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

Interim Financial Results for the six months ended 31 July 2020

Business highlights for H1

- On 11 February 2020, Ali Mortazavi was appointed Executive Chairman in a management restructure that saw Ray Barlow stepping down as CEO and Steve Medlicott stepping down as CFO along with a gross £1.6m fundraise to cover working capital requirements
- A further £11.6m gross fundraise was successfully completed in July 2020 to enable the Company's next stage of growth and value creation
- A collaboration agreement has been entered into with Galapagos NV ("Galapagos") to identify new therapeutic approaches to modulate a specific mechanism involved in idiopathic pulmonary fibrosis ("IPF")
- A Scientific Advisory Board ("SAB") has been launched with Dr Paul Burke as the Chair
- The Company has announced its expansion into RNA interference ("RNAi") as a therapeutic modality

Post period highlights

- Commenced IP landscaping of RNAi platform. Anticipate *in vivo* testing of proprietary GAlNAc siRNA platform early 2021
- Dedicated informatics biology group to be setup for gene targets in the liver
- Progress continues across all collaborations
- Increased functionality of current informatics platform significantly, including the addition of target identification to our NDD (Network-driven Drug Discovery) and GAINs (Genome-Associated Interaction Networks) products
- Platform engineering activity focused on scalability of our core business processes
- Significant recruitment drive and Ali Mortazavi appointed as CEO
- Remain in active discussions with large pharmaceutical and biotechnology companies

Financial highlights

- Cash of £15.1m at 31 July 2020 (£3.8m as at 31 January 2020), driven by the placing of new Ordinary Shares to raise a gross aggregate total of £13.2m during H1
- Revenue of £0.04m (H1 to 31 July 2019: £0.2m) relates to the spreading of certain revenue to be recognised under the collaboration agreement with Galapagos, the majority of which will be recognised in future periods
- Operating loss of £2.7m (H1 to 31 July 2019: £1.6m), the increase of which is largely due to one-off costs associated with the fundraises.

Chairman & CEO statement

Firstly, I should like to express delight at my appointment as the CEO of e-therapeutics. What started off as an investment in Q3/Q4 2019 when I bought a 15% stake, rapidly progressed to an Executive Chairman role in February 2020 after my extensive due diligence into the Company's technology. Since then, we have completed two capital raises that have materially changed the prospects of the Company and, having spent more than nine months inside the organisation, it became even more clear to me that e-therapeutics has the potential to have a game-changing impact in the emerging field of computational biology-driven drug discovery.

Our platform addresses some of the key risk factors in the drug discovery/development process. We can capture the complexity of biology via our network biology-based approach to generate informatics outputs that can be tested with either small molecule compounds or other modalities such siRNAs. We believe that any biological data, when analysed in a network biology context, will yield insights into biological processes, mechanisms and targets that are not visible by other analytical techniques. As world leaders in the field of network biology, we are uniquely placed to utilise this expertise and to offer our solutions to biopharmaceutical and biotechnology companies who are increasingly looking for a deeper understanding of complex diseases.

RNAi

Significant progress has been made on our GAlNAc siRNA platform. Extensive IP diligence has been conducted and we anticipate commencing *in vivo* studies at the beginning of 2021. These studies will benchmark the e-therapeutics GAlNAc siRNA platform against established RNAi companies. In parallel, a dedicated biology group has been setup to leverage our informatics platform specifically at target genes in hepatocytes that are amenable to GalNAc delivery. We believe that as well as a competitive RNAi platform, our informatics platform and expertise in network biology will be a significant added value offering to potential collaborators. Subject to successful benchmarking, we anticipate material business development opportunities in the second half of calendar year 2021 in RNAi.

Target discovery

Our NDD approach, combined with translatable phenotypic screening, has been very successful in identifying small molecule hit compounds suitable as drug starting points. We continue to enhance our informatics approaches to target deconvolution and are making good progress. The identification of the targets of hit compounds can simplify medicinal chemistry as well as providing the opportunity to deploy other therapeutic modalities.

In addition, we have built on the success of NDD to develop a modality-independent target identification approach based on network biology. We continue to grow and enhance this capability and it will be a strong focus over the coming months. These approaches to network-aware target identification are complementary and both will feed into our RNAi work as well as being available to collaborators.

GAINs

Genetic support for drug target choices is seen as extremely important by the pharmaceutical industry since it can increase the likelihood of clinical success. For mono- and oligogenic diseases this is relatively straightforward to obtain. However, many of our greatest challenges currently are in complex diseases such as diabetes, neurodegeneration and fibrosis (to name only a few) where such support is much harder to establish. GWAS studies have shown us that these diseases are typically associated with hundreds of weakly contributing effects on genes. These multiple effects collectively result in the disruption of key biological processes that affect risk of developing disease; but no individual gene variant can explain the disease susceptibility and generally none of the weakly affected genes can be relied upon to be an efficacious target.

Our GAINs approach enables us to consider a collection of weakly modulated genes (derived from a GWAS study) as a unit by putting them in their network context. We are able to infer how they act in

concert in a complex disease to affect one or more biological processes and to identify those processes. Once the key processes are known we can identify potential drug targets (and molecules) likely to have a large impact in the disease. Typically, these targets cannot be inferred from the GWAS data alone and are only found by applying our GAINs approach. GAINs enables us to propose genetically supported, process-focussed intervention strategies for complex disease using either small molecule or modality-independent strategies. We regard our GAINs approach as a key component of any discovery effort. It has the potential to identify important targets *de novo* and to provide critical genetic support for targets selected based on complementary approaches. GAINs will be a key part of our internal hepatocyte-focussed RNAi strategy as well as being available to collaborators who wish to seek genetic support for their target choices.

SAB

The speed at which we have been able to setup RNAi as a drug modality within e-therapeutics is attributable not only to our in-house knowledge of the sector but also to the consultants and contacts, primarily in the US, to whom our Scientific Advisory Board has introduced us. In addition to RNAi, the Board has and will give us deep expertise in small molecule drug discovery, development, and genomics. Their experience and support forms a strong complement to our internal scientific and industry knowledge positioning us for future success.

Informatics Platform development and recruitment

During the period and post the July capital raise, we have significantly added to our platform functionality. As well as important upgrades to both our NDD and GAINs products, we have added and committed capital to a target nomination effort. As stated above, a specific hepatocyte target identification group has been created to investigate gene targets within the liver where our RNAi platform is focussed. We have seen significant interest in the addition of target nomination to NDD and GAINs. The addition of network-driven target nomination allows us to offer a three pronged solution to our collaborators: NDD to generate small molecule compounds to interrogate the biology in question; GAINs to add genetic support by analysing genetic data such as Genome Wide Association Studies (GWAS); and target nomination allowing specific testing of drug targets to be used in DNA/RNA editing and silencing assays.

Platform engineering efforts focusing on scalability to support planned expansion of the business have been significantly increased. These requirements will also inform recruitment.

In terms of recruitment, additions have already been made in business development, business analysis, data science/machine learning and systems development. We remain in active recruitment for further resource in all areas of our business and as stated during our capital raise, the recruitment of strong talent with the diversity of knowledge and skillsets required for our Company is one of our key objectives.

Partnerships and Collaborations

During the period, we announced a collaboration agreement with Galapagos to identify new therapeutic approaches to modulate a specific mechanism involved in IPF and potentially in other fibrotic indications. I am pleased to report that the collaboration is on schedule and we look forward to compound testing early in 2021. We have extended our collaboration with Novo Nordisk until March 2021 to evaluate results that have been generated so far and to decide if further compounds need to be tested to explore the findings to date. Our neurodegeneration pilot with a US-based, top 5 pharmaceutical company has generated small molecule hits in relevant phenotypic assays. An assessment is currently being made of the data generated so far to take these compounds to the next stage of the pilot. Our project to find compounds for the treatment of COVID-19 using our proprietary NDD platform has generated encouraging results. We await the final read outs in SARS-COV2 assays from WuXi AppTec to decide next steps. As a base case, the project will be published as a case study and validation of our platform, highlighting the ability of our network approach and expertise to go

beyond pure *in silico* predictions and identify potentially clinically viable interventions with supporting laboratory data.

Internal drug discovery programmes

As stated during our capital raise in July, it is not the intention of the Company to undertake and spend capital on internal drug development programmes. Both in RNAi and small molecules however, we have budgets that allow the development of high conviction internal projects using our informatics platform to a value inflection point. Notwithstanding exceptional data, each of these projects has a defined cost and a goal of generating a dataset that can lead to a possible business development transaction.

Outlook

Despite novel and challenging business conditions relating to the COVID-19 situation, we have made material strides since the capital raise in July. We remain in active discussions with large pharmaceutical and biotechnology companies and look forward to the future with confidence.

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About e-therapeutics plc

e-therapeutics plc is an Oxford, UK-based company with a powerful computer-based approach to drug discovery, founded on its industry-leading expertise in network biology to fully capture disease complexity. The Company combines network science, machine learning, artificial intelligence, statistics and access to big data with expertise in drug discovery and development to transform the search for new medicines and intervention strategies.

e-therapeutics has developed an *in silico* laboratory that enables the rapid screening of millions of compounds and the identification of small sub-sets that are enriched for highly active hits. Its proprietary platform also has novel applications in functional genomics, being able to analyse complex genetic datasets, provide a deep understanding of pathological mechanisms and distil actionable insights for the discovery of novel drugs, biomarkers and diagnostics.

e-therapeutics has deployed and validated its disease-agnostic drug discovery platform both in house and with partners, including Novo Nordisk, Galapagos NV and a US-based, top 5 pharmaceutical company.

Financial Review

Period end cash of £15.1m and an operating loss of £2.7m in H1.

In the first half of the financial year e-therapeutics has made numerous exciting announcements that will have a significant impact on the direction of the Company going forward, including the new collaboration agreement with Galapagos, the commencement of a project to develop a proprietary RNAi platform and the fundraises in both February 2020 and July 2020 totalling £13.2m gross. The revenue recognised in the six months to 31 July 2020 relates to a small proportion of the upfront fees received in the Galapagos deal.

The research and development expenditure in H1 is broadly comparable to the same period in the prior year at £1.2m (H1 to 31 July 2019: £1.1m). However, unlike the prior year, we are expecting the R&D in H2 to increase significantly following the recent fundraise. Although we have enhanced the data and software resources of the current platform during the year to date, we will progress further with streamlining and scaling the existing platform capabilities in H2. We will also make further progression on the expansion into RNAi. Whilst we have been planning the best therapeutic areas in which to commence our internal asset discovery programmes, expenditure on these will also continue at a higher level in the second half of the financial year.

Administrative expenses in the first half of the financial year, of £1.5m, compares to £0.6m in the same period in the prior year. The current year to date administrative expenses include £0.6m of costs associated with the fundraises undertaken during the year to date. The administrative expenses incurred in H2 are also expected to be greater than those in the same period in the prior year. After the successful fundraise in July 2020, the executive team are developing a strategy to grow and scale the business. This will require a certain level of administrative infrastructure being developed to support this strategy as well as a recruitment drive to strengthen the current team.

Overall, as a result of the above, the H1 operating loss is £2.7m, compared to an operating loss of £1.6m over the six months to 31 July 2019.

Cash as at 31 July 2020 stood at £15.1m, an increase of £11.3m when compared to the start of the current financial year (cash as at 31 January 2020: £3.8m). The net income from the fundraise accounts for £12.6m and we received R&D tax credits in relation to the prior year of £0.6m, leaving an underlying net cash outflow of £1.9m attributable to the operating loss, upfront cash receipts from the Galapagos deal and working capital movements.

Our current expectations for underlying cash burn in the second half of the current financial year will be higher than that incurred in H1 as we further progress our R&D activities and build administrative infrastructure capable of supporting the scaling of the business, partly offset as we complete stages of the Galapagos deal under which additional cash receipts will become receivable.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 JULY 2020

	6 months ended 31 July 2020 (un-audited) £000	6 months ended 31 July 2019 (un-audited) £000	Year ended 31 January 2020 (audited) £000
Revenue	37	188	456
Cost of sales	**-**	-	-
Gross profit	37	188	456
Research and development expenditure	(1,242)	(1,147)	(2,104)
Administrative expenses	(1,539)	(599)	(1,240)
Operating loss	(2,744)	(1,558)	(2,888)
Investment income	7	9	15
Loss before tax	(2,737)	(1,549)	(2,873)
Taxation	387	260	526
Loss for the period/year attributable to equity holders of the Company	(2,350)	(1,289)	(2,347)
Loss per share: basic and diluted	(0.56)p	(0.48)p	(0.87)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 JULY 2020

	6 months ended 31 July 2020 (un-audited) £000	6 months ended 31 July 2019 (un-audited) £000	Year ended 31 January 2020 (audited) £000
Loss for the period	(2,350)	(1,289)	(2,347)
Other comprehensive income	**-**	-	-
Total comprehensive income for the period/year attributable to equity holders of the Company	(2,350)	(1,289)	(2,347)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 2020

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2019	269	65,165	(58,632)	6,802
Total comprehensive income for the period				
Loss for the period	-	-	(1,289)	(1,289)
Total comprehensive income for the period	-	-	(1,289)	(1,289)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	-	6	-	6
Equity-settled share-based payment transactions	-	-	20	20
Total contributions by and distribution to owners	-	6	20	26
As at 31 July 2019	269	65,171	(59,901)	5,539
Total comprehensive income for the period				
Loss for the period	-	-	(1,058)	(1,058)
Total comprehensive income for the period	-	-	(1,058)	(1,058)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	-	5	-	5
Equity-settled share-based payment transactions	-	-	16	16
Total contributions by and distribution to owners	-	5	16	21
As at 31 January 2020	269	65,176	(60,943)	4,502
Total comprehensive income for the period				
Loss for the period	-	-	(2,350)	(2,350)
Total comprehensive income for the period	-	-	(2,350)	(2,350)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	150	13,046	-	13,196
Equity-settled share-based payment transactions	-	-	261	261
Total contributions by and distribution to owners	150	13,046	261	13,457
As at 31 July 2020	**419**	**78,222**	**(63,032)**	**15,609**

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2020

	Note	**31 July 2020 (un-audited) £000**	31 July 2019 (un-audited) £000	31 January 2020 (audited) £000
Non-current assets				
Intangible assets		104	112	110
Property, plant and equipment		83	125	93
		187	237	203
Current assets				
Tax receivable		355	277	557
Trade and other receivables		94	26	36
Prepayments		340	199	149
Cash and cash equivalents		15,065	5,213	3,841
		15,854	5,715	4,583
Total assets		16,041	5,952	4,786
Current liabilities				
Trade and other payables		192	302	215
Lease Liability		46	46	46
Contract liabilities		194	19	-
		432	367	261
Non-current liabilities				
Lease Liability		-	46	23
Total liabilities		432	413	284
Net assets		15,609	5,539	4,502
Equity				
Share capital	2	419	269	269
Share premium		78,222	65,171	65,176
Retained earnings		(63,032)	(59,901)	(60,943)
Total equity attributable to equity holders of the Company		15,609	5,539	4,502

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 JULY 2020

	6 months ended 31 July 2020 (un-audited) £000	6 months ended 31 July 2019 (un-audited) £000	Year ended 31 January 2020 (audited) £000
Loss for the period/year	(2,350)	(1,289)	(2,347)
Adjustments for:			
Depreciation, amortisation and impairment	41	47	97
Investment income	(7)	(9)	(15)
Equity-settled share-based payment expenses	267	20	36
Taxation	(387)	(267)	(547)
Operating cash flows before movements in working capital	(2,436)	(1,498)	(2,776)
(Increase)/Decrease in trade and other receivables	(250)	121	161
Increase/(Decrease) in trade and other payables	172	(393)	(500)
Tax received	589	1,088	1,088
Net cash from operating activities	(1,925)	(682)	(2,027)
Interest received	7	9	15
Acquisition of property, plant and equipment	(23)	-	(5)
Acquisition of other intangible assets	(2)	(1)	(11)
Net cash from investing activities	(18)	8	(1)
Net proceeds from issue of share capital	13,190	6	11
Payments under lease liabilities	(23)	(23)	(46)
Net cash from financing activities	13,167	(17)	(35)
Net decrease in cash and cash equivalents	11,224	(691)	(2,063)
Cash and cash equivalents at the beginning of the period/year	3,841	5,904	5,904
Cash and cash equivalents at the end of the period/year	**15,065**	5,213	3,841

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 2020 were approved by the Board of Directors on 25 March 2020 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.

While this interim statement, which is neither audited nor reviewed, has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards as adopted by the European Union ("IFRS"), it does not in itself contain sufficient information to comply with IFRS. 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 2020. 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 2020 (as defined therein) other than standards, amendments and interpretations which became effective after 1 February 2020 and were adopted by the Group.

New standards, amendments and interpretations not adopted in the current financial year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

2. Share Capital

	31 July 2020 (un-audited)	31 July 2019 (un-audited)	31 January 2020 (audited)
In issue - fully paid			
Ordinary shares of £0.001 each (number)	419,056,706	268,948,094	269,125,498
Allotted, called up and fully paid			
Ordinary shares of £0.001 each (£'000)	419	269	269

On 18 February 2020 a new placing of 53,302,355 new ordinary shares of 0.1p each was completed at a price of 3.0p each to raise gross proceeds of £1.6m to be used from general working capital purposes.

Between 15 July 2020 and 22 July 2020, a total of 96,596,758 new ordinary shares of 0.1p each were issued at a price of 12.0p each to raise gross proceeds of £11.6m to be used to expand the Company's platform capabilities and internal asset pipeline.

Additionally, during the period, 31,185 new ordinary shares of 0.1p each were issued at a price of 17.1p each in lieu of fees payable to a non-executive director in accordance with his service agreement.