ETX.L Half-Year 2018/9 Statement

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

Interim Financial Results for the six months ended 31 July 2018

Continued progress on strategy execution

Oxford, UK, 4 October 2018: e-therapeutics plc (AIM: ETX, "e-therapeutics" or the "Company"), the network-driven drug discovery (NDD) company, announces its interim results for the six months ended 31 July 2018.

Operational highlights

Proprietary Network-Driven Drug Discovery (NDD) platform advanced and strengthened

- Continued enhancement of the NDD platform with patient segmentation and informatics-based mechanism of action (MoA) modules
- Intellegens and Biorelate partnerships now incorporated into platform, strengthening our artificial intelligence (AI) capabilities
    - Biorelate's AI-based natural language processing techniques enhance compound bioactivity data and fibrosis disease modelling knowledge
    - Intelligens' AI-based neural network approach adds new data capabilities to drive existing and new drug discovery projects
- C4X Discovery collaboration allows us to expand how we use genomic information to discover new drugs and drive new strategies to treat disease

Business development activities progressing

- Currently in detailed discussions with a number of potential biopharma partners for NDD-based programmes and projects
- Shortlisted as preferred partner by a number of biopharma companies as part of their AI/machine learning/*in-silico* technology selection exercises
- In line with our strategy, we continue to evaluate broader potential corporate development opportunities

Progress with Immuno-oncology (IO) programmes and creation of new projects in commercially valuable areas

- Progression of lead series, confirmation of novel MoA and filing of first patent application from our tryptophan catabolism IO programme
- Further development of two chemical series in our checkpoint signalling modulation IO programme that act by distinct biological mechanisms
- Progression of new generation of NDD-derived projects in fibrosis, IO and neurodegeneration

Financial highlights

- Cash and deposits of £7.6m (31 January 2018: £9.6m)
- Narrowed operating loss of £2.8m (H1 to 31 July 2017: loss of £3.7m)
- R&D tax credit of £1.4m received

Post-period highlights

- Post-period, filed a new NDD platform patent, covering breakthroughs in our computational approach

Iain Ross, Non-Executive Chairman of e-therapeutics, said:

"During the period, e-therapeutics continued to execute diligently against the strategic and tactical plan outlined last year. Our novel, proprietary network-driven drug discovery (NDD) platform leverages cutting-edge analytical, network biology, machine learning and artificial intelligence technologies. We believe it has significant potential to help unlock biological data that can drive the drug discovery process and accelerate the development of important new medicines."

Ray Barlow, CEO of e-therapeutics, added:

"In the last six months we continued to invest in our NDD platform, rolling out additional functional enhancements. The new partnerships and collaborations we have recently entered into further extend the capabilities of the platform and its potential in drug discovery. We have also made progress in our two existing immuno-oncology drug discovery programmes and have used the platform to generate new projects in industry-relevant and potentially high-value discovery areas.

"In line with our strategy, we remain focused on developing the business from existing capital and from non-dilutive sources of funding. To this end, we have executed a systematic and extensive international business development programme where the potential of NDD has been recognised. We have been shortlisted as a preferred partner by a number of biopharma companies and are in detailed discussions on several distinct NDD deals. We also continue to evaluate broader potential corporate development opportunities."

For more information, please contact:

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About e-therapeutics

We are an Oxford, UK-based company with a unique and powerful computer-based drug discovery platform and a specialised approach to network biology.

Our novel network-driven methodology allows us to discover new and better drugs in a more efficient and effective way.

We use our highly productive drug Discovery Engine to develop our own IP-protected, pre-clinical drug discovery programmes which will be of interest to partners looking to acquire or in-license novel and differentiated assets. We are currently developing two programmes in immuno-oncology and have a number of partner-ready projects in areas such as fibrosis and tumour microenvironment.

Because of our novel network-driven drug discovery (NDD) approach, we believe there is potential to enter into several different types of collaborative partnerships with biotech, pharma and other technology companies to create sustainable mutual value.

About Network-Driven Drug Discovery (NDD)

e-Therapeutics' proprietary NDD platform comprises a suite of powerful computational tools to augment and interrogate the vast amount of biological information currently available in both public and private databases.

Our NDD platform is founded on sophisticated network science and employs techniques such as machine learning, artificial intelligence (AI) and state-of-the-art data analysis tools. Using our biological expertise, we can create and analyse network models of disease to identify likely proteins that could effectively be disrupted to treat the disease.

We believe that our network-driven approach more realistically reflects the true complexity of disease, with its multiple and often interconnected cellular pathways. By modelling and analysing disease networks and considering the pattern of connections between proteins, and not just single pathways, we more efficiently select the very best drug-like compounds for screening and for subsequent medicinal chemistry and pre-clinical testing. With our novel methodology, significant numbers of active molecules can be identified and tested quickly. Our approach is highly productive and consistently generates hits that have been progressed into potent, selective and novel drug molecules.

Our overall aim is to discover more efficacious drugs more effectively. By using more biologically realistic, cell and tissue-based assays we can choose and design compounds that are more likely to translate into better, more clinically efficacious drugs.

Strategy and Business Plan

Investments in the period have been focused on the organic business plan we announced last year, which is founded on three main pillars:

1. Creating and licensing partner-driven NDD-derived programmes
2. Out-licensing of our own NDD-derived assets
3. Continuously updating and improving our NDD platform.

Partner-ready NDD-derived programmes

We have continued to use our network biology expertise to create opportunities in new, industry-relevant and potentially high-value discovery areas. For example, we have reconfirmed nanomolar potent hits in our axonal degeneration programme and initiated a new neurodegeneration project in proteostasis. In the inflammatory disease area, we have extended our NDD-derived lung fibrosis work to explore kidney and liver fibrotic disease areas.

In the immuno-oncology space, we have confirmed hits in our modulation of inhibitory receptor ligands (IRLs) programmes (GAL-9 and LIGHT). We have created a number of new network biology projects in the tumour microenvironment area, including cancer associated fibroblasts, macrophage polarisation and in regulatory T-cell function. In the innate immunity ("hot" tumour) area we have a potential small molecule approach to activate stimulation of interferon genes (STING) adaptor protein.

Some of these new programmes are the subject of several discussions with potential partners and show our ability to go from concept to a potential partner-ready programme in a matter of months.

Self-funded NDD-derived assets

We have made good progress optimising the pharmacokinetic and potency profile of leads in our tryptophan catabolism programme. As previously noted, our lead series are novel, potent, first-in-class compounds that work by a different MoA to the existing IDO or TDO inhibitors in this space. We have filed an initial patent application on this work and have a number of other opportunities to extend this patent estate if we so chose. In many ways this exemplifies the benefit of the NDD approach in being able to uncover novel mechanism to achieve a physiological outcome, e.g. modulating tryptophan catabolism, but not by the inhibition of the IDO enzyme.

Following recent negative clinical data on first generation IDO inhibitors (including termination of Incyte's ECHO-301/KEYNOTE-252 studies with epacadostat) we have elected to complete additional *in-vitro* and *in-vivo* work to generate good differentiating structural and biological data versus the existing clinical agents BMS-986205 and epacadostat. Once complete we will select a final, differentiated candidate for IND-enabling work.

In our checkpoint signalling modulation programme, we have continued to explore the two classes of novel compounds. These compound classes are able to overcome (experimentally-induced) T-cell anergy and exhaustion and act by two distinct mechanisms. In further analysis we have identified additional chemotypes with promising behaviour and we have carried out preliminary medicinal chemistry on both of our initial compound series to improve potency and pharmacokinetic parameters. Our most recent tool compounds (of both classes) have potencies in the low 100nM range in cellular assays and promising pharmacokinetics.

We are exploring their efficacy across a range of T-cell driven tumour cell killing assays and to attempt to further deconvolve their biological targets.

Continuously updating and enhancing our NDD platform

During the period we continued to invest in the augmentation of the NDD platform. We have progressed our patient segment specific NDD work, exemplified using breast cancer, and are presenting this work externally now. We have also now successfully tested our informatics-based target (MoA) deconvolution approach using public domain data and will extend this work further.

Post period, we filed a new patent application covering our proprietary NDD platform providing additional protection over and above existing granted patents. The new application covers enhancements and new techniques which have recently been added to our platform and associated processes.

On 15 January 2018, we announced two collaborations with highly innovative AI companies. These collaborations gave us unique access to a number of state-of-the art techniques.

In our Biorelate collaboration we have successfully used their AI-based, natural language processing (NLP) techniques to extract useful, structured biological information to help inform our NDD-derived fibrosis projects as well as augment our internal compound bioactivity database. We have also progressed the collaboration with Intellegens to use their neural network approach to create new, potentially proprietary, predictive biological data that will be useful in existing and new NDD projects.

On 1 May 2018 we announced a collaboration with C4X Discovery Holdings plc (C4XD) under which we would use genetic data derived from C4XD's Taxonomy3 technology to attempt to identify new cellular mechanisms in Parkinson's disease. Work on discovering new treatments in this area is ongoing, and results generated in the collaboration shall be jointly owned by e-therapeutics and C4XD.

Clinical Study

In 2017 we committed to the orderly wind down of our clinical study ETS2101-004 on dexanabinol. The two remaining patients have now received their final dose and will have a final follow-up visit in October. Regulatory and ethics committees have been properly informed of the decision to close the study and we anticipate that expenditure on this will cease by the end of the year.

Business Development

The appetite for the application of *in-silico* and AI/machine learning-based technologies in the drug discovery process continues to grow. Many large biopharmaceutical companies are looking to collaborate with (or potentially acquire) companies whose technologies address the issues they face in terms of R&D productivity. As already noted, NDD provides the industry with potential benefits in terms of time, cost, novelty and quality over traditional and other *in-silico* approaches.

Our outreach has been extensive and comprehensive. As of the time of writing we have had detailed discussions and second-round meetings with over half of the top 25 ethical biopharmaceutical companies (by market cap). Our NDD platform has been assessed against competitor technologies and we have been shortlisted by a number of companies as preferred partners. Discussions are ongoing, and we have submitted several proposals to different companies based on the application of our NDD platform to an area of biology of mutual interest.

We have also had discussions with a broad range of other organisations including other biotechnology companies and contract research organisations (CROs). We will provide updates on progress in this area in due course.

Cost control

We continue to manage our cash resources very carefully. Our investment in the self-funded NDD-derived immuno-oncology programmes has slowed in comparison to the second half last year. This reflects the decision to generate more differentiating biological data versus best-in-class compounds before advancing into more expensive Candidate Selection and Lead Optimisation work.

Overall, during the period we have reduced the spend on self-funded discovery projects (32% lower versus H1 to 31 July 2017), people (17% lower versus H1 to 31 July 2017) and on clinical development (54% lower versus H1 to 31 July 2017).

Our overarching aim is to have the flexibility to ensure we can maintain our core NDD-platform and capabilities. Based on the first half cash consumption exit rate, we expect that we will have enough cash to continue core operations into 2020. However, this will need to be evaluated if we wish to invest in further experimental validation of new NDD-derived programmes or later stage pre-clinical work.

Corporate Development Opportunities

As outlined in our most recent annual report, following implementation of our new strategy, we are now in a better position to be proactive in considering potential inorganic growth opportunities. More specifically, we are open to such opportunities that have the potential to add significant value to our shareholders through enabling further augmentation of our core technology platform or providing downstream skills, capabilities or cash to further develop NDD-derived assets. We remain ready to react to a potential wave of consolidation that may occur in the next industry cycle.

Given our current focus on non-dilutive sources of capital we have entered into a number of potential "risk share" discussions with parties, including CROs, in which we would look for the partner to fund development of some selected programmes in exchange for a proportion of downstream economics. We consider this a potential way to progress discovery projects in a capital-efficient manner.

Conclusion

We continue to execute diligently against the strategic and tactical plans we outlined last year and are making material progress in all areas where we believe there is potential to create significant value for our shareholders. I look forward to providing further updates on our progress in due course.

Ray Barlow
CEO

Financial Review

Period end cash of £7.6m and reduced pre-tax loss of £2.8m in H1

One of the primary targets of the Company is to carefully manage cash burn as we focus on the commercial validation of the NDD platform. This is evidenced by the fact that the first half results continued the reducing trend in six monthly trading loss that was seen in the previous financial year.

The first half operating loss was £2.8m and this compares to £3.7m in the same period last year and an operating loss of £3.1m in the second half of last year.

In the first half of this year we continued to focus our investment on both the NDD platform and the two internally funded Immuno-Oncology (IO) drug discovery assets. There was also a significant reduction in development costs in the first half as we continued to look for ways to manage costs in the ETS2101 Ib trial.

The pre-tax loss in the first half of the year was £2.8m (H1 to 31 July 2017: £3.7m) and the reduction in cash and fixed deposits over the same period was £2.0m (H1 to 31 July 17: £1.6m).

Drug discovery spend in H1 was £1.6m (H1 to 31 July 2017: £2.0m). Whilst we continue to invest in advancing the two IO drug discovery projects, the prior year still incurred some costs from other projects that were subsequently halted following the strategic review last year.

We announced the orderly wind down of the ETS2101 phase Ib study on 22 March 2016 and as per the trial protocol this study closed on 31 August 2018. Total development spend in H1 was £0.2m lower than the comparative period of the prior year at £0.2m (H1 to 31 July 2017: £0.4m). It is our expectation that some cost will be incurred in the second half of the year, albeit at a reduced rate when compared to the first half.

Administrative expenses in the first half of £0.7m were significantly lower than the previous year (H1 to 31 July 2017: £1.0m) reflecting both a reduction in head count and an ongoing internal focus on cost control.

Half year-end cash and fixed term deposits of £7.6m were £2.0m lower than the year-end figure of £9.6m. This cash and fixed term deposit reduction in H1 of £2m was slightly higher than the comparative period in the prior year (H1 to 31 July 2017: £1.6m) principally due to a lower R&D tax credit payment of £1.4m (H1 to 31 July 2017: £3.0m).

The lower tax credit reflected the trend of reducing research and development costs that have been seen over the last two years.

Underlying cash burn, excluding R&D tax credits receipts, in H1 of £3.4m was £1.2m lower than the same period in the prior year. Our current expectations for cash burn in the second half of the current financial year are materially lower than the £3.4m incurred in H1. At planned activity levels, no further significant working capital change is expected by the year end.

Summary Outlook

Based on our current strategy, and assuming no income in the period, it is likely that there will be a further reduction in the operating loss in the second half when compared to the first half. This reduction reflects an ongoing cost reduction plan and anticipated lower spend on the two core drug discovery projects. The current cash position of the Company remains solid and our financial projections mean that, based on current funding, we can finance the Company into 2020.

Steve Medlicott
CFO

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 JULY 2018

	6 months ended 31 July 2018 (un-audited) £000	6 months ended 31 July 2017 (un-audited) £000	Year ended 31 January 2018 (audited) £000
Revenue	**-**	-	-
Cost of sales	**-**	-	-
Gross profit	**-**	-	**-**
Research and development expenditure	**(2,051)**	(2,744)	(5,019)
Administrative expenses	**(742)**	(963)	(1,749)
Operating loss	**(2,793)**	(3,707)	(6,768)
Investment income	**13**	25	49
Loss before tax	**(2,780)**	(3,682)	(6,719)
Taxation	**603**	713	1,360
Loss for the period/year attributable to equity holders of the Company	**(2,177)**	(2,969)	(5,359)
Loss per share: basic and diluted	**(0.81)p**	(1.11)p	(2.00)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 JULY 2018

	6 months ended 31 July 2018 (un-audited) £000	6 months ended 31 July 2017 (un-audited) £000	Year ended 31 January 2018 (audited) £000
Loss for the period	**(2,177)**	(2,969)	(5,359)
Other comprehensive income	**-**	-	-
Total comprehensive income for the period/year attributable to equity holders of the Company	**(2,177)**	(2,969)	(5,359)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 2018

	Share capital	Share premium	Retained earnings	Total
	£000	£000	£000	£000
As at 1 February 2017	268	65,143	(49,431)	15,980
Total comprehensive income for the period				
Loss for the period	-	-	(2,969)	(2,969)
Total comprehensive income for the period	-	-	(2,969)	(2,969)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	-	5	-	5
Equity-settled share-based payment transactions	-	-	60	60
Total contributions by and distribution to owners	-	5	60	65
As at 31 July 2017	**268**	**65,148**	**(52,340)**	**13,076**
Total comprehensive income for the period				
Loss for the period	-	-	(2,390)	(2,390)
Total comprehensive income for the period	-	-	(2,390)	(2,390)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	1	6	-	7
Equity-settled share-based payment transactions	-	-	45	45
Total contributions by and distribution to owners	1	6	45	52
As at 31 January 2018	**269**	**65,154**	**(54,685)**	**10,738**
Total comprehensive income for the period				
Loss for the period	-	-	(2,177)	(2,177)
Total comprehensive income for the period	-	-	(2,177)	(2,177)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	-	6	-	6
Equity-settled share-based payment transactions	-	-	33	33
Total contributions by and distribution to owners	-	6	33	39
As at 31 July 2018	**269**	**65,160**	**(56,829)**	**8,600**

CONSOLIDATED BALANCE SHEET

	Note	**31 July 2018 (un-audited) £000**	31 July 2017 (un-audited) £000	31 January 2018 (audited) £000
Non-current assets				
Intangible assets		**141**	135	135
Property, plant and equipment		**56**	80	71
		197	215	206
Current assets				
Tax receivable		**612**	717	1,364
Trade and other receivables		**105**	125	91
Prepayments		**495**	506	504
Fixed-term deposits		**2,000**	4,500	2,500
Cash and cash equivalents		**5,643**	7,928	7,097
		8,855	13,776	11,556
Total assets		**9,052**	13,991	11,762
Current liabilities				
Trade and other payables		**452**	915	1,024
Total liabilities		**452**	915	1,024
Net assets		**8,600**	13,076	10,738
Equity				
Share capital	2	**269**	268	269
Share premium		**65,160**	65,148	65,154
Retained earnings		**(56,829)**	(52,340)	(54,685)
Total equity attributable to equity holders of the Company		**8,600**	13,076	10,738

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 JULY 2018

	6 months ended 31 July 2018	6 months ended 31 July 2017	Year ended 31 January 2018
	31 July	31 July	31 January
	(un-audited)	(un-audited)	(audited)
	£000	£000	£000
Loss for the period/year	**(2,177)**	(2,969)	(5,359)
Adjustments for:			
Depreciation, amortisation and impairment	**29**	44	72
Loss on disposal of fixed assets	**-**	-	-
Investment income	**(13)**	(25)	(49)
Equity-settled share-based payment expenses	**33**	60	105
Taxation	**(603)**	(713)	(1,360)
Operating cash flows before movements in working capital	**(2,731)**	(3,603)	(6,591)
(Increase)/decrease in trade and other receivables	**(7)**	131	145
Decrease in trade and other payables	**(572)**	(1,036)	(927)
Tax received	**1,355**	2,968	2,968
Net cash from operating activities	**(1,955)**	(1,540)	(4,405)
Interest received	**15**	40	86
Acquisition of property, plant and equipment	**(5)**	(53)	(66)
Acquisition of other intangible assets	**(15)**	-	(5)
Decrease in fixed-term deposits	**500**	5,000	7,000
Net cash from investing activities	**495**	4,987	7,015
Net proceeds from issue of share capital	**6**	6	12
Net cash from financing activities	**6**	6	12
Net (decrease)/increase in cash and cash equivalents	**(1,454)**	3,453	2,622
Cash and cash equivalents at the beginning of the period/year	**7,097**	4,475	4,475
Cash and cash equivalents at the end of the period/year	**5,643**	7,928	7,097

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 2018 were approved by the Board of Directors on 26 March 2018 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 2018. 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 2018 (as defined therein) other than standards, amendments and interpretations which became effective after 1 February 2018 and were adopted by the Group.

New or revised standard effective from 1 February 2018:

- IFRS 9 – Financial Instructions.
- IFRS 15 – Revenue from Contracts with Customers

Amendments effective from 1 February 2018:

- IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IAS 49 – Transfers of Investment Property
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Various – Annual Improvements to IFRS Standards 2014-16 Cycle

Given the size and level of activity of the Group, which is not currently revenue-generating, these new and revised standards and amendments have had no material impact on the Group's accounting policies, disclosure or amounts recognised.

2. Share Capital

	31 July 2018 (un-audited)	31 July 2017 (un-audited)	31 January 2018 (audited)
In issue - fully paid			
Ordinary shares of £0.001 each (number)	**268,605**	268,339	268,531
Allotted, called up and fully paid			
Ordinary shares of £0.001 each (£'000)	**269**	268	269

During the period, 74,526 ordinary shares were issued at 7.38p.