e-Therapeutics

(‘e-Therapeutics’ or the ‘Company’)

Re-focused, science based and commercially driven with £19.9m of cash

20 September 2016: e-Therapeutics plc (AIM: ETX), the drug discovery company, announces its half year results for the six months ended 31 July 2016.

Highlights

- Cash and deposits of £19.9m (31 January 2016: £24.8m)
- H1 cash burn of £4.9m post £1.2m of acquisition cost
- Operating loss of £9.7m (HY15: loss of £5.9m), including £2.1m goodwill write-off from Searchbolt acquisition
- Discovery project spend was £2.5m (HY15: £0.9m) reflecting increased number of projects
- Strategic re-focus on Discovery with five projects in assay work or hit confirmation and five in medicinal chemistry phase
- Completion of the Searchbolt acquisition
- Departures of Professor Malcolm Young, Founder and CEO, and Steve Self, Development Director
- Board re-organisation and worldwide search for new CEO initiated

Iain Ross, Chairman of e-Therapeutics, said:

“This has been a busy six months which has seen fundamental changes to the business and its strategy.

“We have a world-beating discovery engine with potent and significant programmes in our pipeline. We have a re-focused and committed team, a targeted commercial partnership strategy and the support of a strong balance sheet.

“With a renewed outlook and focus, the next few years should be exciting ones for the Company and its shareholders.”

-Ends-

For more information, please contact:

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About e-Therapeutics plc

e-Therapeutics (AIM: ETX) is a drug discovery company with a proprietary discovery platform based on advances in network pharmacology and chemical biology.The Company is applying its platform to the discovery of new drug candidates. The therapeutic focus of the Company's activity is in immuno-oncology, addressing drug resistance in targeted cancer therapies and anti-infectives. The platform is highly productive, yielding multiple potent and selective molecules at a much higher rate and more quickly than is reported for conventional drug discovery.

e-Therapeutics has a variety of preclinical stage assets, including ETS2300, telomerase inhibition in anti-cancer; ETS3100, small molecule anti-TNFα; ETS2400, Hedgehog pathway inhibition and ETS5200, broad spectrum antivirals. The Company has recently completed a phase IIb clinical trial for ETS6103, a drug to treat major depressive disorder.

The Company is fully funded to advance its drug discovery programmes. It is based in Oxford and Newcastle, UK. For more information, visit www.etherapeutics.co.uk.

CHAIRMAN'S STATEMENT

At the beginning of the year, I stated that e-Therapeutics' strategy should be to "*Focus, Partner and Commercialise*". This remains my view.

The execution of this strategy has been further influenced by a number of events in the first half of the year:

- The ETS6103 clinical results and the decision to seek to out-license this asset
- The decision to wind down the ETS2101 trial
- The decision to close down our in-house development function
- The completion of the Searchbolt acquisition
- The departure of Malcolm Young, our Founder and CEO

In July the Board initiated an extensive Scientific Review led by Professor Trevor Jones (Non-Executive Director) and an overall Financial & Operational Review led by Steve Medlicott (CFO and Acting COO). In addition Sean Nicolson (Executive Director) is leading a full IP Review, which includes an assessment of the assets acquired as a result of the purchase of Searchbolt and the potential to derive value from those IP assets. I am personally leading a Board Review to examine in general the strategic business opportunities to maximise shareholder value, including the accelerated development and validation of our discovery platform.

As indicated in the Operational Review section of this report, the initial outcome of these reviews has been to reduce significantly the number of active discovery projects in order to focus upon a manageable number in medicinal chemistry. Accordingly, we have re-allocated internal resources and have plans to strengthen our chemistry capabilities in general, which is vital to identifying and confirming lead product candidates for pre-clinical development.

Many of the discovery projects we have put on hold remain exciting but at this time we need to focus upon those we believe can generate pre-clinical data in the shortest timescale in order to be able to partner them appropriately. The on-going need to complete medicinal chemistry and to identify lead candidates remains our priority and to obtain *in vivo* data where this is critical for an out-licensing deal or discovery collaboration.

In summary, the e-Therapeutics discovery platform, as it has evolved, remains highly productive and continues to identify promising molecules. Also there is no doubt that the cost and time benefits of our discovery approach in comparison to long established drug discovery approaches appear to have a strong economic value. However this needs to be validated by third partners or collaborators, which will only happen on the basis of having compelling pre-clinical data.

Summary and Outlook

So far, 2016 has been a year of considerable change for e-Therapeutics. I believe e-Therapeutics is emerging from this period with increased enthusiasm and determination, with a strong focus on the exploitation of its considerable skills and assets.

In the next 12 to 18 months we expect to see the validation of our view of the pre-eminence of our discovery capability through the announcement of partnerships. To accomplish this we need to adopt a sense of realism and professionalism in forming validating partnerships and generating value. Accordingly, at a time when there is an increasing move by big pharma to outsource many elements of the discovery process, e-Therapeutics is well placed to exploit these opportunities provided we focus upon the strengths in our business.

We intend to out-license assets and form collaborations to secure third party validation, thereby increasing the probability of success. The Board will continue to aim to create value through organic growth but also will remain alert to external opportunities to accelerate the development of our discovery platform.

We ended the period with £19.9m of cash and deposits, and with the reductions in the cost base already implemented coupled with making further progress in refining our discovery portfolio, I remain confident that our cash will enable us to achieve our medium term objectives.

As announced in July we have commenced a worldwide search for a new CEO and I am pleased to report we are making significant progress and remain on course to make an appointment before the year-end.

On behalf of the Board I would like to thank Professor Malcolm Young and Steve Self for their significant and valuable contributions to the business over a number of years and to wish both of them success in the future.

In addition I want to recognise the management and staff who are taking this business forward and congratulate them on their efforts and resilience during this time of change. I would also like to thank the shareholders as a whole for their support over the first half of the year.

At e-Therapeutics, we believe we have a world-beating discovery engine, which has the potential to change the face of drug discovery. With a new focused and committed team and a targeted commercial partnership strategy, we see the next few years as exciting ones for the Company and its shareholders. I look forward to reporting further progress in the second half of the year including further announcements in respect of the outcome of our internal reviews.

Iain Ross
Executive Chairman

OPERATIONAL REVIEW

The first six months of FY2016 have seen considerable changes to the business.

In Development, following announcements we made earlier this year, the activities are now significantly reduced. In February the ETS6103 trial did not meet its primary endpoint and we announced at our full year report in March the intention to effect an orderly closure of the ETS2101 Ib study. No further investment will be made in ETS6103 and the expectation is that the ETS2101 Ib trial will be wound down around the end of the current financial year.

Since July, we have also undergone a thorough Commercial and Operational Review and are currently in the final stages of a Scientific Review. We have also taken the opportunity to look at the business development function and prioritise our many early leads into a smaller number of more targeted opportunities.

This overall review process has involved the engagement of many members of staff and it is pleasing to be able to see the commitment, professionalism and dedication of all employees. These review processes have been possible under a fully engaged and re-shaped board. We have made a number of internal organisational changes to provide structure and support, which have given us a clear understanding of, and focus on, the core priorities of the Company.

The reviews we have done to date have crystallised a focus on our Discovery capabilities which is where we believe the core value of e-Therapeutics lies. We continue to believe that we have a world-leading informatics drug discovery platform.

Alongside these capabilities are a strong and dynamic internal culture and a healthy balance sheet. The many changes that we have made over the last two months will enable us to make the most of our strengths to secure the opportunities available to the Company in the future.

Discovery Update

The Scientific Review has included both a review of our intellectual property (IP) but also a fundamental review of the various discovery projects.

Over the last two years we have reported a continued increase in the number of active projects and by the middle of this year we had 17 projects at different levels of progress. A combination of finite financial and human resources meant that there was a clear need to focus on a smaller number of projects and a Scientific Review of all the projects has been ongoing since July. Without pre-empting the final outcome of the Scientific Review, we have given some indication of our priorities below.

Currently, in Discovery we have five projects in medicinal chemistry:

- Hedgehog pathway (oncology),
- Telomerase inhibition (oncology),
- Anti-virals (influenza),
- Tryptophan catabolism (immuno-oncology)
- Anti TNFα (inflammatory diseases).

In addition we have five earlier-stage projects for which we intend to complete the assay and hit confirmation work. Following the completion of the scientific review, we aim to introduce a formal triage assessment process to prioritise all early-stage work before progressing the most promising into medicinal chemistry.

In early 2016 we indicated that a lead compound would be selected from the best of the later stage projects. Optimisation of our compounds continues and we are aiming to have at least one project progress into pre-clinical development in the first half of 2017.

Underlying everything is the need to maximise the chance of achieving success at a Company level. Success in this case is most likely to be defined as the out-licensing of a project to an external partner as this would provide both external validation and monetary compensation. It is for this reason that we are continuing to invest in the five most advanced projects.

With renewed focus we believe we have a proprietary and potentially world-class preclinical drug discovery process.

Development update

ETS6103

In February 2016 we gave a preliminary update following the unblinding of the Phase IIb study, and provided further details in the Company's full year results published in March 2016.

The study failed to meet its primary endpoint of demonstrating ETS6103's non-inferiority compared to amitriptyline in patients with major depressive disorder. However, the data remained compatible with the hypothesis that ETS6103 has an anti-depressive effect with a more tolerable side-effect profile.

Since that time, e-Therapeutics has continued to review the full data set, comparing the data from the three arms of the study, and analysing these in the context of historical, published data. This review supports an antidepressant effect over and above placebo.

We would like to thank the Investigators, research staff and patients involved in the clinical trial for their contribution towards the delivery of this study.

ETS2101

In the full year results published on 22 March 2016 we announced the orderly wind down of the Ib study. Presently we have four patients remaining on this study, which will mean that the final costs are likely to extend into the first half of 2017.

We also indicated at the time of the full year results that we have seen some interesting preclinical test results when looking at the activity of ETS2101 in combination with CTLA-4 inhibitors. These tests are ongoing and appear to support the results of the original test, but significant issues remain with both formulation and absorption.

In view of the clinical results with ETS6103 and the current preclinical work with ETS2101, assuming the data from the latter are supportive, the Company will seek to out-license both programmes as appropriate.

FINANCIAL REPORT

Period end cash and deposits of £19.9m and cash burn of £4.9m in the first six months

The Company's reported operating loss for the first six months of the year was £9.7m (six months to July 2016: loss £5.9m). Included in this was a £2.1m goodwill write down arising from the acquisition of Searchbolt that was announced on 11 May this year.

The operating loss before goodwill write-off in the first six months of the year was £7.6m (six months to July 2016: loss £5.9m). This increased loss was primarily as a result of higher external project related costs within Discovery offset by lower Development spend. Administration costs were slightly higher in the period compared to the prior year.

Development spend was around £0.7m lower in the first half of the year when compared to the comparable period last year. The majority of the external costs within Development relate to ETS2101.

Whilst we announced on 22 March 2016 the intention to proceed with an orderly wind down of the ETS2101 Ib trial, we still anticipate significant costs in the second half of the current financial year, although the level of costs should be reduced compared to the first half.

External Discovery project spend was £2.5m in the first half of the year compared to £0.9m in the same period of the prior year. This increase in spend is a reflection of both the increased number of projects during the period but also the maturing of some of these projects, with five projects in or just entering medicinal chemistry in the half year. As discussed previously, we will reduce the number of projects, nevertheless a similar level of external project spend is likely in the second half.

Administrative costs were £1.1m in the first half (six months to July 2016: £0.8m). Most of the increase in cost related to Business Development and similar costs during the period.

The Company's cash and deposits at the end of July 2016 were £19.9m (31 January 2016 £24.8m), reflecting a cash outflow in the first six months of £4.9m. We received a R&D tax credit of £2.6m in June of this year resulting from allowable R&D spend in the prior year. This cash receipt accounted for the majority of the difference between the trading loss of £7.6m and the cash outflow £4.9m. The cash cost resulting from the acquisition of Searchbolt was broadly matched and offset by the movement in working capital in the period.

Assuming no change in the tax environment we continue to anticipate future R&D tax receipts of up to £6m, this together with the cash and deposits position suggests over £25m of investable assets.

The Company’s cash burn is likely to remain high in the second half of the year but the cessation of our Development activities and increased focus in Discovery is expected to result in the burn rate reducing significantly in the next financial year.

We remain comfortable with past guidance that the Company has sufficient cash resources to support the business into 2019.

Steve Medlicott
CFO and Acting COO

GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 JULY 2016

	6 months ended 31 July 2016 (un-audited) £000	6 months ended 31 July 2015 (un-audited) £000	12 months ended 31 January 2016 (audited) £000
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Research & Development expenditure	(6,480)	(5,140)	(9,965)
Administrative expenses	(1,100)	(804)	(1,590)
Write-off of goodwill arising from acquisition of subsidiary	(2,101)	-	-
Operating loss	(9,681)	(5,944)	(11,555)
Financial income	81	147	271
Financial expenses	-	-	-
Loss before taxation	(9,600)	(5,797)	(11,284)
Taxation	1,670	1,278	2,464
Loss for the period	(7,930)	(4,519)	(8,820)
Loss per share - basic and diluted	(2.98)p	(1.71)p	(3.34)p

The results shown above relate entirely to continuing operations. There are no recognised gains and losses other than those passing through the income statement.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JULY 2016

	6 months ended 31 July 2016 (un-audited) £000	6 months ended 31 July 2015 (un-audited) £000	12 months ended 31 January 2016 (audited) £000
Loss for the period	(7,930)	(4,519)	(8,820)
Other comprehensive income	-	-	-
Total comprehensive income for the period	(7,930)	(4,519)	(8,820)

GROUP BALANCE SHEET

AT 31 JULY 2016

	Notes	**31 July 2016 (un-audited) £000**	31 July 2015 (un-audited) £000	31 January 2016 (audited) £000
ASSETS				
Non-current assets				
Intangible assets	2	**789**	683	740
Goodwill		**-**	-	-
Property, plant and equipment		**52**	79	64
		841	762	804
Current assets				
Tax receivable		**1,568**	1,282	2,469
Trade and other receivables		**940**	1,633	1,472
Fixed-term deposits		**9,500**	27,000	18,500
Cash and cash equivalents		**10,377**	3,201	6,342
		22,385	33,116	28,783
Total assets		**23,226**	33,878	29,587
LIABILITIES				
Current liabilities				
Trade and other payables		**2,100**	1,253	1,156
Total liabilities		**2,100**	1,253	1,156
Net assets		**21,126**	32,625	28,431
EQUITY				
Share capital	3	**268**	264	264
Share premium	3	**65,135**	64,572	64,572
Retained earnings	3	**(44,277)**	(32,211)	(36,405)
Total equity attributable to equity holders	3	**21,126**	32,625	28,431

GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 JULY 2016

	6 months ended 31 July 2016 (un-audited) £000	6 months ended 31 July 2015 (un-audited) £000	12 months ended 31 January 2016 (audited) £000
Cash flows from operating activities			
Loss for the period	**(7,930)**	(4,519)	(8,820)
Adjustments for:			
Depreciation, amortisation and impairment	**2,132**	31	73
Loss on disposal of fixed assets	**1**	-	-
Financial income	**(81)**	(147)	(271)
Equity-settled share-based payment expenses	**58**	108	215
Taxation	**(1,670)**	(1,278)	(2,464)
	(7,490)	(5,805)	(11,267)
Decrease / (increase) in trade and other receivables	**483**	(60)	40
Increase in trade and other payables	**625**	120	23
Tax received	**2,570**	2,027	2,027
Net cash from operating activities	**(3,812)**	(3,718)	(9,177)
Cash flows from investing activities			
Interest received	**108**	145	329
Acquisition of subsidiary	**(1,198)**	-	-
Acquisition of property, plant and equipment	**(4)**	(3)	(6)
Acquisition of other intangible assets	**(64)**	(57)	(138)
Decrease in fixed-term deposits	**9,000**	5,000	13,500
Net cash from investing activities	**7,842**	5,085	13,685
Cash flows from financing activities			
Net proceeds from issue of share capital	**5**	12	12
Net cash from financing activities	**5**	12	12
Net increase in cash and cash equivalents	**4,035**	1,379	4,520
Cash and cash equivalents at the beginning of the period	**6,342**	1,822	1,822
Cash and cash equivalents at the end of the period	**10,377**	3,201	6,342

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 JULY 2016

	Share capital £000	Share premium £000	Retained Earnings £000	Total £000
As at 1 February 2015	264	64,560	(27,800)	37,024
Total comprehensive income for the period				
Loss for the period	-	-	(4,519)	(4,519)
Total comprehensive income for the period	-	-	(4,519)	(4,519)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	-	12	-	12
Equity-settled share-based payment transactions	-	-	108	108
Total contributions by and distribution to owners	-	12	108	120
As at 31 July 2015	**264**	**64,572**	**(32,211)**	**32,625**
As at 1 August 2015	264	64,572	(32,211)	32,625
Total comprehensive income for the period				
Loss for the period	-	-	(4,301)	(4,301)
Total comprehensive income for the period	-	-	(4,301)	(4,301)
Transactions with owners, recorded directly in equity				
Equity-settled share-based payment transactions	-	-	107	107
Total contributions by and distribution to owners	-	-	107	107
As at 31 January 2016	**264**	**64,572**	**(36,405)**	**28,431**
As at 1 February 2016	264	64,572	(36,405)	28,431
Total comprehensive income for the period				
Loss for the period	-	-	(7,930)	(7,930)
Total comprehensive income for the period	-	-	(7,930)	(7,930)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	4	563	-	567
Equity-settled share-based payment transactions	-	-	58	58
Total contributions by and distribution to owners	4	563	58	625
As at 31 July 2016	**268**	**65,135**	**(44,277)**	**21,126**

Notes

1. Basis of Preparation

These unaudited interim financial statements do not comprise statutory accounts as defined within section 434 of the Companies Act 2006. The Company is a public limited company; it is listed on the London Stock Exchange's AIM market and is incorporated and domiciled in the United Kingdom. The address of its registered office is 17 Blenheim Office Park, Long Hanborough, Oxfordshire, OX29 8LN, UK.

Statutory accounts for the year ended 31 January 2016 were approved by the Board of Directors on 21 March 2016 and delivered to the Registrar of Companies. The report of the Auditor on the accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This interim statement, which is neither audited nor reviewed, has been prepared in accordance with the measurement and recognition criteria of Adopted IFRSs. It does not include all the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 January 2016. It does not comply with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as is permissible under the rules of AIM. The accounting policies applied in preparing these interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 January 2016 (as defined therein) other than standards, amendments and interpretations which became effective after 1 February 2016 and were adopted by the Group. These have had no significant impact on the Group's result for the period or its equity.

2. Intangible Assets

Group

	Goodwill	Patents and trademarks	Total
	£000	£000	£000
Cost			
Balance as at 1 February 2015	-	1,014	1,014
Other acquisitions - internally developed	-	57	57
Balance as at 31 July 2015	-	1,071	1,071
Other acquisitions - internally developed	-	81	81
Balance as at 31 January 2016	-	1,152	1,152
Recognised on acquisition of a subsidiary	2,101	-	2,101
Other acquisitions - internally developed	-	64	64
Balance as at 31 July 2016	**2,101**	**1,216**	**3,317**
Amortisation and impairment			
Balance as at 1 February 2015	-	377	377
Amortisation	-	11	11
Balance as at 31 July 2015	-	388	388
Amortisation	-	24	24
Balance as at 31 January 2016	-	412	412
Impairment losses for the period	2,101	-	2,101
Amortisation	-	15	15
Balance as at 31 July 2016	**2,101**	**427**	**2,528**
Net book value			
As at 31 July 2015	-	683	683
As at 31 January 2016	-	740	740
As at 31 July 2016	**-**	**789**	**789**

3. Acquisition of Searchbolt Limited

On 1 June 2016, the Group's offer to acquire 100% of the issued share capital of Searchbolt Limited (announced on 11 May 2016) was declared wholly unconditional, and the group obtained control of Searchbolt Limited following initial settlement of the consideration on 8 June 2016. Searchbolt is a developer of internet search engine technology that was demerged from e-Therapeutics at the time of the latter's flotation in 2007.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

	£000
Other debtors	324
Cash	4
Trade creditors	(55)
Total identifiable assets	**273**
Goodwill	2,101
Total consideration	**2,374**
Satisfied by:	
Cash	1,812
Equity instruments (ordinary shares of e-Therapeutics plc)	562
Contingent consideration	-
Total consideration transferred	**2,374**
Net cash outflow arising on acquisition	
Cash consideration	1,812
Less:	
Cash consideration payable to Searchbolt on behalf of Searchbolt shareholders	(291)
Cash and cash equivalent balances acquired	(4)
Cash consideration to be paid after the period end	(319)
	1,198

The goodwill arising on the acquisition has been impaired in full in the period. The Directors are satisfied that the acquisition was commercially desirable for securing value for e-Therapeutics shareholders, but it is not possible at this stage to estimate a recoverable amount for the Searchbolt assets acquired. Accordingly, an impairment of the goodwill has been recognised in the period.

The contingent consideration arrangement ("earn out") entitles Searchbolt shareholders to a share of net sale proceeds received by the Group from any sale of ordinary shares in Searchbolt or sales or licensing of certain e-Therapeutics and Searchbolt assets. Given the uncertainty as to the realisation of such net proceeds within the time period concerned, no value has been recognised in respect of the earn out consideration.

4. Capital and Reserves

Reconciliation of movement in capital and reserves

Group

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
As at 1 February 2015	264	64,560	(27,800)	37,024
Total recognised income and expense	-	-	(4,519)	(4,519)
Issue of ordinary share capital	-	12	-	12
Equity-settled share-based payments	-	-	108	108
Balance at 31 July 2015	**264**	**64,572**	**(32,211)**	**32,625**
Balance at 1 August 2015	264	64,572	(32,211)	32,625
Total recognised income and expense	-	-	(4,301)	(4,301)
Equity-settled share-based payments	-	-	107	107
Balance at 31 January 2016	**264**	**64,572**	**(36,405)**	**28,431**
Balance at 1 February 2016	264	64,572	(36,405)	28,431
Total recognised income and expense	-	-	(7,930)	(7,930)
Issue of ordinary share capital	4	563	-	567
Equity-settled share-based payments	-	-	58	58
Balance at 31 July 2016	**268**	**65,135**	**(44,277)**	**21,126**

Share capital

	31 July 2016 (un-audited) '000	31 July 2015 (un-audited) '000	31 January 2016 (audited) '000
In issue - fully paid			
Ordinary shares of £0.001 each	**268,339**	264,177	264,363
	£000	£000	£000
Allotted, called up and fully paid			
Ordinary shares of £0.001 each	**268**	264	264
Shares classified as liabilities	**-**	-	-
Shares classified in shareholders' funds	**268**	264	264
	268	264	264

During the period, 3,883,506 ordinary shares were issued, leading to increases of £3,884 in share capital and £562,515 in the share premium account.