

Acacia Pharma Group plc

Unaudited Results for the nine months to 30 September 2018

Cambridge, UK and Indianapolis, US - 6 November 2018: Acacia Pharma Group plc ("Acacia Pharma", the "Company" or the "Group"), (EURONEXT: ACPH) announces its unaudited results for the nine months to 30 September 2018 to provide an update on current trading and its cash position.

As announced earlier today, the Group has resubmitted its New Drug Application for BARHEMSYS™ to the US Food and Drug Administration (FDA). FDA will classify the resubmission as either Class 1 or Class 2. The Group remains on track with its launch readiness plans and continues to expect to be ready to launch BARHEMSYS in H1 2019. Activities have been scheduled such that the Group can be launch-ready, with the timing of expenditure capable of being flexed to meet results of the decision around the FDA's classification of the NDA resubmission.

Cash and cash equivalents as at 30 September 2018 were £33.8 million (30 June 2018: £35.7 million) slightly ahead of expectations at the time of the Company's IPO in March 2018.

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Acacia Pharma is based in Cambridge, UK and its US operations are centred in Indianapolis, IN. The Company is listed on the Euronext Brussels exchange under the under ISIN code GB00BYWF9Y76 and ticker symbol ACPH. www.acaciapharma.com

Forward looking statements

This announcement includes forward-looking statements, which are based on current expectations and projections about future events. These statements may include, without limitation, any statements preceded by, followed by or including words such as "believe", "expect", "intend", "may", "plan", "will", "should", "could" and other words and terms of similar meaning or the negative thereof. Forward-looking statements may and often do differ materially from actual results. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its subsidiaries and investments, including, among other things, the development of its business, trends in its operating industry, and future capital expenditures and acquisitions. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, prospectus, growth or strategies and the industry in which it operates. Save as required by law or applicable regulation, the Company and its affiliates expressly disclaim any obligation or undertaking to update, review or revise any forward-looking statement contained in this announcement whether as a result of new information, future developments or otherwise. Forward-looking statements speak only as of the date they are made.

Consolidated Statement of Comprehensive Income

		9 months ended 30 Sep 2018 Unaudited £'000	9 months ended 30 Sep 2017 Unaudited £'000
Continuing operations:	Note		
Research & development expense		(2,220)	(976)
Sales & marketing expenses		(3,336)	(562)
General & administrative expenses		(3,409)	(531)
Operating loss		(8,965)	(2,069)
Finance income	2	128	-
Finance expense	3	(1,477)	(2,312)
Loss before income tax		(10,314)	(4,381)
Taxation credit	4	334	242
Loss and total comprehensive loss for the period		(9,980)	(4,139)
Basic and diluted losses per Ordinary Share	5	<u>(24.2)p</u>	<u>(155.3)p</u>

Consolidated Statement of Financial Position

		30 Sep 2018 Unaudited £'000	30 June 2018 Unaudited £'000	31 December 2017 Audited £'000
	Note			
Assets				
Current Assets				
Other receivables		169	95	154
Current income tax assets		360	563	349
Cash and cash equivalents	6	33,783	35,714	3,070
Total Current Assets		34,312	36,372	3,573
Total Assets		34,312	36,372	3,573
Equity and Liabilities				
Equity attributable to equity holders				
Share capital	7	1,063	1,063	701
Share premium		54,783	54,783	4,513
Profit and loss account		36,933	41,198	45,886
Share-based payments reserve		686	506	253
Merger reserve		(69,136)	(69,136)	(69,136)
Total Equity		24,329	28,414	(17,783)
Liabilities				
Non-current liabilities				
Term loans, amounts payable after one year	8	6,998	6,699	-
		6,998	6,699	-
Current liabilities				
Trade and other payables		2,594	868	1,000
Liability component of convertible shares		-	-	11,140
Term loans, amounts payable within one year	8	391	391	5,185
Convertible loan notes		-	-	4,031
		2,985	1,259	21,356
Total Liabilities		9,983	7,958	21,356
Total Equity and Liabilities		34,312	36,372	3,573

Consolidated Cash Flow Statement

		9 months ended 30 September 2018 Unaudited £'000	9 months ended 30 September 2017 Unaudited £'000
	Note		
Cash flows from operating activities:			
Cash used in operations	9	(6,526)	(5,994)
Income tax credit received		323	2,793
Net cash used in operating activities		(6,203)	(3,201)
Cash flows from investing activities:			
Interest received	3	128	-
Net cash generated from investing activities		128	-
Cash flows from financing activities:			
Proceeds of issuance of Ordinary Shares	7	35,752	-
Issue costs of Ordinary Shares	7	(1,652)	-
Amounts borrowed under term loan	8	7,671	-
Payment of transaction costs on term loan	8	(494)	-
Amounts repaid under term loan	8	(4,500)	(1,750)
Interest and fees paid on loan		(1,015)	(293)
Net cash flows from financing activities		35,762	(2,043)
Effect of exchange rate movements on cash held		1,026	(34)
Net increase/(decrease) in cash and cash equivalents		30,713	(5,278)
Cash and cash equivalents at beginning of the period		3,070	6,884
Cash and cash equivalents at end of the period		33,783	1,606

Consolidated Statement of Changes in Equity**For the 9 months ended 30 September 2018**

	Issued Share Capital £'000	Share Premium £'000	Profit and loss account £'000	Merger reserve £'000	Share based payments reserve £'000	Total Equity £'000
Balance at 1 January 2018	701	4,513	45,886	(69,136)	253	(17,783)
Comprehensive expense						
Issue of Ordinary Shares	362	51,922	-	-	-	52,284
Costs of issue of Ordinary Shares		(1,652)	-	-	-	(1,652)
Total comprehensive expense for the 9 month period	-	-	(9,980)	-	-	(9,980)
Exchange differences			1,027			1,027
Transactions with Owners						
Share based payments charge	-	-	-	-	433	433
Balance at 30 September 2018	1,063	54,783	36,933	(69,136)	686	24,329

	Issued Share Capital £'000	Share Premium £'000	Profit and loss account £'000	Merger reserve £'000	Share based payments reserve £'000	Total Equity £'000
Balance at 1 January 2017	701	4,513	52,041	(69,136)	144	(11,737)
Comprehensive expense						
Total comprehensive expense for the 9 month period	-	-	(4,139)	-	-	(4,139)
Transactions with Owners						
Share based payments charge	-	-	-	-	75	75
Balance at 30 September 2017	701	4,513	47,902	(69,136)	219	(15,801)

Basis of preparation

General information

Acacia Pharma Group plc is a public limited company incorporated and domiciled in England and Wales with registered number 09759376. The Company's registered office is The Officers' Mess, Royston Road, Duxford, Cambridge, CB22 4QH.

The principal activity of the Company and its subsidiaries (together "the Group") is that of a pharmaceutical group which develops and commercialises lower risk pharmaceutical product opportunities within its therapeutic areas of interest.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not contain all of the information which International Financial Reporting Standards ("IFRS") would require for a complete set of annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

These condensed unaudited consolidated interim financial statements were approved by the Board of Directors on 5th November 2018.

Comparative financial information

The comparative figures for the financial year ended 31 December 2017 do not constitute the Group's statutory accounts for that financial year. Statutory accounts for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and as issued by the International Accounting Standards Board, have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Having identified an arithmetical error in the unaudited results for the six months ended 30 June 2018 as released on 7 September 2018 impacting the consolidated statement of financial position and consolidated statement of changes in equity, corrections have been made in the statement on page 3 hereof.

Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2017.

IFRS 15 'Revenue from contracts with customers', was issued by the IASB in May 2014 and has been implemented by the Group from 1 January 2018. The Standard contains a new set of principles on when and how to recognise and measure revenue as well as new requirements related to disclosures. The impact of adoption is immaterial.

IFRS 9 'Financial instruments' was issued by the IASB in July 2014, and has been implemented by the Group from 1 January 2018. The impact of adoption is immaterial.

IFRS 16 'Leases' was issued by the IASB in January 2016, and will be implemented by the Group from 1 January 2019.

IFRIC 23 'Uncertainty over income tax treatments' was issued by the IASB in July 2017 and will be implemented by the Group from 1 January 2019.

The Directors do not anticipate that the adoption of the Standards, Amendments and Interpretations where relevant, in future years will have a material impact on the Group's Financial Statements.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group and Company will be able to meet their liabilities as they fall due for the foreseeable future.

The directors believe that, based on existing cash and debt facilities and on their current forecasts and plans for raising additional debt or equity financing, the Group and Company will have sufficient funds to meet their

cash requirements for at least the next 12 months. However, there is no guarantee that attempts to raise additional financing will be successful.

Whilst there is a material uncertainty in relation to the outcome of the matters described above which, if not resolved, may give rise to significant doubts to the going concern basis, the directors have fully considered the relevant issues and are confident that it is appropriate to prepare these financial statements on the going concern basis under the historical cost convention and the accounting policies set out below and in accordance with Companies Act 2006 and applicable International Financial Reporting Standards as adopted by the EU. These financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2. Finance income

	9 months ended 30 Sep	
	2018	2017
	Unaudited	Unaudited
	£'000	£'000
Deposit account interest	128	-

3. Finance expense

	9 months ended 30 Sep	
	2018	2017
	Unaudited	Unaudited
	£'000	£'000
Finance charge on preferred shares	209	1,474
Finance charges on term loans	514	823
Finance charge on convertible loan	1,152	-
Realised exchange differences	(398)	15
	1,477	2,312

4. Taxation

	9 months ended 30 Sep	
	2018	2017
	Unaudited	Unaudited
	£'000	£'000
United Kingdom corporation tax	360	242
Adjustment relating to prior period	(26)	-
	334	242

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The amount included in the financial information represents the credit receivable by the Group for the period.

There is no current tax charge in the period as the Group has losses brought forward and is entitled to a cash tax credit in the United Kingdom for certain research and development expenditure. The unrecognised deferred tax assets relating to operating losses have not been recognised due to the uncertainty over the utilisation of the losses.

5. Losses per share

Basic and diluted losses per share is calculated by dividing the loss for the financial year/period by the weighted average number of Ordinary Shares in issue during the year. The losses and weighted average number of shares used in the calculations are set out below:

	9 months ended 30 September	
	2018	2017
	Unaudited	Unaudited
	£'000	£'000
Losses per Ordinary Share		
Loss for the financial period (£000)	(9,980)	(4,139)
Weighted average number of Ordinary Shares (basic) (thousands)	41,207	2,665
Losses per Ordinary Share basic (pence)	24.2	155.3

Share option and convertible instruments are anti-dilutive in each period for the purposes of the losses per share calculation and their effect is therefore not considered.

For the avoidance of doubt, this calculation is based on Ordinary Shares only. Other classes of shares, along with preference shares have been excluded in this calculation.

6. Cash and cash equivalents

The Group retains all cash on instant access accounts in Sterling, Euros and US dollars.

	As at 30 September 2018	As at 30 June 2018	As at 31 December 2017
	£'000	£'000	£'000
Sterling accounts	266	862	2,876
Euro accounts	344	367	3
Dollar accounts	33,173	34,485	191
	33,783	35,714	3,070

7. Share capital

On 6 March 2018 the Company completed a Global Offer and was admitted to trading on Euronext Brussels. Immediately before the completion of the Global Offer, all of the existing S ordinary, A ordinary, B preferred, C preferred and D preferred shares were converted into Ordinary Shares on a one-for-one basis. In addition, Ordinary Shares were issued upon the conversion of the Convertible Loan Notes and in settlement of the accrued finance charges on the A, B, C and D shares and the loan notes. The P shares were converted into 270 Ordinary shares. Upon the completion of the Global Offer, 11,111,111 Ordinary Shares were issued for cash at €3.60 per share, raising gross proceeds of €40 million or £35,714k. Costs directly associated with the issue of shares of £1,652k were incurred. On 29 June 200,000 shares were issued upon the exercise of share options, resulting in proceeds of £38k.

	Number of Shares	£'000
Ordinary shares at 1 January 2018	2,664,662	53
Issue of Ordinary Shares in settlement of liabilities and anti-dilution and preference rights on A, B, C & D shares	5,171,495	103
Conversion of S, A, B, C & D shares to Ordinary shares	32,337,899	647
Issue of Ordinary Shares to holders of P shares on consolidation and conversion	270	-
Issue of Ordinary Shares on conversion of loan notes	1,633,624	33
Issue of Ordinary Shares for cash	11,111,111	222
Issue of Ordinary Shares upon exercise of share options	200,000	5
Ordinary shares of £0.02 in issue at period end	53,119,061	1,063

8. Term Loans and Convertible Loan Notes

	As at 30 September 2018 £'000	As at 30 June 2018 £'000	As at 31 December 2017 £'000
Term bank loan, amounts repayable within 12 months	391	391	5,185
Convertible loan notes	-	-	4,031
	391	391	9,216
Term bank loan, amounts repayable after 12 months	6,998	6,699	-
	7,389	7,090	9,216

The term bank loan with Silicon Valley Bank was repaid in full on 27 June 2018.

A new term loan facility with Hercules Capital was drawn on 29 June 2018. The initial tranche drawn was \$10 million (£7,671k) and costs of \$645k (£494k) were incurred. The loan bears interest at 9.5%, bears a final payment charge of 3.95% of the principal and is interest only until January 2020. Thereafter the principal and interest on the loan will be repayable in 25 equal instalments. Warrants over 201,330 Ordinary Shares, exercisable at €3.22 per share, were issued to Hercules Capital as part of the terms of the loan facility.

9. Cash provided by operating activities

	9 months ended 30 Sep 2018 Unaudited £'000	2017 Unaudited £'000
Operating loss	(8,965)	(2,069)
Share-based payments charges	433	75
Decrease in other receivables	15	396
Increase/(decrease) in trade and other payables	1,594	(4,396)
Realised exchange differences	397	-
	(6,526)	(5,994)

10. Principal risks and uncertainties

We have considered the principal risks and uncertainties faced by the Group for the remaining six months of the year and do not consider them to have changed from those set out on pages 3, 34 and 35 of the Acacia Pharma Group plc 2017 Annual Report and Accounts, available from the Group's website at www.acaciapharma.com.

11. Capital and other commitments

The Group has committed to certain expenditure in respect of the development of a new 10mg presentation of BARHEMSYS and in respect of the manufacture of finished product. The commitments amount to €745k in 2018 and €2,634k in 2019.

On 23 August 2018 Acacia Pharma Inc entered into a lease on office premises commencing 1 October 2018 with a term of 5 years and two months, the first two months being rent-free. The annual rent for the following twelve months is \$112k.

Financial calendar

Announcement of annual results for year ending 31 December 2019

Feb 2019

Shareholder change of address

The Company offers the facility, in conjunction with Equiniti, our Registrars, to conduct a number of routine matters via the web including the ability to notify any change of address. If you are a shareholder and are either unable or would prefer not to use this facility, please do not send the notification to the Company's registered office. Please write direct to Equiniti, at their address shown below, where the register is held.

Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Equiniti, or to the Company directly.

Addresses for correspondence

Registered office and head office

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Registrars

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Cautionary statement regarding forward-looking statements

This document contains certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of Acacia Pharma Group plc ("Acacia Pharma"). These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved. Nothing contained in this document should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. Acacia Pharma undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances.

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