For immediate release

9 April 2019

**Avacta Group plc**

("Avacta", the "Company" or the "Group")

**Interim Results for the Period Ended 31 January 2019**

Avacta Group plc (AIM: AVCT), the developer of Affimer® biotherapeutics and research reagents, announces its unaudited interim results for the period ended 31 January 2019.

## Operating highlights

### Affimer Therapeutics

- Major development partnership and license agreement with LG Chem Life Sciences (LG Chem) potentially worth over $300m plus future royalties on product sales. The agreement included an upfront payment of $2.5m, near-term milestone payments of up to a further $5.5m plus payment of Avacta's research costs to develop Affimer therapeutics for oncology and the treatment of inflammatory diseases.
- Continuing to build the in-vivo pharmacology data packages for our lead immune checkpoint programmes – PD-L1 and LAG3 antagonists; aiming to initiate first-in-human clinical studies for the Affimer drug platform in 2020.
- Research collaboration and licensing agreement, to access novel drug conjugate technology developed at Tufts University Medical School, established to underpin pipeline of innovative "TMAC" Affimer drug conjugates and combination therapies.
    - Pre-clinical development of first TMAC drug conjugate has started and initial in-vivo efficacy data from a combination of the lead Affimer PD-L1 candidate with a DDP8/9 inhibitor (AVA100) are promising.

### Affimer Research and Diagnostics Reagents

- Ongoing paid-for technology evaluations and custom Affimer services projects with commercial partners include:
    - Global in vitro diagnostic companies
    - Pharma and biotech companies
    - Bioprocessing companies
- Marketing campaign for anti-idiotypic Affimer reagents has helped grow the size of the custom Affimer sales pipeline to its largest value to date. This includes multiple pharma and biotech, several global diagnostic and life sciences reagents companies.
- Agreed commercial license with New England Biolabs® (NEB®), a global leader in the discovery and production of enzymes for molecular biology applications. This agreement is to commercialise a product using the Affimer technology for use in both life science research and diagnostics assays.
- Strong focus on generating further license deals during 2019 arising from multiple ongoing technology evaluations.
- Good progress in building a proprietary pipeline of Affimer reagents against specific diagnostic targets with the aim of generating two diagnostic assets with the supporting data packages during 2019 for future licensing.

**Board and Senior Management**

- Dr Jose Saro appointed in December 2018 as Chief Medical Officer to lead the pre-clinical and clinical development of the Affimer® therapeutic platform. Dr Saro joined Avacta from Roche where he held the role of Senior Translational Medicine Leader at the Roche Innovation Center Zurich.

- Alan Aubrey, Non-executive Director retired from the Board at the recent Annual General Meeting following 12 years of service to the Group.

- Dr Sam Williams was appointed to the Board as a Non-executive Director.

**Financial highlights**

- First up-front milestone payment of $2.5m received from LG Chem Life Sciences.
- Fund raising completed August 2018, with £11.6m gross received.
- Cash balances £11.8m (£5.2m 31 July 2018).
- Half year revenues of £1.0m (£1.5m FY18) reduced due to absence of research services revenue for FTEs working on the Moderna collaboration now that assets have been transferred into their development pipeline. LG Chem funded research services work commenced February 2019 and will contribute to second half-year figures.
- Operating loss £5.9m (£4.5m FY18), with research and development costs increasing to £2.4m (£1.5m FY18).
- Increased R&D costs leading to reported loss of £5.2m (£3.9m FY18).

**Post-period highlights**

- ModernaTX, Inc. (NASDAQ: MRNA) exercised its option to enter into an exclusive licensing agreement with respect to certain Affimers against a potential therapeutic target that has been part of an ongoing research collaboration between the two companies. Under the terms of the agreement Avacta may receive undisclosed payments upon future clinical development milestones and royalties in connection with future product sales.

**Alastair Smith, Chief Executive Officer, commented:**

“The Group remains focused on the key objective of first-time-in-human data for the Affimer therapeutic programme and growing a profitable Affimer reagents business.

First-time-in-human data is a significant value inflection point for the technology and a major de-risking point from a deal making perspective. The Group remains on track, to a tight schedule, to dose first patients in late 2020. The addition of Dr Jose Saro as Chief Medical Officer is a significant strengthening of the senior management team with regards this translation of programmes into the clinic.

Whilst the lead programmes progress into the clinic, the Group will continue to build-out its pipeline of immuno-oncology assets. The Group believes that the TMAC platform incorporating a range of Affimer immune checkpoint mono- and multi-specific therapies, and the complimentary development of co-administered combinations of Affimers with the chemotherapy drugs arising from the TMAC programme, provides the potential to develop an extensive, highly differentiated and valuable drug pipeline in the years ahead.

The Group has recently reported a substantial collaboration and license agreement with LG Chem and the exercise of a commercial license option by Moderna with whom the Group has been collaborating with since 2015. This combination of the growing technical and commercial progress is expected to help catalyse further significant partnerships in due course.

As a proven platform technology addressing multiple non-therapeutic markets the Group has the opportunity to establish a profitable reagents business, and there is significant upside potential as it builds a pipeline of valuable Affimer drug assets."

**- Ends -**

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**About Avacta Group plc -** www.avacta.com

Avacta's principal focus is on its proprietary Affimer® technology which is a novel engineered alternative to antibodies that has wide application in Life Sciences for diagnostics, therapeutics and general research and development.

Antibodies dominate markets worth in excess of $100bn despite their shortcomings. Affimer technology has been designed to address many of these negative performance issues, principally; the time taken to generate new antibodies, the reliance on an animal's immune response, poor specificity in many cases, and batch to batch variability. Affimer technology is based on a small protein that can be quickly generated to bind with high specificity and affinity to a wide range of protein targets.

Avacta has a pre-clinical biotech development programme with an in-house focus on immuno-oncology as well as partnered development programmes. Avacta is commercialising non-therapeutic Affimer reagents through licensing to developers of life sciences research tools and diagnostics.

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**Chairman and Chief Executive Officer's Statement**

**Business Overview**

Affimer® technology is an alternative to antibodies with significant commercial and technical benefits that provide major competitive advantages in drug development and diagnostics. Avacta is targeting long-term, significant value generation through in-house and partnered Affimer therapeutic development programmes. The Group is also generating near and longer-term revenues from Affimer reagents for research and diagnostics with the aim of establishing a profitable and potentially stand-alone business unit with substantial royalty-based income.

The Group has made excellent progress during the reporting period against its key objectives:

1) Develop the first Affimer therapeutic candidate for clinical development.
2) Build a pipeline of therapeutic Affimers and enabling Affimer platform technologies for licensing or future in-house development.
3) Secure further Affimer therapeutic license/partnering deals.
4) Grow a custom Affimer revenue stream with the potential for long term royalties.

***Progress of the Affimer Platform Towards First-Time-in-Human Studies***

*Summary: The Group is on track to enter the clinic for first-time-in-human trials of the Affimer platform and is now developing manufacturing protocols with third parties CROs to generate clinical grade material for IND/CTA enabling studies and ultimately for a phase I study of its lead programme which is planned to begin in late Q4 2020. Dr Jose Saro appointed as Chief Medical Officer to oversee translation of pre-clinical programmes into the clinic.*

The focus of Avacta's therapeutic programme is in immuno-oncology and in order to generate key first-time-in-human data for the Affimer platform as quickly as possible the Group has selected an inhibitor of PD-L1, arguably the most well understood of the immune checkpoints, as the lead programme. The Group's objective is to dose first patients in a phase I dose escalation study in Q4 2020 and in order to achieve this goal the Group will shortly initiate GMP manufacturing development of its candidate PD-L1 antagonist (AVA004-251) to allow IND enabling studies to be completed in 2020 leading to an IND/CTA filing in late 2020. This tight schedule remains on track.

In parallel, the Group is developing a PD-L1 / LAG-3 bispecific molecule with the aim of taking this multimeric Affimer therapy into the clinic as quickly as possible and potentially utilising it, along with the PD-L1 monotherapy, in the tumour microenvironment activated drug conjugate (TMAC) programme outlined below.

The Group believes that an Affimer bispecific against these two targets should have considerable potential for partnering as well as showcasing the potential for formatting multispecific therapies using Affimers, and providing additional human safety, tolerability and efficacy data that will enhance deal value for other assets in the pipeline.

In preparation for the transition of the pre-clinical programmes into the clinic the Group appointed Dr Jose Saro in December 2018 to the role of Chief Medical Officer. He has over 20 years' experience in the pre-clinical, translational and early clinical development of oncology assets, spanning small molecules, biologics and drug conjugates. Dr Saro joined Avacta from Roche where he held the role of Senior Translational Medicine Leader at the Roche Innovation Center Zurich.

Prior to his position at Roche, Dr Saro was Executive Director Oncology Global Development and Medical Affairs at Bristol Myers Squibb, based in Paris, where he led and contributed to many oncology clinical development programmes, including Sprycel, Ipilimumab (Yervoy anti-CTLA4), Nivolumab (anti-PD1), anti-PDL1, anti-KIR, anti-LAG3, Brivanib, MEK inhibitor and Elotuzumab.

Previously, Dr Saro was Executive Director of Translational Medicine and Early Clinical Development (Oncology) at Novartis and he has held senior positions at Eisai, and Wyeth.

***Building a Pipeline of Valuable Drug Assets***

*Summary: During the reporting period the Group established an important collaboration and licensing deal to access intellectual property developed by Professor Bill Bachovchin at Tufts University Medical School. This collaboration underpins the development of a novel new class of drug conjugates that combine a pro-inflammatory drug with Affimer immune checkpoint modulators and that is activated specifically in the tumour microenvironment.*

The objective of Avacta's oncology programmes is to extend the benefit to patients of cancer immunotherapies and thereby deliver clinical and commercial value. It has become clear in recent years that single cancer immunotherapies have limited overall response rates and that combining immune checkpoint modulators such as PD-1, or PD-L1, with chemotherapy for example improves the patients' responses.

The collaboration with Tufts has allowed Avacta to establish a clear and substantially differentiated approach to improving patient response, in addition to the development of bispecific Affimer therapies, by combining chemotherapies developed at Tufts with Avacta's immune checkpoint antagonists in a novel new class of *drug conjugate*.

This novel drug conjugate combines in one molecule an Affimer PD-L1 inhibitor with a powerful chemotherapy through a linker that is only cut to release the chemotherapy inside the tumour microenvironment – an Affimer "TMAC" drug. The chemotherapy kills macrophage in the tumour microenvironment leading to a significant inflammatory event that attracts the immune system to the tumour. The immune response is that supported by the presence of the Affimer PD-L1 blockade.

The Group is on track to generate efficacy data in animal models for the first TMAC molecule (AVA004-100) by the end of 2019. This first TMAC combines the lead Affimer PD-L1 antagonist (AVA004) with chemotherapy drug that is an inhibitor of DPP8/9 (AVA100) using a linker that is sensitive only to fibroblast activation protein (FAP$\alpha$) which is upregulated in many tumours compared with background levels in healthy tissues. Initial efficacy data in animal models, intended as an intermediate step towards testing a full TMAC molecule, has been generated by co-administration of the lead Affimer PD-L1 candidate with AVA100 look very promising. These data show that the PD-L1 Affimer performs as effectively as Atezolizumab, a marketed PD-L1 antibody, and also show an additive or potentially synergistic effect of the combination as planned with some animals showing regression of the tumours.

The TMAC platform concept could be expanded in future to include other immune checkpoint modulators and other pro-inflammatory drugs, and this broader platform has been protected by a joint patent application between Avacta and Tufts.

The Group believes that the TMAC platform incorporating a range of Affimer immune checkpoint mono and multi-specific therapies, and the complimentary development of co-administered combinations of Affimers with the chemotherapy drugs arising from the TMAC programme, provides the potential to develop an extensive, highly differentiated and valuable drug pipeline in the years ahead.

***Drug Development Collaborations***

*Summary: The Group has recently reported substantial commercial progress with regards drug development collaborations. Avacta agreed a therapeutics partnership and licensing deal with LG* Chem Life Sciences (LG Chem) *potentially worth over $300m and Moderna, with whom Avacta has been collaborating on several programmes, exercised its option to an exclusive commercial license.*

In Q4 2018 the Group announced that it had agreed an Affimer therapeutics development partnership and license agreement with LG Chem, part of the South Korean LG Group.

This multi-target therapeutics development agreement provides an upfront payment of $2.5 million and near-term milestone payments of up to a further $5.5 million, plus longer-term clinical development milestones totalling $180 million. Avacta will also receive royalties on any future product sales and LG Chem will cover Avacta's costs of research and development associated with the collaboration. Avacta may receive an additional $130 million in option fees and milestone payments should LG Chem elect to exercise their options for additional targets.

Avacta will generate and carry out early-stage optimisation of Affimer drug candidates against multiple undisclosed targets. LG Chem and Avacta will collaborate to progress these candidates through to drug candidate selection, and LG Chem will be responsible for pre-clinical and regulatory studies, clinical development and world-wide marketing of any resulting products. LG Chem aims to make the first regulatory filing for an Affimer therapeutic in 2021.

Moderna Therapeutics (NASDAQ: MRNA) exercised its option to enter into an exclusive licensing agreement with respect to certain Affimers against a potential therapeutic target that has been part of an ongoing research collaboration between the two companies.

In 2015, Avacta and Moderna entered into a collaboration, license and option agreement under which Moderna was granted exclusive access to Avacta's Affimer technology for certain collaboration targets and the option to enter into exclusive license agreements on pre-agreed terms to further research, develop and commercialize Affimers selected by Moderna. Under the terms of the agreement Avacta may receive undisclosed payments upon future clinical development milestones and royalties in connection with future product sales.

The Group's collaboration with Oncosec is progressing, albeit behind the originally anticipated schedule, and an additional immuno-oncology target is under consideration. The objective of the collaboration remains to generate proof-of-concept in animal models of the combination of Affimer immuno-therapies with Oncosec's current gene delivery programmes as quickly as resources in both companies allow.

The Group has been collaborating with Iksuda (formerly Glythera) Ltd to generate *in vitro* and *in vivo* data packages for a drug conjugate combining Iksuda's novel linker chemistry and toxins with Affimers to target an undisclosed tumour marker. Avacta has generated Affimer binders to the target of interest but the two companies have agreed to put the collaboration on hold to allow them to focus their resources on their lead pre-clinical programmes.

***Affimer Research and Diagnostic Reagents***

*Summary: Marketing campaign for anti-idiotypic Affimer reagents has helped grow the size of the custom Affimer sales pipeline to its largest value to date and includes multiple pharma and biotech, several global diagnostic companies and life sciences reagents companies. A strong focus remains on generating further license deals during 2019 arising from ongoing technology evaluations and good progress has been made in building a proprietary pipeline of Affimer reagents against specific diagnostic targets with the aim of generating two diagnostic assets with the supporting data packages during 2019 for future licensing.*

The Affimer technology has significant commercial potential outside therapeutic applications, in diagnostics and research for example, and the Group is in the early stages of commercialising Affimer reagents via three routes to market:

- Paid-for evaluations of Affimer technology with a view to longer term, royalty bearing licensing deals for Affimer molecules incorporated into third party products;
- Custom Affimer services to generate Affimer molecules that will be used in-house by a third party to support R&D or process development for example; and
- Development of diagnostic Affimer assays by Avacta in-house to be licensed to partners for commercialisation on their own proprietary platforms.

The licensing deal with New England Biolabs (NEB®), that was announced in Q4 2018, arose directly out of a paid for technology evaluation as described above. NEB is a global leader in the discovery and production of enzymes for molecular biology applications and the license agreement allows NEB to commercialise a product using the Affimer technology for use in both life science research and diagnostics assays. Avacta will receive royalty payments on these product sales.

Currently Avacta has ongoing paid-for technology evaluations with multiple global *in-vitro* diagnostic companies, research tools providers and bioprocessing companies. The evaluations are key in the Group's long-term commercial strategy for Affimer reagents to secure licensing deals and build a significant royalty revenue stream. The Group expects to see further such license deals in 2019, and beyond, but the timing of these deals is largely in the hands of the third parties.

The time it takes for technology evaluations to come to fruition and lead to royalty revenues is significant; evaluation opportunities need to be identified, commercial agreements put in place, Affimer reagents generated and characterized then evaluated by the third party, and if the Affimer reagents meet the third party's needs and their strategic priorities have not changed, then the third party must incorporate the Affimer into their product, test it and bring it to market before royalty revenues for Avacta are generated.

Clearly the value of such royalties is high but the lag time in generating them remains significant. Therefore, alongside this evaluation/licensing model, the Group is pursuing a custom Affimer services model and is generating its own diagnostic Affimer assets to be developed to the point of working assays before seeking license deals which should lead to a shorter time to market and royalties.

Short term revenue is being generated from custom Affimer services to generate bespoke Affimer binders for third parties to use in R&D applications. One example of such an application is the measurement of the level of a drug in serum samples to support clinical development programmes, so called *pharmacokinetic* (PK) analysis. Affimer reagents that can be used for PK analysis are called anti-idiotypic binders and the Group recently demonstrated the rapid development of such binders that outperform the market leading antibody equivalent.

The Group has been running a marketing campaign during the reporting period to launch this service and now has multiple custom anti-idiotypic Affimer services projects ongoing and in the pipeline. Each services project is worth approximately £40k revenue and, in principle, every monoclonal antibody drug in development, of which there are thousands, requires reagents for PK measurements. Therefore, assuming the Group can secure only a small proportion of this market, this application alone represents an estimated recurring revenue stream of several millions of pounds for the Group once sales have reached maturity.

The Group is also making solid progress in generating Affimers for its in-house diagnostic assay development. A small pipeline of diagnostic targets has been selected for which there are opportunities to develop technically superior or commercially more attractive assays. The Group will develop some of these Affimer assets to the point of having working assays with data that clearly differentiates them from the current diagnostic products in the market. These tests will then be licensed to third party diagnostic companies for commercialisation. The Group believes that by conducting the early stage development of new assays in-house rapidly, it can reduce the overall time to receiving royalties on product sales compared with the technology evaluation/licensing model which relies entirely on the third party's resource commitment and priorities.

The Group is aiming to have two diagnostic assays for which there are well understood commercial opportunities completed by the end of the calendar year 2019.

**Avacta Animal Health**

*Summary: Before the acquisition of the Affimer technology IP in 2012 and subsequent focusing of the Group's investments in this area, the Group comprised two other businesses; Avacta Analytical was sold to US buyers in 2015 and Avacta Animal Health which remains part of the Group.*

Avacta Animal Health works alongside experienced veterinary experts, providing veterinary laboratory services, developing and delivering market leading diagnostic tests designed to help vets and owners care for their animals through more accurate diagnosis.

Trading has been broadly level with last year with positive expectations for the second half of the year where the Group expects to see a strong performance in our allergy business. Our contract research business is developing with a number of significant partners looking to utilise the skills and services that our team of development scientists offer. Our Pet Allergy aWareness (PAW) campaign, now in its fifth year, and the British Small Animal Veterinary Association meeting in early April 2019, along with VetCon in the Republic of Ireland and AVSPNI in Northern Ireland in May 2019 form the launch of our marketing campaign for spring/summer, along with a number of digital marketing initiatives throughout the year.

**Financial Overview**

Revenue for the six-month period ended 31 January 2019 was £0.97 million (2018: £1.47 million).

Revenue contribution from the Group's Affimer business, Avacta Life Sciences, declined to £0.29 million (2018: £0.69 million) whilst revenues from Avacta Animal Health, the allergy and diagnostic testing business, decreased marginally to £0.69 million (2018: £0.77 million). The fall in the Affimer revenues is due to a planned reduction in funded research services income following the successful transition of Affimer targets into Moderna's internal development team, whilst the funded research services income associated with the new LG Chem development programme will commence in February 2019 and contribute in the second half of the year.

The new development programme with LG Chem included an initial up-front payment of $2.50 million (gross) which was received shortly after the agreement was concluded. Applying the new IFRS15 Revenue Recognition standard to the payment requires that this income will be spread over the length of time that certain services are provided under the agreement, which will be over an initial period of three years.

Research and development costs from the expanding Affimer therapeutics programme, which are expensed through the income statement, increased to £2.41 million (2018: £1.48 million), as the Company continues to invest in the Affimer therapeutics programme.

Administration costs, which include costs associated with business development, operational delivery, administration, facilities, depreciation and share-based payment charges have increased marginally to £4.12 million (2018: £4.00 million).

The Group's operating loss increased to £5.87 million (2018: £4.47 million) and the reported loss after taxation increased to £5.20 million (2018: £3.95 million).

The basic loss per share reduced to 4.80p (2018: 6.04p) due to the increase in the number of shares in issue following the completion of the fund raise in August 2018 when £11.6 million (gross) was raised and a further 46,472,724 ordinary shares were issued.

The Group capitalised £1.07 million (2018: £0.90 million) of development costs, primarily relating to the Affimer reagents and diagnostics development programmes. These development costs are recognised within the total intangible asset value of £12.71 million (31 July 2018: £12.20 million).

There was a cash outflow from operations of £2.90 million (31 January 2018: £3.60 million) and an outflow from investing activities of £1.42 million on capital expenditure and capitalised development costs (31 January 2018: inflow £2.66 million). Net proceeds from the issue of shares amounted to £10.89m (31 January 2018: £0.04 million). The Group ended the period with £11.79 million net cash (31 July 2018: £5.22 million).

**Outlook**

The Group remains focused on the key objective of first-time-in-human data for the Affimer therapeutic programme and growing a profitable Affimer reagents business.

First-time-in-human data is a significant value inflection point for the technology and a major de-risking point from a deal making perspective. The Group remains on track, to a tight schedule, to dose first patients in late 2020. The addition of Dr Jose Saro as Chief Medical Officer is a significant strengthening of the senior management team with regards this translation of programmes into the clinic.

Whilst the lead programmes progress into the clinic, the Group will continue to build-out its pipeline of immuno-oncology assets. The Group believes that the TMAC platform incorporating a range of Affimer immune checkpoint mono- and multi-specific therapies, and the complimentary development of co-administered combinations of Affimers with the chemotherapy drugs arising from the TMAC programme, provides the potential to develop an extensive, highly differentiated and valuable drug pipeline in the years ahead.

The Group has recently reported a substantial collaboration and license agreement with LG Chem and the exercise of a commercial license option by Moderna with whom the Group has been collaborating with since 2015. This combination of the growing technical and commercial progress is expected to help catalyse further significant partnerships in due course.

As a proven platform technology addressing multiple non-therapeutic markets the Group has the opportunity to grow a profitable reagents business, and there is significant upside potential as it builds a pipeline of valuable Affimer drug assets.

**Dr Eliot Forster**
**Chairman**
9 April 2019

**Dr Alastair Smith**
**Chief Executive Officer**
9 April 2019

## Condensed consolidated income statement for the six-month period ended 31 January 2019

| | **Unaudited 6 months to 31 January 2019 £000** | Unaudited 6 months to 31 January 2018 £000 | Audited Year ended 31 July 2018 £000 |
|---|---|---|---|
| **Revenue** | **972** | 1,466 | 2,763 |
| Cost of sales | **(308)** | (458) | (893) |
| **Gross profit** | **664** | 1,008 | 1,870 |
| Research and development costs | **(2,414)** | (1,477) | (3,783) |
| Administrative expenses | **(4,122)** | (4,003) | (8,518) |
| **Operating loss** | **(5,872)** | (4,472) | (10,431) |
| Finance income | **23** | 23 | 41 |
| **Loss before taxation** | **(5,849)** | (4,449) | (10,390) |
| Taxation | **650** | 500 | 1,561 |
| **Loss and total comprehensive loss for the period attributable to equity shareholders** | **(5,199)** | (3,949) | (8,829) |
| **Loss per ordinary share:** | | | |
| Basic and diluted | **(4.80p)** | (6.04p) | (13.49p) |

All activities relate to the continuing operations of the Group.

## Condensed consolidated balance sheet at 31 January 2019

| | **Unaudited As at 31 January 2019 £000** | Unaudited As at 31 January 2018 £000 | Audited As at 31 July 2018 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | **12,714** | 12,775 | 12,204 |
| Property, plant & equipment | **2,912** | 3,390 | 3,054 |
| | **15,626** | 16,165 | 15,258 |
| **Current assets** | | | |
| Inventories | **173** | 181 | 187 |
| Trade and other receivables | **1,188** | 1,639 | 1,288 |
| Income taxes | **2,342** | 1,700 | 1,500 |
| Cash and cash equivalents | **11,787** | 8,275 | 5,220 |
| | **15,490** | 11,795 | 8,195 |
| **Total assets** | **31,116** | 27,960 | 23,453 |
| **Current liabilities** | | | |
| Trade and other payables | **(3,789)** | (1,783) | (2,040) |
| **Total liabilities** | **(3,789)** | (1,783) | (2,040) |
| **Net assets** | **27,327** | 26,177 | 21,413 |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | **11,661** | 6,975 | 6,976 |
| Share premium | **7,107** | 767 | 770 |
| Capital reserve | **1,899** | 1,899 | 1,899 |
| Other reserve | **(1,729)** | (1,729) | (1,729) |
| Reserve for own shares | **(2,931)** | (2,802) | (2,802) |
| Retained earnings | **11,320** | 21,067 | 16,299 |
| **Total equity** | **27,327** | 26,177 | 21,413 |

Total equity is wholly attributable to equity holders of the parent Company.

Approved by the Board and authorised for issue on 9 April 2019.

**Dr Alastair Smith** — **Chief Executive Officer**

**Tony Gardiner** — **Chief Financial Officer**

## Condensed consolidated statement of changes in equity as at 31 January 2019

| | Unaudited Share Capital | Unaudited Share premium | Unaudited Other reserve | Unaudited Capital reserve | Unaudited Reserve for own shares | Unaudited Retained earnings | Unaudited Total Equity |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 August 2017 | 6,917 | 633 | (1,729) | 1,899 | (2,651) | 24,820 | 29,889 |
| Shares issued for cash | 1 | 6 | - | - | - | - | 7 |
| Exercise of options | 34 | - | - | - | - | - | 34 |
| Own shares acquired | 23 | 128 | - | - | (151) | - | - |
| Total comprehensive loss for the period | - | - | - | - | - | (3,949) | (3,949) |
| Share based payment charges | - | - | - | - | - | 196 | 196 |
| At 31 January 2018 | 6,975 | 767 | (1,729) | 1,899 | (2,802) | 21,067 | 26,177 |
| Issue of shares | 1 | 3 | - | - | - | - | 4 |
| Total comprehensive loss for the period | - | - | - | - | - | (4,880) | (4,880) |
| Share based payment charges | - | - | - | - | - | 112 | 112 |
| At 1 August 2018 | 6,976 | 770 | (1,729) | 1,899 | (2,802) | 16,299 | 21,413 |
| Issue of shares | 4,648 | 6,245 | - | - | - | - | 10,893 |
| Own shares acquired | 37 | 92 | - | - | (129) | - | - |
| Total comprehensive loss for the period | - | - | - | - | - | (5,199) | (5,199) |
| Share based payment charges | - | - | - | - | - | 220 | 220 |
| **At 31 January 2019** | **11,661** | **7,107** | **(1,729)** | **1,899** | **(2,931)** | **11,320** | **27,327** |

## Condensed consolidated statement of cash flows for the six-month period ended 31 January 2019

| | **Unaudited 6 months to 31 January 2019 £000** | Unaudited 6 months to 31 January 2018 £000 | Audited Year ended 31 July 2018 £000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss for the period | **(5,199)** | (3,949) | (8,829) |
| Amortisation | **552** | 387 | 1,885 |
| Depreciation | **504** | 535 | 971 |
| Loss on disposal of property, plant and equipment | **-** | - | 6 |
| Loss on disposal of intangible assets | **-** | - | 155 |
| Equity settled share-based payment charges | **220** | 196 | 308 |
| Financial income | **(23)** | (23) | (41) |
| Income tax credit | **(650)** | (500) | (1,561) |
| **Operating cash outflow before changes in working capital** | **(4,596)** | (3,354) | (7,106) |
| Movement in inventories | **14** | (23) | (29) |
| Movement in trade and other receivables | **(90)** | (362) | (11) |
| Movement in trade and other payables | **1,747** | 121 | 376 |
| **Operating cash outflow from operations** | **(2,925)** | (3,618) | (6,770) |
| Finance income received | **23** | 23 | 41 |
| Income tax received | **-** | - | 1,261 |
| **Cash flows from operating activities** | **(2,902)** | (3,595) | (5,468) |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | **(351)** | (434) | (578) |
| Development expenditure capitalised | **(1,073)** | (904) | (1,945) |
| Decrease in balances on short-term deposit | **-** | 4,000 | 4,000 |
| **Net cash flow from investing activities** | **(1,424)** | 2,662 | 1,477 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of new shares | **10,893** | 42 | 45 |
| **Net cash flow from financing activities** | **10,893** | 42 | 45 |
| Net increase/(decrease) in cash and cash equivalents | **6,567** | (891) | (3,946) |
| Cash and cash equivalents at the beginning of the period | **5,220** | 9,166 | 9,166 |
| **Cash and cash equivalents at the end of the period** | **11,787** | 8,275 | 5,220 |

## Notes to the condensed financial statements (unaudited) for the six-month period ended 31 January 2019

### 1) Basis of preparation

Avacta Group plc is a company incorporated in England and Wales under the Companies Act 2006.

The Board approved these interim financial statements for issue on 9 April 2019.

The interim financial information for the six months ended 31 January 2019 and the comparative financial information for the six months ended 31 January 2018 are unaudited. This information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The financial figures for the year ended 31 July 2018, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 31 July 2018 were prepared under IFRS and have been delivered to the Registrar of Companies. The auditors reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498 of the Companies Act 2006.

The Board confirms that to the best of its knowledge that the condensed set of financial statements have been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the EU.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 July 2018, with the exception of the following standards that were adopted on 1 August 2018:

- IFRS15 – Revenue from contracts with customers
- IFRS9 - Financial instruments

The adoption of these two new standards has caused no material impact to the Group's interim financial statements.

The interim financial statements do not include all financial risk management information and disclosures required in annual financial statements. There have been no significant changes in any risk or risk management policies since 31 July 2018. The principal risks and uncertainties are largely unchanged and are as disclosed in the annual report and accounts for the year ended 31 July 2018.

The Group experiences no material variations in performance arising due to seasonality.

### 2) Significant accounting policies

The condensed consolidated financial statements have been prepared on the same basis of preparation and using the same accounting policies as set out in the last annual report and accounts and in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 (Interim Financial Reporting), as issued by the International Accounting Standards Board and adopted by the European Union.

### 3) Segmental reporting

The Group has two distinct operating segments; Life Sciences and Animal Health. These are the reportable operating segments in accordance with IFRS 8 (Operating Segments). The Directors recognize that the operations of the Group are dynamic and therefore this position will be monitored as the Group develops.

All revenues have been generated from continuing operations and are from external customers. The Group's revenue to destinations outside the UK amounted to 43% (58%: 6 months to 31 January 2018, 60%: 12 months to 31 July 2018).

The Central overheads, which primarily related to the operation of the Group function are not allocated to the operating segments.

| | **Unaudited 6 months to 31 January 2019 £000** | Unaudited 6 months to 31 January 2018 £000 | Audited Year ended 31 July 2018 £000 |
|---|---|---|---|
| **Revenue** | | | |
| Life Sciences | **286** | 692 | 1,194 |
| Animal Health | **686** | 774 | 1,569 |
| | **972** | 1,466 | 2,763 |
| **Operating loss** | | | |
| • Life Sciences | **(4,462)** | (3,243) | (7,144) |
| • Animal Health | **(358)** | (247) | (678) |
| • Corporate and other unallocated items | **(1,052)** | (982) | (2,609) |
| **Operating loss** | **(5,872)** | (4,472) | (10,431) |
| Finance income | **23** | 23 | 41 |
| **Loss before taxation** | **(5,849)** | (4,449) | (10,390) |
| Taxation | **650** | 500 | 1,561 |
| **Loss for the period attributable to equity shareholders** | **(5,199)** | (3,949) | (8,829) |
| **Operating assets** | | | |
| Life Sciences | **13,432** | 14,156 | 13,139 |
| Animal Health | **3,509** | 4,565 | 3,385 |
| Corporate and other unallocated items | **10,386** | 7,456 | 4,889 |
| **Net assets** | **27,327** | 26,177 | 21,413 |

**4) Earnings per share**

| | **Unaudited 6 months to 31 January 2019** | Unaudited 6 months to 31 January 2018 | Audited Year ended 31 July 2018 |
|---|---|---|---|
| Weighted number of Ordinary shares in issue | **108,406,751** | 65,351,493 | 65,437,007 |
| Loss for the period (£000) | **(5,199)** | (3,949) | (8,829) |
| Loss per Ordinary share: | | | |
| Basic and diluted (p) | **4.80** | 6.04 | 13.49 |