
Current tax recoverable			548			-
Derivative financial assets			1,195			*2,060*
Other financial assets			150,764			*203,555*
Cash and cash equivalents			334,812			*356,778*
Total Assets			758,823			*823,890*
Segment liabilities						
Total segment liabilities	(117,613)	-	(117,613)	*(127,733)*	-	*(127,733)*
Derivative financial liabilities			-			*(962)*
Current tax liabilities			-			*(1,639)*
Total Liabilities			(117,613)			*(130,334)*
Net assets			641,210			*693,556*

* Other segment assets include inventory, trade and other receivables and non-current assets except for investments, acquired intangible assets, other financial assets and deferred tax assets.

5. Alternative performance measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS and therefore comprise alternative (non-GAAP) performance measures. These are as follows:

Metric	Definition	Rationale
Underlying LSRT revenue growth	LSRT revenue growth excluding Emirati Genome Program (EGP) and COVID sequencing revenue.	Helps evaluate growth trends, establish budgets and assess operational performance.
Underlying LSRT revenue growth on a constant currency basis	LSRT revenue growth excluding EGP and COVID sequencing revenue, on a constant currency basis.	Helps evaluate growth trends, establish budgets and assess operational performance.
Adjusted research and development expenses	Research and development expenses after adjusting for employer's social security taxes on pre-IPO share awards.	Adjusted research and development expenses is a measure that shows the underlying R&D expenditure.
Adjusted selling, general and administrative expenses	Selling, general and administrative expenses after adjusting for share-based payments expense (Founder LTIP), employer's social security taxes on Founder LTIP and pre-IPO share awards and IPO costs expensed.	Adjusted selling, general and administrative expenses is a measure that shows the underlying selling, general and administrative expenses.
EBITDA	Loss for the period before income tax expense, finance income, loan interest, interest on lease, depreciation and amortisation.	EBITDA is used as a profit measure because it shows the shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance.
Adjusted EBITDA	EBITDA adjusted for. i) share-based payment expense on Founder LTIP awards; ii) employer's social security taxes on Founder LTIP and pre-IPO share awards; iii) impairment of investment in associate; iv) settlement of the Covid testing contract.	Adjusted EBITDA is used as a key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance, excluding exceptional items.
Cash and cash equivalents and other liquid investments	Total cash and cash equivalents, which comprise cash in hand, deposits held at call and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition. Other liquid investments comprise investment bonds in which a fixed sum is invested in an asset-backed fund, treasury deposits, and investment bonds, which comprise deposits held with banks that do not meet the IAS 7 definition of a cash equivalent.	Cash and cash equivalents and other liquid investments is a measure that shows the underlying cash reserves.

5. Alternative performance measures (continued)

Metric	Definition	Rationale
Gross profit %	Gross profit divided by revenue.	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies.
LSRT Gross profit %	Gross profit divided by LSRT revenue.	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies.

The following table presents the adjusted underlying LSRT revenue growth:

	30 June 2023 £000	*30 June 2022 £000*
LSRT Revenue	**86,002**	*70,560*
Adjusting Items:		
EGP revenue	**(4,911)**	*(5,808)*
COVID sequencing revenue	**(5,454)**	*(15,365)*
Underlying LSRT revenue	**75,637**	*49,387*
Growth	**53.1%**	
Impact of foreign exchange	**(3,371)**	
Underlying LSRT revenue on a constant currency basis	**72,266**	
Growth	**46.3%**	

The following table presents the adjusted research and development expenses:

	30 June 2023 £000	*30 June 2022* £000*
Research and development expenses	**48,230**	*28,604*
Adjusting Items:		
Amortisation of Capitalised development costs	**(8,675)**	*(6,113)*
Employer's social security taxes on pre-IPO share awards	**558**	*9,373*
Adjusted research and development expenses	**40,113**	*31,864*
Capitalised development costs	**8,940**	*8,968*
Adjusted R&D expenses and capitalised development costs	**49,053**	*40,832*

**re-presented, see note 7*

5. Alternative performance measures (continued)

The following table presents the adjusted selling, general and administrative expenses:

	30 June 2023 £000	*30 June 2022 £000*
Selling, general and administrative expenses	**76,101**	*72,314*
Adjusting Items:		
Share-based payment expense on Founder Long Term Incentive Plan (LTIP)	**(14,908)**	*(35,399)*
Employer's social security taxes on Founder LTIP and pre-IPO share awards	**719**	*11,026*
Expenses associated with the settlement of the Covid testing contract with DHSC	**-**	*(1,405)*
Adjusted selling, general and administrative expenses	**61,912**	*46,536*

The following table presents the Group's EBITDA and Adjusted EBITDA, together with a reconciliation to loss for the period:

	30 June 2023 £000	*30 June 2022 £000*
Loss for the period	**(70,099)**	*(30,175)*
Tax expense	**3,540**	*2,549*
Finance income	**(7,239)**	*(900)*
Finance expense	**-**	*73*
Interest on lease	**1,069**	*612*
Depreciation and amortisation	**19,869**	*16,127*
EBITDA	**(52,860)**	*(11,714)*
Share based payments (Founder LTIP)	**14,908**	*35,399*
Employer's social security credit on Founder LTIP and pre-IPO share-based awards	**(1,277)**	*(20,399)*
Settlement of Covid testing contract	**-**	*(37,896)*
Impairment of investment in associate	**(144)**	*-*
Adjusted EBITDA	**(39,373)**	*(34,610)*

The following table presents cash, cash equivalents and other liquid investments:

	30 June 2023 £000	*31 December 2022 £000*
Cash and cash equivalents	**334,812**	*356,778*
Treasury deposits	**-**	*101,274*
Investment bonds	**149,756**	*99,962*
Cash, cash equivalents and other liquid investments	**484,568**	*558,014*

6. Loss per share

	30 June 2023	*30 June 2022*
	Pence	*Pence*
(a) Basic and diluted loss per share		
Total basic and diluted loss per share attributable to the ordinary equity holders of the Group from continuing operations	8	*4*

	2023	*2022*
	£000	*£000*
(b) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to the ordinary equity holders of the Group used in calculating basic and diluted loss per share from continuing operations	(70,099)	*(30,175)*

	2023	*2022*
	Number	*Number*
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic and diluted earnings per share	826,750,269	*822,691,472*

Options

Options granted to employees under the Oxford Nanopore Technologies Share Option Scheme and the Oxford Nanopore Technologies Limited Share Option Plan 2018 are considered to be potential ordinary shares. These options have not been included in the determination of the basic and diluted loss per share as shown above, because they are anti-dilutive for the period ended 30 June 2023 and 30 June 2022. These options could potentially dilute basic earnings per share in the future. Details relating to the share options are set out in note 15.

There have been no events that have caused any retrospective adjustments to the weighted average number of shares used as the denominator between the date of the Statement of Financial Position and the date of issuance of the Condensed Consolidated Financial Statements.

7. Re-presentation of development related costs

As amortisation related to internally generated assets has increased over time, management now consider that it is more appropriate presentation to present amortisation and the R&D tax credit within research and development expenses, rather than as previously presented within selling, general and administration expenses. The comparative income statement has been re-presented to be consistent with the current period presentation. The net effect on the statement of comprehensive income is nil as shown below:

7. Re-presentation of development related costs (continued)

	30 June 2023 £000	*30 June 2022 £000*
Research and development expenses		
Before re-presentation	43,958	*25,216*
Re-presentation of amortisation & R&D tax credit	4,272	*3,388*
After re-presentation	48,230	*28,604*
Selling, general and administrative expenses		
Before re-presentation	80,373	*75,702*
Re-presentation of amortisation & R&D tax credit	(4,272)	*(3,388)*
After re-presentation	76,101	*72,314*
Total operating expenses		
Before re-presentation	124,331	*100,918*
After re-presentation	124,331	*100,918*

8. Tax on loss on ordinary activities

8.1 Income tax recognised in profit or loss

	30 June 2023 £000	*30 June 2022 £000*
Current tax		
Notional tax on R&D expenditure credit (RDEC)	1,004	*522*
Tax payable on foreign subsidiary	1,058	*1,995*
Total current tax	2,062	*2,517*
Deferred tax		
Prior year adjustment in respect of deferred tax	983	-
Origination and reversal of temporary differences	495	*32*
Total deferred tax	1,478	*32*
	3,540	*2,549*

Current tax balances have been calculated at the rates enacted for the period. The effective rate of corporation tax is -5.32% (30 June 2022: -9.23%) of the loss before tax for the Group.

8. Tax on loss on ordinary activities (continued)

8.2 Current tax recoverable / (liability)

Recognised current tax asset / (liability) balances are made up as follows:

	30 June 2023 £000	*31 December 2022 £000*
Corporation tax recoverable	548	-
Corporation tax payable	-	*(1,639)*

8.3 Recognised deferred tax assets and liabilities

Recognised deferred tax balances are made up as follows:

	30 June 2023 £000	*31 December 2022 £000*
Deferred tax assets		
Provisions	1,266	*2,487*
Losses	6,241	*5,912*
Share awards	5,945	*6,360*
Share awards (Equity)	162	*543*
Total recognised deferred tax assets	13,614	*15,302*

	30 June 2023 £000	*31 December 2022 £000*
Deferred tax liabilities		
Accelerated Capital Allowances	(1,906)	*(1,741)*
Intangibles	(6,241)	*(5,880)*
Total recognised deferred tax liabilities	(8,147)	*(7,621)*
Net recognised deferred tax asset	5,467	*7,681*

Deferred tax balances have been recognised at the rate expected to apply when the deferred tax attribute is forecast to be utilised based on substantively enacted rates at the balance sheet date. The rate of UK corporation tax increased to 25% from 1 April 2023. Taxation for other jurisdictions is calculated at the rates prevailing in the respective territories. £5.3m (31 December 2022: £7.4m) of the recognised net Deferred Tax Asset relates to Oxford Nanopore Technologies, Inc., the US subsidiary, which is profitable.

8. Tax on loss on ordinary activities (continued)

In respect of share based payments, to the extent that the tax deduction (or future estimated tax deduction) exceeds the amount of the related cumulative IFRS2 expense, the excess of the associated current or deferred tax has been recognised in equity and not in the Consolidated Statement of Comprehensive Income. For the period ended 30 June 2023, this resulted in a current tax credit of £0.25 million and a deferred tax charge of £0.36 million being recorded directly in Equity. For current tax this increases the charge to the Consolidated Statement of Comprehensive Income by £0.25 million (31 December 2022: £0.14 million) and for deferred tax this reduces the credit to the Consolidated Statement of Comprehensive Income by £0.36 million (31 December 2022: £0.52 million).

A net deferred tax asset of £5.3 million (31 December 2022: £7.7 million) has been recognised in relation to future share option exercises and other timing differences in Oxford Nanopore Technologies, Inc and other overseas subsidiaries, because it is probable that the asset will be utilised in the foreseeable future. A Deferred Tax Asset has been recognised in relation to Oxfordshire Nanopore Technologies Plc of £6.2m (31 December 2022: £5.9m), being the amount equal to the deferred tax liability in the same entity.

9. Property, plant and equipment

	Leasehold Improvements £000	Plant and machinery £000	Assets under construction £000	Assets subject to operating leases £000	Equipment £000	Total £000
Cost or valuation						
At 31 December 2022	10,493	22,597	2,832	39,845	16,265	92,032
Additions	58	184	2,646	10,822	2,613	16,323
Disposals	-	(43)	-	(3,726)	(4)	(3,773)
Transfers between classes	285	2,391	(2,704)	(321)	349	-
Foreign exchange movements	(25)	(28)	(2)	(758)	(91)	(904)
At 30 June 2023	10,811	25,101	2,772	45,862	19,132	103,678
Accumulated depreciation						
At 31 December 2022	4,608	14,314	-	23,504	12,312	54,738
Charge for the period	784	1,740	-	4,817	1,379	8,720
Disposals	-	(43)	-	(2,478)	(4)	(2,525)
Transfers between classes	-	-	-	(15)	15	-
Foreign exchange movements	(8)	(22)	-	(418)	(62)	(510)
At 30 June 2023	5,384	15,989	-	25,410	13,640	60,423
Net book value						
At 31 December 2022	5,885	8,283	2,832	16,341	3,953	37,294
At 30 June 2023	**5,427**	**9,112**	**2,772**	**20,452**	**5,492**	**43,255**

The Group leases some of its devices to customers. Lease payments in relation to these devices are received either in advance or within the year. Therefore, no maturity analysis of lease payments has been included.

10. Intangible assets

During the period, the Group capitalised £8.9 million (12 months ended 31 December 2022: £19.2 million) of development costs.

11. Investment in associate

The following entity has been included in the condensed consolidated financial statements using the equity method:

Name of associate	Principal activities	Country of incorporation	Proportion of ownership interest held as at (%)	
			30 June 2023	31 December 2022
1) Veiovia Limited	Technology Development	UK	**26.1**	26.1

The carrying value is calculated as follows:

	30 June 2023 £000	*31 December 2022 £000*
Investment cost	**4,548**	*4,548*
Share of loss	**(530)**	*(302)*
Impairment	**(3,276)**	*(3,420)*
Carrying value of the interest in the associate	**742**	*826*

The above associate is accounted for using the equity method in these condensed consolidated financial statements as set out in the Group's accounting policies.

i) Pursuant to a shareholder agreement, the Company has the right to cast 24.9% of the votes of Veiovia Limited (30 June 2022: 23.3%).
ii) The Group holds more than 20% of the equity shares of Veiovia Limited, and exercises significant influence by virtue of its contractual right to appoint one director to the board of directors of that entity.
iii) For the purposes of applying the equity method of accounting, the management accounts of Veiovia Limited for the period ended 31 March 2023 have been used. The Company's share of the net asset value of the investment is significantly below the investment amount. Management has recorded an impairment loss of the investment to the recoverable amount.
iv) Veiovia Limited's registered office is The University of York, Biology B/A/039, Wentworth Way, York, UK, YO10 5DD.
v) In 2022, the Company accrued for an investment contribution of £3.0 million which was paid in January 2023. This investment cost was impaired in 2022 to reflect the Company's share of net asset value.

12. Inventories

	30 June 2023 £000	*31 December 2022 £000*
Raw materials	51,710	*41,852*
Work in progress	38,517	*34,960*
Finished goods	12,712	*10,886*
	102,939	*87,698*

The carrying amount of inventories were not materially different from their replacement cost.

13. Other financial assets

	30 June 2023 £000	*31 December 2022 £000*
Treasury deposits	-	*101,274*
Investment bonds	149,455	*100,898*
Other financial assets	1,309	*1,383*
	150,764	*203,555*
Current	40,862	*119,411*
Non-current	109,902	*84,144*
	150,764	*203,555*

During the period, the Group increased its portfolio of investment bonds by £50 million, £25 million was invested on both 27 January 2023 and 28 February 2023. During the period, the Group liquidated all treasury deposits held.

14. Provisions

	Dilapidation provisions £000	Employer taxes £000	Other £000	Total provisions £000
Balance at 31 December 2022	2,346	10,772	160	**13,278**
Provision for the period	25	(1,074)	(89)	**(1,138)**
Payments	-	(387)	(69)	**(456)**
Foreign exchange movements	(14)	(21)	(2)	**(37)**
Balance at 30 June 2023	2,357	9,290	-	**11,647**
Current	-	2,926	-	**2,926**
Non-current	2,357	6,364	-	**8,721**
At 30 June 2023	2,357	9,290	-	**11,647**
Current	-	4,473	160	**4,633**
Non-current	2,346	6,299	-	**8,645**
At 31 December 2022	2,346	10,772	160	**13,278**

The dilapidation provision relates to the leased properties, representing an obligation to restore the premises to their original condition at the time the Group vacates the related properties.

The provision is non-current and expected to be utilised between two and 21 years.

Employer's social security taxes relate to the expected employer's taxes on share-based payments. This is expected to be utilised between one and ten years. The provision is based on the best estimate of the liability, which is reviewed and updated at each reporting period. The provision is accrued over the vesting period to build up to the required liability at the point it is ultimately due.

15. Share capital and Share premium

As at 30 June 2023, the Company's share capital comprised:	Nominal value	Number of shares issued	Aggregate nominal value
Share class			
Ordinary Shares (fully paid)	£0.0001	828,788,707	82,879
Issued Class A Limited Anti-takeover share of £1	£1	1	1
Issued Class B Limited Anti-takeover share of £1	£1	1	1
Issued Class C Limited Anti-takeover share of £1	£1	1	1
			82,882

As at 31 December 2022, the Company's share capital comprised:	Nominal value	Number of shares issued	Aggregate nominal value
Share class			
Ordinary Shares (fully paid)	£0.0001	825,570,509	82,557
Issued Class A Limited Anti-takeover share of £1	£1	1	1
Issued Class B Limited Anti-takeover share of £1	£1	1	1
Issued Class C Limited Anti-takeover share of £1	£1	1	1
			82,560

Share option exercises

In the course of 2023, 3,218,198 ordinary shares were issued as a result of share options exercised, and SIP matching shares issued to employees of the Group. This resulted in an increase in the share premium reserve of £1.3 million.

16. Share-based payments

	30 June 2023 £000	*30 June 2022 £000*
Expense arising from share-based payment transactions:		
Included in research & development expenses	2,734	*3,262*
Included in selling, general & administrative expenses	19,073	*39,918*
	21,807	*43,180*
Equity settled share-based payment transactions	21,807	*44,344*
Cash settled share-based payment transactions	-	*(1,164)*
	21,807	*43,180*

17. Notes to the cash flow statements

	30 June 2023 £000	*30 June 2022 £000*
Cash and cash equivalents	334,812	*471,648*

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

	30 June 2023 £000	*30 June 2022 £000*
Loss before tax	(66,559)	*(27,626)*
Adjustments for:		
Depreciation on property, plant and equipment	8,720	*7,930*
Depreciation on right-of-use assets	2,449	*2,060*
Amortisation on intangible assets	8,700	*6,137*
Research and development expense tax credit	(4,428)	*(2,749)*
Loss on disposal of property, plant and equipment	1,248	*581*
Foreign exchange movements	(2,390)	*(2,008)*
Interest on leases	1,069	*601*
Interest income	(7,239)	*(900)*
Bank interest expense	-	*73*
Non-cash movements on derivatives	(97)	*3,513*
Impairment of investment	(144)	*(27)*
Impairment of operating assets	-	*1,201*
Share of losses in associate	228	*50*
Employee share benefit costs including employer's social security taxes	20,715	*24,834*
Operating cash flows before movements in working capital	(37,728)	*13,670*
Decrease in receivables	3,015	*1,762*
Increase in inventory	(17,685)	*(10,121)*
Decrease in payables	(946)	*(6,716)*
Cash used in operations	(53,344)	*(1,405)*
Income taxes – R&D tax credit received	4,088	*10,864*
Foreign tax paid	(2,943)	*(6,147)*
Net cash (outflow) / inflow from operating activities	(52,199)	*3,312*

18. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

In January 2023, the Company invested a further £3.0 million in its associate, Veiovia Limited, which is related to the Company by the shared directorship of J P Willcocks. A total of £4.5 million has now been invested in Veiovia Limited. During the period, an impairment reversal of £0.1 million has been recognised through the statement of comprehensive income.

During the reporting period, the Company paid Academic Research costs of £0.3 million (30 June 2022: £0.2 million) to the University of Oxford which is related to the Company by the shared directorship of W Becker.

19. Events after the reporting period

The Group performed a review of events subsequent to the balance sheet date through to the date the Financial Statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated income statement, the statement of financial position, the statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 19.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2.1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, UK
6 September 2023