



e-Therapeutics plc
("e-Therapeutics" or the "Company")

Preliminary Results for the year ended 31 January 2011 and Business Update

25 July 2011- e-Therapeutics plc (AIM: ETX), the drug discovery and development company, today announces its preliminary results for the year ended 31 January 2011, together with an update on its progress and future plans.

Business update

- **Discovery: renewed use of platform technology to generate new drug candidates**
- **Development: prioritisation of drug candidates and updated clinical trial plans**

Highlights of 2010/11

(* = events after the 31 January 2011 year end)

Network pharmacology platform powers renewed drug discovery effort

- Company begins second wave of discovery using network pharmacology platform*
- Search for new candidates focuses on cancer and neurodegenerative diseases*
- Platform gains new US patent, strengthening intellectual property position
- Innovative approach recognised by Ernst and Young award to platform inventor, Professor Malcolm Young

Early outputs from platform fuel clinical development pipeline

- Best candidates from earlier discovery work selected for clinical development
- Four drugs prioritised, spanning cancer, infections and psychiatry*
- Preparations made for phase I and phase II trials
- Wealth of clinical data now expected in 2012 and 2013*

Organisation strengthened as discovery and development activities grow

- Former senior Merck executive Stephen Self appointed to direct drug development
- New CFO Daniel Elger brings added biotech, oncology and commercial experience*

Post-year end fundraising supports continuing investment in Research and Development

- Full-year net loss of £2.3 million (2010: loss of £1.8 million) reflects investment in business
- Cash and liquid resources of £0.9 million at 31 January 2011, before the March 2011 Placing (2010: £2.9 million)
- New resources secured to support drug discovery and development: £16.6 million of net new capital raised in equity Placing (March 2011)*
- Company well funded after Placing: working capital through 2013, with 30 June 2011 cash of c. £15.8 million (unaudited)*

Commenting on the Preliminary Results Professor Malcolm Young, CEO of e-Therapeutics, said: "Our recent fundraising provided significant resources to invest in the business, allowing us to begin a second wave of drug discovery using our unique network pharmacology platform and to pursue clinical development of the most promising drugs from our first wave of discovery. Our clinical effort is now focused on four commercially attractive candidates spanning cancer, infections and psychiatry. With numerous trials set to report over the next two years and the prospect of new outputs from our discovery platform, we believe we are well placed to generate substantial value both in the near term and beyond."

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Chairman's statement

Overview

I am pleased to report another period of considerable progress at the Company. We have prepared a systematic programme of clinical trials, which will evaluate in patients the most promising drugs we have generated using our network pharmacology platform. We have also restarted discovery activities, applying our unique platform with intent to produce further drug candidates for development. Pursuit of our business goals has been aided by the addition of substantial new funds to our balance sheet, and we thank investors for their support of our recent Placing. We have also benefited from strengthening our team, notably the addition of further experts in drug development. In both discovery and development, we are focusing our efforts and resources carefully on those programmes most likely to generate significant value for shareholders.

Exploiting our leadership in network pharmacology

e-Therapeutics has a pioneering position in a novel approach to drug discovery known as network pharmacology. This approach uses information on the way a drug interacts with the various proteins it encounters and on how different proteins interact with one another as they form networks within cells. Network pharmacology can be applied to anticipate the effectiveness of a drug against a diseased cell or pathogen, and to see whether it could have unacceptable side effects in healthy tissues. The net result is a view of the likely total effect of the drug. This has advantages over conventional drug discovery, which focuses on the action of a drug on a single target and therefore ignores much of the complexity of biological systems. Our network pharmacology approach aims to overcome the disappointments seen with many 'targeted' treatments, which have proved less effective and/or less safe than their originators had hoped once faced with the real-life complexities encountered in medical application.

Building on the acclaimed work of our founder and CEO, Professor Malcolm Young, the Company has established a proprietary discovery platform based on network pharmacology. We have strong intellectual property protection for this approach, which was further enhanced during the period by the grant of a new US patent covering important features of the platform. The pioneering nature of our business was recognised in June 2010 when Professor Young received an Ernst and Young Innovation Entrepreneur of the Year Award.

Our discovery platform proved very productive during its period of full operation from 2005 to 2009. This first phase of our discovery effort focused exclusively on identifying novel uses for known molecules or combinations of well-studied agents. Candidates of this kind have the potential for shortened development time because of pre-existing safety and toxicology data. As described below, four of the 'repositioned' drugs arising from this work have been selected for further clinical development.

Following our fundraising in March 2011, we have been able to initiate a second phase of discovery work. We plan both to identify further repositioning candidates and to discover novel molecules. We have undertaken a careful exercise to select disease areas in which we believe our technology has particular strengths and will be concentrating the majority of our effort in cancer and degenerative diseases of the nervous system. We have begun the recruitment of additional scientists with relevant expertise and also a search for a suitable site in the Oxford area, where we believe we can best establish a world-class discovery unit in network pharmacology. Renewal of our discovery efforts should enable us to maintain a good pool of drug candidates from which we can continue to select the most attractive, based on technical, clinical and commercial criteria, to advance into the clinic. It also enhances the potential for us to forge discovery collaborations with partners. We see the network pharmacology platform as a renewable source of new product assets from which value can be generated over a long period.

Detailed plans enacted for clinical pipeline products

Following the appointment of new Board members (see below) and, in particular, extensive review of all our drug candidates by new Development Director Stephen Self, we have refined our plans for development of the Company's clinical-stage assets. Although we have generated a number of promising candidates, we have been rigorous in identifying the most commercially attractive and deselecting others. As indicated in our February 2011 Placing announcement, four of the candidates generated by the Company's earlier discovery effort have been selected for clinical development.

ETS2101 is a drug that promotes apoptosis (programmed death) of malignant cancer cells. It is supported by preclinical data in multiple cancer types and a substantial safety file from its previous development as a potential treatment for trauma patients. We will be engaging in discussions with regulators during August 2011 and expect to start treating cancer patients in clinical trials by early 2012. Two separate trials are planned: a dose-escalating phase I study that will enrol patients with a variety of solid tumours; and a focused investigator-initiated phase I trial in patients with primary or secondary tumours in the brain. Together, these trials will allow the Company to probe the broad range of cancers where ETS2101 could provide benefit while also pursuing a specific indication where preclinical data were especially promising. Initial data from the trials should be available in 2012 and we now expect final results from both trials in 2013. The Company will conduct additional non-clinical work in parallel with the trials in order to allow rapid progress to phase II if data are positive.

ETX1153c is a drug with high potency against *C. difficile*, a bacterium that is responsible for severe and sometimes life-threatening outbreaks of diarrhoea in hospitalised patients. ETX1153c has shown activity that extends to resistant strains in laboratory testing. During 2011, we will be testing the compound in an animal model. Provided data support those seen *in vitro*, we expect to initiate phase I development in early 2012 and to complete this phase within that calendar year. The phase I study will be conducted in a small number of healthy volunteers, following which we could progress rapidly to a phase II trial in patients. Work is ongoing to formulate the drug for oral delivery to patients.

ETS6103 is a drug we are developing for major depressive disorder. The drug has already produced encouraging data in a small phase II study in which it was compared with the tricyclic antidepressant amitriptyline. Our next step is to conduct a phase IIb trial, which will evaluate a range of dosing options. We plan to start this trial early in 2012 and to complete it in the first half of 2013.

ETX1153a is a topical agent being developed for resistant hospital-based infections such as those caused by MRSA. We are currently working on the formulation of the product and expect to start a phase I study in 2012.

Our primary aim in development of these candidates is to generate high quality data through trials conducted under the approval of regulators in established pharmaceutical markets. While we continue to believe that the drugs also have commercial potential in emerging markets, and have a licensing agreement with Khandelwal Laboratories in India that includes two of the above candidates, we do not anticipate any significant revenues from this source over the next two years, nor do we intend during this period to invest further in trials in emerging markets. We plan to generate data through our own clinical programmes that could support partnering deals covering a wide range of territories.

Balance sheet strengthened

We finished the financial year to 31 January 2011 with £0.9 million in cash and liquid resources, but then conducted a Placing in March that raised £16.6 million net of expenses. This has provided us with the resources we need to pursue thorough development of our clinical-stage assets and new discovery effort as described above. Concurrently with the Placing, we removed all debt from our balance sheet by paying off our loan notes and their associated interest. In addition, a majority of the warrants outstanding at the time were converted into ordinary shares, limiting any future dilution associated with these instruments.

Net losses for the period were £2.3 million (2010: £1.8 million loss); as in 2010, there were no revenues to offset our operating expenses. Net cash burn for the year was £2.0 million; we benefited from the receipt of £0.5 million in Research and Development tax credits based on the prior year's claim.

We anticipate continuing losses in future periods until our investment in R&D is matched by revenue from collaborations and/or partnering deals for the Company's products. In the short term, we expect cash utilisation and losses to increase as we invest the proceeds of our recent Placing in increased drug discovery and drug development activities. We expect that the funds currently available will be sufficient to continue this investment through 2013. We retain a high degree of flexibility in prioritisation of programmes and will keep under regular review the best use of the resources available, as well as continuing to evaluate opportunities such as partnerships that could generate revenues and offset our outgoings.

Board changes

We have strengthened our Board with the appointment of Stephen Self as Development Director in December 2010. Stephen has a substantial track record in drug development, notably at Merck Generics, where he led development for eight years prior to the acquisition of the unit by Mylan. Since the period end we have also appointed to the Board former Antisoma executive Dr Daniel Elger as Chief Financial Officer. Former Finance Director John Cordiner has left the Board and the Company and I would like to thank him for his contribution to the Company's development. It is with great sadness that we note the passing of Dr Royston Drucker, our former Chief Medical Officer, who stepped down from our Board in September 2010. Royston was a respected friend and colleague and made an important contribution to the development of our business.

Outlook

We look forward to an exciting period ahead, as we embark on a substantial programme of clinical trials for our lead drug candidates and the generation of new candidates using our network pharmacology platform. Both these activities could add significant value to our business in the short to medium term. We have the capital resources needed to invest in this work and many of the key people required; we will add modestly to our numbers over the coming year as we recruit additional experts in discovery and development. Our work is underpinned by a unique proprietary platform that provides strong potential for sustained value creation not only over the next few years but also over the long term.

Professor Oliver James
Chairman

Consolidated income statement

For the year ended 31 January 2011

	2011 £000	2010 £000
Revenue	—	—
Cost of sales	—	—
Gross profit	—	—
Other operating income	—	1
Administrative expenses	(2,475)	(2,163)
Operating loss	(2,475)	(2,162)
Financial income	14	12
Financial expense	(194)	(105)
Loss before tax	(2,655)	(2,255)
Taxation	342	476
Loss for the year	(2,313)	(1,779)
Loss for the year attributable to equity holders of the Company	(2,313)	(1,779)
Loss per share – basic and diluted	(3.51)p	(2.96)p

Consolidated statement of comprehensive income

For the year ended 31 January 2011

	2011 £000	2010 £000
Loss for the financial year	(2,313)	(1,779)
Other comprehensive income	—	—
Total comprehensive income for the financial year	(2,313)	(1,779)

Consolidated statement of changes in equity

For the year ended 31 January 2011

	Share capital £000	Share premium £000	Warrant Reserve £000	Retained earnings £000	Total £000
As at 1 February 2009	56	4,684	—	(3,793)	947
Total comprehensive income for year					
Loss for the financial year	—	—	—	(1,779)	(1,779)
Total comprehensive income for year	—	—	—	(1,779)	(1,779)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	9	2,889	420	—	3,318
Total contributions by and distribution to owners	9	2,889	420	—	3,318
As at 31 January 2010	65	7,573	420	(5,572)	2,486
As at 1 February 2010	65	7,573	420	(5,572)	2,486
Total comprehensive income for year					
Loss for the financial year	—	—	—	(2,313)	(2,313)
Total comprehensive income for year	—	—	—	(2,313)	(2,313)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	1	81	—	—	82
Equity-settled share-based payment transactions	—	—	—	18	18
Total contributions by and distribution to owners	1	81	—	18	100
As at 31 January 2011	66	7,654	420	(7,867)	273

Company statement of changes in equity

For the year ended 31 January 2011

	Share capital £000	Share premium £000	Warrant Reserve £000	Retained earnings £000	Total £000
As at 1 February 2009	56	4,684	—	(969)	3,771
Total comprehensive income for year					
Loss for the financial year	—	—	—	(1,779)	(1,779)
Total comprehensive income for year	—	—	—	(1,779)	(1,779)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	9	2,889	420	—	3,318
Total contributions by and distribution to owners	9	2,889	420	—	3,318
At 31 January 2010	65	7,573	420	(2,748)	5,310
As at 1 February 2010	65	7,573	420	(2,748)	5,310
Total comprehensive income for year					
Loss for the financial year	—	—	—	(2,313)	(2,313)
Total comprehensive income for year	—	—	—	(2,313)	(2,313)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	1	81	—	—	82
Equity-settled share-based payment transactions	—	—	—	18	18
Total contributions by and distribution to owners	1	81	—	18	100
At 31 January 2011	66	7,654	420	(5,043)	3,097

Balance sheets

At 31 January 2011

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Non-current assets				
Property, plant and equipment	16	30	16	30
Goodwill	—	—	2,824	2,824
Other intangible assets	272	259	272	259
	288	289	3,112	3,113
Current assets				
Trade and other receivables	444	549	444	549
Cash and cash equivalents	927	2,880	927	2,880
	1,371	3,429	1,371	3,429
Total assets	1,659	3,718	4,483	6,542
Current liabilities				
Trade and other payables	351	200	351	200
	351	200	351	200
Non-current liabilities				
Interest bearing loans and borrowings	1,035	1,032	1,035	1,032
	1,035	1,032	1,035	1,032
Total liabilities	1,386	1,232	1,386	1,232
Net assets	273	2,486	3,097	5,310
Equity				
Share capital	66	65	66	65
Share premium	7,654	7,573	7,654	7,573
Warrant reserve	420	420	420	420
Retained earnings	(7,867)	(5,572)	(5,043)	(2,748)
Total equity attributable to equity holders of the Company	273	2,486	3,097	5,310

Statements of cash flow

For the year ended 31 January 2011

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Cash flows from operating activities				
Loss for the year	(2,313)	(1,779)	(2,313)	(1,779)
Adjustments for:				
Depreciation, amortisation and impairment	135	20	135	20
Financial income	(14)	(12)	(14)	(12)
Financial expense	194	105	194	105
Equity-settled share-based payment expenses	18	—	18	—
Taxation	(342)	(476)	(342)	(476)
	(2,322)	(2,142)	(2,322)	(2,142)
(Increase)/decrease in trade and other receivables	(26)	362	(26)	362
Decrease in trade and other payables	(40)	(95)	(40)	(95)
Tax received	473	202	473	202
Net cash from operating activities	(1,915)	(1,673)	(1,915)	(1,673)
Cash flows from investing activities				
Interest received	14	12	14	12
Financial expense	—	(105)	—	(105)
Acquisition of property, plant and equipment	(4)	(8)	(4)	(8)
Acquisition of other intangible assets	(130)	(105)	(130)	(105)
Net cash from investing activities	(120)	(206)	(120)	(206)
Cash flows from financing activities				
Proceeds from issue of share capital	82	3,318	82	3,318
Proceeds from issue of loan notes	—	1,032	—	1,032
Net cash from financing activities	82	4,350	82	4,350
Net (decrease)/increase in cash and cash equivalents	(1,953)	2,471	(1,953)	2,471
Cash and cash equivalents at 1 February	2,880	409	2,880	409
Cash and cash equivalents at 31 January	927	2,880	927	2,880

Notes

1. Basis of preparation

The preliminary announcement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. It does not include all the information required for full annual accounts.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 January 2010 or 2011. Statutory accounts for the year ended 31 January 2010 have been delivered to the registrar of Companies House, and those for the year ended 31 January 2011 will be delivered in due course. The auditor has reported on those accounts; the audit reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been prepared using the accounting policies published in the Group's accounts for the year ended 31 January 2010, which are available on the Company's website at www.etherapeutics.co.uk, with the exception of the following standards, amendments and interpretations which became effective during the year and were adopted by the Group;

Revised IFRS 3 *Business Combinations*

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible hedged items*

The adoption of the above has not had a significant impact on the Group's profit for the year or equity.

2. Subsequent events

In March 2011 the following transactions had a significant impact on the Group's capital structure:

- the Company raised £17.6 million (approximately £16.6 million net of expenses) through the placing of 67,740,904 new ordinary shares. The Placing price was 26 pence and the new shares represented approximately 49.4% of the enlarged issued share capital;
- 12,944,954 existing ordinary shares were placed with new owners in a secondary share transaction;
- an exercise of 3,299,11 warrants occurred, leaving warrants over up to 198,332 ordinary shares outstanding, (which are capable of being exercised at the warrant holders' discretion at a price of up to 30 pence per share until 16 March 2014); and
- loan notes of £1,049,233 were redeemed and all interest due to the date of redemption paid.

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