

# **Midatech Pharma plc**

Interim Report

Six months ended 30 June 2018

Company Number 09216368

# Midatech Pharma plc

## Interim report and financial information for the six months ended 30 June 2018

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**Midatech Pharma plc (AIM: MTPH), the life sciences company focused on delivering innovative oncology and rare disease products to patients, announces its results for the six months ended 30 June 2018**

### **OPERATIONAL HIGHLIGHTS** *(including post period end)*

- The first-in-human study of Q-Octreotide (MTD201), for the treatment for carcinoid cancer and acromegaly, reported a positive data read-out in August 2018
- The first-in-human study of MTX110, for the treatment of diffuse intrinsic pontine glioma (DIPG), commenced in May 2018 and is progressing on track
- Proposed sale of our US commercial operation, Midatech Pharma US, Inc. for up to \$19m, subject to shareholder approval as announced on 27 September 2018, which will refocus the business on its fast-to-market oncology and rare disease product pipeline
- Appointment of Dr Craig Cook as CEO, previously COO, CMO and Head of R&D at Midatech, on 31 May 2018

### **FINANCIAL HIGHLIGHTS**

- Total revenue from continuing operations (excluding Midatech Pharma US, Inc.) increased by 17%, to £0.55 million (H1 2017: £0.47 million). Total revenue represents income from R&D collaborations plus grant revenue.
- Research and development costs increased by 10% to £4.59 million (H1 2017: £4.17 million)
- Administrative expenses from continuing operations decreased by 22% to £2.11 million (H1 2017: £2.71 million)
- Net cash outflow used in continuing and discontinued operations (after changes in working capital) was £7.77 million, down 24% from £10.18 million in H1 2017. The cash balance at 30 June 2018 was £4.12 million
- Loss per share from continuing operations was 9p compared to 12p in H1 2017

# Midatech Pharma plc

## Interim report and financial information for the six months ended 30 June 2018

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### CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

Midatech Pharma's technologies are starting to deliver on the opportunity within the technology platforms as both MTD201 (Q-Octreotide) and MTX110 successfully entered the clinic in May 2018. Our technology platforms focus on improving bio-delivery and bio-distribution of known oncology medicines or agents, taking them to areas of the body where they are needed and where they can exert their actions in an effective, safe and precise manner. Midatech's ultimate goal is to make a tangible difference for patients in their fight against devastating diseases. Subject to completion of the sale of our US commercial operation, Midatech will be completely focused on its fast-to-market R&D pipeline.

The first half of 2018 has been a crucial time for Midatech with our key research programmes all now in formal clinical development and now running according to plan. Manufacturing scale-up challenges have been resolved, and regulatory input has been incorporated into the clinical programmes. This has set us up for an exciting period, rich with several potential value inflexion points, the first of which was, as noted above, the entry into the clinic for two of our technologies – Q-Sphera microsphere sustained release platform and MidaSolve nanosaccharide direct delivery platform – which entered first-in-human clinical studies. Together with our Midacore gold nanoparticle targeted delivery platform, this means that all of our technologies have now successfully entered human use, a major milestone for the company. The majority of our current R&D effort is currently focussed on our Q-Sphera and MidaSolve programmes.

The fundamentals of Midatech are strong, with our promising technologies underpinning a compelling pipeline of oncology and immunotherapy assets progressing towards and through clinical development. We are well positioned and have a clear R&D focussed strategy to deliver transformative therapies that might otherwise not be possible or be very difficult for patients with devastating cancers and other rare diseases. In addition, the programmes currently at the preclinical stage offer the potential of adding to our exciting R&D pipeline in the mid-term. Our three technology platforms also offer the opportunity for Midatech to partner with companies that can leverage our platforms with their own products and molecules. Our ongoing out-licensing partnership with Emergex Vaccines ("Emergex") for our MidaCore platform is one such collaboration that continues to progress in the development of gold nanoparticle based viral vaccines.

### **Q-Sphera microsphere technology for sustained release therapeutics**

#### *MTD201 for carcinoid cancer and acromegaly*

Midatech's lead development product, MTD201 (Q-Octreotide), is a treatment for carcinoid cancer and acromegaly, and is based on the Company's polymer microsphere technology, Q-Sphera™ for sustained release delivery. The leading product in this \$2 billion market is Sandostatin® LAR® ("SLAR") from Novartis. Leveraging the advantages of Midatech's Q-Sphera platform, MTD201 is being developed as an alternative product to SLAR.

The initial human study, which concluded in August 2018, sought to compare the performance of MTD201 and SLAR. The positive interim data suggests that MTD201 is potentially a better product, based on improved clinical attributes. Combined with other advantages, including a smaller needle size, simpler and more reliable reconstitution and injection, this could lead to a more valuable product, either to develop internally or to license to pharmaceutical partners. In preparation for a follow-on regulatory trial, the Company will now seek additional regulatory opinion on pursuing approval for MTD201 as an equivalent product to SLAR with advantageous attributes, or as a differentiated and improved product.

This study was also an important validation milestone for Midatech's Q-Sphera™ technology, demonstrating it to be an exciting new sustained-release delivery platform with several advantages over traditional manufacturing technologies. This provides an opportunity for several other follow-on products that could be pursued for development, either internally or with partners, and is expected to lead to future out-licence opportunities for the Company.

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### CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW *(continued)*

#### **MidaSolve nanosaccharide platform for direct intra-tumoural delivery of therapeutics in oncology**

##### *MTX110 for childhood brain cancer (DIPG)*

MTX110 is Midatech's first development programme utilising its MidaSolve nanosaccharide inclusion technology. The product is in development for the treatment of diffuse intrinsic pontine glioma ("DIPG"), a devastatingly aggressive and universally fatal brainstem tumour in children. MTX110 is a combination complex of the drug panobinostat (selected as one of the most potent agents against DIPG tumour cells), together with Midatech's solubilising MidaSolve technology, which allows panobinostat to be administered in liquid form directly into the tumour via micro-catheters. This programme entered a first-in-human study in May 2018 and interim data and readout of the Phase I safety component of the study is expected in 2019. Initial reports indicate that MTX110 continues to be well tolerated and we remain extremely excited by this programme for patients. Following the conclusion of the study, and pending positive study results, the Company may attempt to secure expedited regulatory approval for MTX110.

#### **MidaCore gold nanoparticle for targeted delivery of agents in oncology and immunotherapy**

In oncology, MTD119 continues its pre-clinical evaluation for liver cancer and other solid tumours. Toxicity and efficacy studies are ongoing to ascertain a satisfactory therapeutic index at optimised dosing regimes. In this programme, different isomers of the potent anti-tubulin chemotherapeutic maytansine are attached to a gold nanoparticle to potentially improve on-target safety and efficacy. Final data readouts are expected in Q4 2018.

In immunotherapy, Midatech's franchise continues to explore the MidaCore™ gold nanoparticle technology, designed to deliver vaccines that either, (a) activate and enhance the immune response against tumour cells or, (b) suppress the immune response in autoimmune diseases such as diabetes. Previous data suggests novel scientific rationale for the potential benefits of MidaCore as a vaccine platform, which has already been through regulatory assessment and shown to be safe and suitable for human administration.

MTR111 vaccine for DIPG, and MTR116 vaccine for GBM, are vaccine complexes comprising our gold nanoparticle MidaCore™ technology bound to tumour specific surface-marker peptides, with the objective of enhancing the recognition of tumour cells by the immune system, which then attack and kill the DIPG or GBM tumour cells. These cancer immunotherapy programmes are in pre-clinical testing at University of California San Francisco, and Dana Farber Cancer Institute in Boston respectively.

MTX102 is a tolerogenic vaccine for Type 1 diabetes using our MidaCore™ platform together with the pancreatic cell peptide pro-insulin. The goal of the programme is to develop a vaccine that preserves the insulin producing cells of the pancreas. This first entered the clinic in a Phase I study in January 2017 and is now approaching its conclusion with data anticipated towards the end of 2018 or in early 2019.

Finally, the MidaCore™ platform continues to progress under license to Emergex for vaccines in the field of infectious diseases. Emergex recently announced that it has signed a Memorandum of Understanding (MoU) with Brazil-based Oswaldo Cruz Foundation 'Fiocruz' for the development of viral vaccines. The MoU initially covers the development of a vaccine that universally targets diseases within the flavivirus family such as Dengue Fever, Zika and Yellow Fever but which could be expanded to include the development of vaccines to target other viral families that are endemic to the region.

#### **Streamlining and refocussing the business**

We announced today, the proposed sale of our US commercial operation, Midatech Pharma US, Inc. ("MPUS") for up to \$19m, subject to shareholder approval. The sale, to Barings LLC, a member of the MassMutual Financial Group, followed an exhaustive process and, the Board believes, represents value for shareholders.

MPUS is a standalone commercial platform and its sale will generate non-dilutive cash to support the business and contribute to the continued development of our R&D pipeline. The sale will also allow management to completely focus on advancing our high value R&D pipeline to maximise the value for shareholders.

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### CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW *(continued)*

#### Updated leadership team

At the end of May 2018, Dr Jim Phillips stepped down as CEO after having served the Company over the previous five years. We are grateful to Jim for his contribution, including the successful IPO in 2014 and for establishing a strong foundation for the Company. Dr Craig Cook (formerly Chief Operating Officer, Chief Medical Officer, and Head of R&D) was appointed CEO and took up a seat on the Board from 1 June 2018.

Having joined Midatech in 2014, Craig has a deep understanding of the business, and as CEO is focusing on the R&D pipeline and prioritising delivery of the Company's key value drivers. This strategic shift combined with strong leadership and impressive R&D teams has already resulted in two programmes entering into the clinic, MTD201 and MTX110, successful completion of the key MTD201 clinical study, tight cash control and proposed divestment of the US operation.

Steve Damment was promoted to the senior management team as Head of R&D and has ensured continued strong leadership of the R&D programmes as Craig took on CEO duties. Steve joined Midatech in 2015 and is an experienced leader in drug development with a long record of advancing drug candidates through key development milestones to successful product registration, initially at Glaxo-Wellcome and then Shire (as Head of Biosciences).

#### In-house manufacturing

Our GMP certified facility in Bilbao continues to be an integral component of Midatech's business. 2018 has been a key year for this facility as we shaped, developed and progressed our in-house capability, personnel and capacity to ensure we could achieve the demanding pre-clinical and clinical production needs for our technologies and programmes. It is indeed satisfying to see significant manufacturing challenges and requirements addressed as each technology was successfully readied for entry into first-in-human studies; specifically, for MTD201 and MTX110. This facility provides the basis on which to build our future manufacturing needs, keeps our manufacturing knowhow in-house, and allows us in the long-term to better control our own costs and timelines.

#### Funding

The proposed sale of the US business for \$13m plus contingent consideration of up to \$6m, will, subject to completion, extend the cash runway for the Company. The net cash available to the business will be approximately \$4.5m, after settling the MidCap loan and transaction fees, plus any contingent consideration which may be received in 2019 or 2020. Additional capital will be required to support our R&D product portfolio development and ongoing operation of the business, either via non-dilutive sources such as licensing revenue or other asset monetisation, or given time constraints, further equity financing may be necessary, potentially from the UK, US or Europe. The Board is therefore examining all options at this time.

#### Outlook

Subject to funding, the year ahead promises to be an important foundation for unlocking and delivering the full potential of our technology platforms and programmes. Clinical data is expected on three programmes, for carcinoid cancer, brain cancer, and our autoimmune diabetes vaccine. Preclinical data is expected on a further three programmes including childhood and adult brain cancer vaccines.

Our blueprint for success in the years ahead is inspired by a focus and expertise on developing and advancing our treatments and platform technologies, via in-house programmes as well as in collaboration with partners that are designed to make a difference for patients and healthcare workers, and create value for our shareholders.

**Rolf Stahel**  
Chairman

**Dr Craig Cook**  
Chief Executive Officer

# Midatech Pharma plc

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### FINANCIAL REVIEW

The Board of Midatech Pharma plc is pleased to report a positive set of results for the six months to 30 June 2018, with reduced overall operating costs and cash outflow for the period.

#### Sale of Midatech Pharma US

On 27 September 2018, Midatech announced the proposed sale of our US commercial operation, Midatech Pharma US, Inc. ("MPUS"), subject to shareholder approval, to Kanwa Holdings LP, an investment vehicle affiliated with Barings LLC ("Baring"), a member of the MassMutual Financial Group, for up to \$19m. Up to \$6m of this consideration is contingent on various net sales milestones for the MPUS business for the financial years 2018 and 2019. Based on a probability adjusted, discounted cash flow model, our provisional estimate of the fair value of the consideration is \$15.56m.

Due to the advanced stage of the sale process, as at 30 June 2018, management has concluded that in accordance with IFRS 5, MPUS meets the criteria of assets 'held for sale' and has been accounted for as a discontinued operation. Under IFRS 5, the results of the discontinued operation are removed from each line in the statement of comprehensive income and the overall losses attributable to the continuing and discontinued operations are reported separately on the face of the statement of comprehensive income. Consequently, the results set out in the statement of comprehensive income and described below refer to the continuing operations only. The results of the discontinued operation are shown in note 5. Comparative figures are reclassified to show continuing operations on a consistent basis.

Impairment testing was carried out on the assets of MPUS as at 30 June 2018 which were found to support the product and marketing rights and goodwill carrying amounts. However, the fair value of the consideration payable by Barings is less than the carrying amounts and hence an impairment charge of £4.7m has been reported against discontinued operations, in accordance with IFRS 5, by way of a fair value adjustment.

#### Key performance indicators (continuing operations)

|  | H1 2018       | H1 2017 | Change |
|--|---------------|---------|--------|
| Total revenue <sup>(1)</sup>                   | <b>£0.55m</b> | £0.47m  | +17%   |
| R&D costs                                      | <b>£4.59m</b> | £4.17m  | +10%   |
| R&D as % of operating costs                    | <b>67%</b>    | 59%     |        |
| Administrative costs                           | <b>£2.11m</b> | £2.71m  | -22%   |
| Admin. as % of operating costs                 | <b>31%</b>    | 38%     |        |
| Loss from operations for continuing operations | <b>£5.62m</b> | £6.04m  | -7%    |
| Net cash outflow for the period                | <b>£8.39m</b> | £11.42m | -27%   |

1) Total revenue represents income from R&D collaborations plus grant revenue

Subject to completion of the sale of MPUS, the main areas for future focus for Midatech's KPIs will be R&D and administrative costs, as well as cash management. Additional, non-financial KPIs, including further KPIs in respect of the research and development programmes, will be added as the business continues to develop and commercial KPIs will be reintroduced as the pipeline products get to market.

#### Revenue and grant income

Total revenue from continuing operations for the six months to 30 June 2018 was £0.55m compared to £0.47m in the first six months of 2017, an increase of 17%. However, an additional £3.06m of revenue for H1 2018 arose from the MPUS commercial business and was reported against discontinued operations, compared to £2.97m for the six months to 30 June 2017. Revenue from continuing operations came from collaborations made by continuing operations in the UK business. Additionally, grant income in H1 2018 of £0.45m (H1 2017: £0.42m) was generated from grants received under the Group's two European grant funded programmes.

In light of the proposed sale of MPUS, until the Group's development assets, in particular MTD201 Q-Octreotide and MTX110, can be commercialised, the Board anticipates that the only significant future revenue to be generated will be from out-licensing opportunities. Ongoing operating activities will be focused on completing the clinical development of MTD201 and MTX110 as well as advancing the Group's gold

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### FINANCIAL REVIEW *(continued)*

nano-particle oncology and immunotherapy programmes and seeking further sustained release development candidates now that the Group's Q-Sphera technology has been demonstrated to be effective in humans.

#### Research and development costs

Expenditure on research and development for continuing operations was £4.59m, compared to £4.17m in H1 2017, an increase of 10%. During the first half of 2018, we commenced the clinical trials of both our MTD201 Q-Octreotide and MTX110 for DIPG programmes, and the majority of spend in the first half of the year related to these.

#### Distribution costs, sales and marketing

Distribution, sales and marketing costs for continuing operations are significantly less than the discontinued operations and relate solely to preparatory marketing activities in connection with the development pipeline products. The charge for H1 2018 amounted to £105k compared to £229k for H1 2017.

#### Administrative costs

Administrative expenses for continuing operations in the six-month period to 30 June 2018 were £2.11m (H1 2017: £2.71m), a decrease of 22%.

#### Cash flows

Cash outflows used in operations (after changes in working capital) in H1 2018 were £7.77m compared to £10.18m in H1 2017, reflecting the activities of both continuing and discontinued operations. This reduced cash outflow was the result of a lower loss from operations, £6.71m in H1 2018 (after adjusting for the fair value adjustment associated with the sale of MPUS) compared to £9.03m in H1 2017, due to the improvement in grant revenue and the more significant reduction in operating costs.

Capital expenditure of £0.32m was incurred in the first half of 2018 (H1: 2017 £0.44), mainly relating to the purchase of analytical equipment for the research and development function. Interest of £0.24m was paid in H1 2018, relating to the loan facility with Midcap Financial. There was no corresponding loan interest charge in H1 2017.

Overall, cash outflow for the six-months to 30 June 2018 was £8.39m (H1 2017: £11.42) resulting in a period end cash position of £4.35m (including £0.23m disclosed within assets held for sale, as set out in note 9) compared to £13.20m at 31 December 2017. The Group continues to maintain its careful management of cash resources and stringent controls over costs.

The cash runway supported by the period end balance is clearly limited, even supplemented by the expected net proceeds from the sale of MPUS. Whilst the Board will continue its efforts to secure additional non-dilutive funding, the Company is also exploring access to further equity financing in the near term, including from the UK, US or Europe, in order to support the continued development of the business and the rapid advancement of MTD201 and MTX110 which we are striving to bring to the market as expeditiously as possible.

Shareholders should note that should the sale of MPUS not complete, the Company would be forced to explore urgent fundraising options, including equity, debt and a sale or licencing of assets, to continue to fund the MPUS operation, the development of the Group's key products and to provide working capital for the Group. There can be no assurance that such a fundraise would be successful or would secure sufficient funding for any or all of these elements for the short, medium or long term. If the sale of MPUS does not complete and an alternative source of finance is not secured in the very near term the Group may not be able to continue trading.

At this time, the situation following Brexit remains unclear. There has not been any impact on our existing EU funded grant programmes, however, we are evaluating how the Group should deal with any future opportunities.

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### **FINANCIAL REVIEW** *(continued)*

Euro and US dollar exchange rates have continued to be reasonably stable during 2018 than was the case immediately following the “Brexit” decision. Revenues denominated in US dollars have been in line with 2017 and costs incurred in both currencies are broadly comparable with 2017, the impact of any exchange rate movements in this regard has not been material.

**Nick Robbins-Cherry**  
Chief Financial Officer



# Midatech Pharma plc

## Condensed consolidated unaudited statement of comprehensive income for the six month period ended 30 June 2018

|  | Note | Six months<br>ended 30<br>June 2018<br>unaudited<br>£'000 | Six months<br>ended 30<br>June 2017<br>unaudited<br>£'000 |
|--|------|---|---|
| Revenue  | 4    | 97  | 53  |
| Grant revenue  |      | 452   | 420   |
| <b>Total revenue</b>   |      | <b>549</b>  | <b>473</b>  |
| Research and development costs   | 2    | (4,595)   | (4,171)   |
| Distribution costs, sales and marketing  | 2    | (105)   | (229)   |
| Administrative costs   | 2    | (2,119)   | (2,706)   |
| <b>Loss from operations</b>  |      | <b>(6,270)</b>  | <b>(6,633)</b>  |
| Finance income   |      | 1   | 14  |
| Finance expense  |      | (240)   | (61)  |
| <b>Loss before taxation</b>  |      | <b>(6,509)</b>  | <b>(6,680)</b>  |
| Taxation   | 3    | 889   | 644   |
| <b>Loss from continuing operations</b>   | 5    | <b>(5,620)</b>  | <b>(6,036)</b>  |
| Loss from discontinued operations net of tax   | 5    | (5,793)   | (2,998)   |
| <b>Loss for the period attributable to the owners of the parent</b>  |      | <b>(11,413)</b>   | <b>(9,034)</b>  |
| <b>Other comprehensive income:</b>   |      |   |   |
| <i>Items that will or may be reclassified subsequently to profit or loss when specific conditions are met:</i> |      |   |   |
| Exchange gains/(losses) arising on translation of foreign operations   |      | 204   | (148)   |
| <b>Total other comprehensive income, net of tax</b>  |      | <b>204</b>  | <b>(148)</b>  |
| <b>Total comprehensive loss attributable to the owners of the parent</b>                                       |      | <b>(11,209)</b>   | <b>(9,182)</b>  |
| <b>Loss per share</b>  |      |   |   |
| Basic and diluted loss per ordinary share - pence  | 6    | <b>(9p)</b>   | <b>(12p)</b>  |
| Continuing Operations  |      |   |   |

# Midatech Pharma plc

## Condensed consolidated unaudited statement of financial position at 30 June 2018

|   | Note | As at 30 June<br>2018<br>unaudited | As at 31<br>December 2017 |
|---|------|------------------------------------|---------------------------|
|   |      | £'000                              | £'000                     |
| <b>Assets</b>   |      |                                    |                           |
| <b>Non-current assets</b>   |      |                                    |                           |
| Property, plant and equipment   | 7    | 2,521                              | 2,529                     |
| Intangible assets   | 8    | 12,382                             | 27,647                    |
| Other receivables due in greater than one year  |      | 463                                | 465                       |
|   |      | <u>15,366</u>                      | <u>30,641</u>             |
| <b>Current assets</b>   |      |                                    |                           |
| Inventories   |      | -                                  | 941                       |
| Trade and other receivables   |      | 719                                | 3,242                     |
| Income tax receivable   |      | 2,115                              | 1,196                     |
| Cash and cash equivalents   |      | 4,117                              | 13,204                    |
| Assets in disposal group classified as held for sale                                      | 9    | 13,535                             | -                         |
|   |      | <u>20,486</u>                      | <u>18,583</u>             |
| <b>Total assets</b>   |      | <u><u>35,852</u></u>               | <u><u>49,224</u></u>      |
| <b>Liabilities</b>  |      |                                    |                           |
| <b>Non-current liabilities</b>  |      |                                    |                           |
| Borrowings  |      | 6,157                              | 6,185                     |
|   |      | <u>6,157</u>                       | <u>6,185</u>              |
| <b>Current liabilities</b>  |      |                                    |                           |
| Trade and other payables  |      | 3,443                              | 8,002                     |
| Borrowings  |      | 524                                | 361                       |
| Liabilities directly associated with assets in disposal group classified as held for sale | 9    | 2,354                              | -                         |
|   |      | <u>6,321</u>                       | <u>8,363</u>              |
| <b>Total liabilities</b>  |      | <u><u>12,478</u></u>               | <u><u>14,548</u></u>      |
| <b>Issued capital and reserves attributable to owners of the parent</b>                   |      |                                    |                           |
| Share capital   | 10   | 1,003                              | 1,003                     |
| Share premium   |      | 52,939                             | 52,939                    |
| Merger reserve  |      | 53,003                             | 53,003                    |
| Foreign exchange reserve  |      | 2,589                              | 2,385                     |
| Accumulated deficit   |      | (86,160)                           | (74,654)                  |
| <b>Total equity</b>   |      | <u>23,374</u>                      | <u>34,676</u>             |
| <b>Total equity and liabilities</b>   |      | <u><u>35,852</u></u>               | <u><u>49,224</u></u>      |

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## Condensed consolidated unaudited statement of cash flows for the six month period ended 30 June 2018

|  | <b>Six Months<br/>ended 30<br/>June 2018<br/>unaudited<br/>£'000</b> | <b>Six months<br/>ended 30<br/>June 2017<br/>unaudited<br/>£'000</b> |
|--|--|--|
| <b>Cash flows from operating activities</b>  |  |  |
| Loss after tax   | (11,413)   | (9,034)  |
| <i>Adjustments for:</i>  |  |  |
| Depreciation of property, plant and equipment  | 496  | 499  |
| Amortisation of intangible fixed assets  | 432  | 780  |
| Share based payment expense  | (93)   | 271  |
| Net finance income   | 239  | (359)  |
| Taxation   | (889)  | (644)  |
| Loss on disposal of tangible fixed assets  | -  | 29   |
| Impairment of Intangible asset   | 4,701  | -  |
| <b>Cash flows from operating activities before changes in working capital</b>  | <b>(6,527)</b>   | <b>(8,458)</b>   |
| Increase in inventories  | (65)   | (141)  |
| Decrease/(Increase) in trade and other receivables   | 376  | (223)  |
| Decrease in trade and other payables   | (1,549)  | (1,358)  |
| <b>Cash used in operations</b>   | <b>(7,765)</b>   | <b>(10,180)</b>  |
| Taxes received   | -  | 66   |
| <b>Net cash used in operating activities</b>   | <b>(7,765)</b>   | <b>(10,114)</b>  |
| <b>Investing activities</b>  |  |  |
| Purchases of property, plant and equipment   | (317)  | (440)  |
| Purchases of Intangible Assets   | -  | (781)  |
| Interest received  | 1  | 14   |
| <b>Net cash used in investing activities</b>   | <b>(316)</b>   | <b>(1,207)</b>   |
| <b>Financing activities</b>  |  |  |
| Interest paid  | (240)  | -  |
| Payments to finance lease creditors  | (7)  | (28)   |
| Repayment of borrowings  | (64)   | (70)   |
| <b>Net cash used in financing activities</b>   | <b>(311)</b>   | <b>(98)</b>  |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(8,392)</b>   | <b>(11,419)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>  | <b>13,204</b>  | <b>17,608</b>  |
| Exchange gains on cash and cash equivalents  | (467)  | (4)  |
| <b>Cash and cash equivalents at end of period (including £228k (2017: £Nil) presented within assets held for sale)</b> | <b>4,345</b>   | <b>6,185</b>   |

# Midatech Pharma plc

## Condensed consolidated unaudited statement of changes in equity for the six month period ended 30 June 2018

|                                 | Share capital | Share premium | Merger reserve | Shares to be issued | Foreign exchange reserve | Accumulated deficit | Total equity    |
|---------------------------------|---------------|---------------|----------------|---------------------|--------------------------|---------------------|-----------------|
|                                 | £'000         | £'000         | £'000          | £'000               | £'000                    | £'000               | £'000           |
| <b>At 1 January 2018</b>        | 1,003         | 52,939        | 53,003         | -                   | 2,385                    | (74,654)            | 34,676          |
| Loss for the period             | -             | -             | -              | -                   | -                        | (11,413)            | (11,413)        |
| Foreign exchange translation    | -             | -             | -              | -                   | 204                      | -                   | 204             |
| <b>Total comprehensive loss</b> | -             | -             | -              | -                   | 204                      | <b>(11,413)</b>     | <b>(11,209)</b> |
| <b>Transactions with owners</b> |               |               |                |                     |                          |                     |                 |
| Share based payment             | -             | -             | -              | -                   | -                        | (93)                | (93)            |
| <b>At 30 June 2018</b>          | <b>1,003</b>  | <b>52,939</b> | <b>53,003</b>  | <b>-</b>            | <b>2,589</b>             | <b>(86,160)</b>     | <b>(23,374)</b> |
| <b>At 1 January 2017</b>        | 1,002         | 47,211        | 53,003         | -                   | 3,618                    | <b>(59,110)</b>     | 45,724          |
| Loss for the period             | -             | -             | -              | -                   | -                        | <b>(9,034)</b>      | (9,034)         |
| Foreign exchange translation    | -             | -             | -              | -                   | (148)                    | -                   | (148)           |
| <b>Total comprehensive loss</b> | -             | -             | -              | -                   | <b>(148)</b>             | <b>(9,034)</b>      | <b>(9,182)</b>  |
| <b>Transactions with owners</b> |               |               |                |                     |                          |                     |                 |
| Share based payment             | -             | -             | -              | -                   | -                        | 271                 | 271             |
| <b>At 30 June 2017</b>          | <b>1,002</b>  | <b>47,211</b> | <b>53,003</b>  | <b>-</b>            | <b>3,470</b>             | <b>(67,873)</b>     | <b>36,813</b>   |

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

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### 1 Basis of preparation

The unaudited interim consolidated financial information for the six months ended 30 June 2018 has been prepared following the recognition and measurement principles of the International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB), and as adopted by the EU and in accordance with International Accounting Standard 34 Interim Financial Reporting ('IAS34'). The interim consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

The condensed interim financial information contained in this interim statement does not constitute statutory financial statements as defined by section 434(3) of the Companies Act 2006. The condensed interim financial information has not been audited. The financial information for the year ended 31 December 2017 is derived from the audited statutory financial statements for the year ended 31 December 2017. The independent auditor's report for the year ended 31 December 2017:

- was unqualified and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006.
- drew attention to a material uncertainty in respect of going concern and included the following wording in that respect:

#### *Material uncertainty related to going concern*

*We draw attention to Note 1 to the financial statements concerning the group and parent company's ability to continue as a going concern. The matters explained in Note 1 relating to the uncertainty of additional future funding being made available to the group and parent company, indicates the existence of a material uncertainty which may cause significant doubt over the group and parent company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the group and parent company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.*

Midatech's annual reports may be downloaded from the Company's website at <http://www.midatechpharma.com/investors/financial-reports.html>, or a copy may be obtained from 65 Innovation Drive, Milton Park, Abingdon, Oxfordshire OX14 4RQ.

### Going concern

The Group is subject to a number of risks similar to those of other development and early-commercial stage pharmaceutical companies. These risks include, amongst others, generation of revenues from the existing product portfolio and in due course the development portfolio and risks associated with research, development, testing and obtaining related regulatory approvals of its pipeline products. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil the Group's commercial and development activities and generating a level of revenue adequate to support the Group's cost structure.

The Group has experienced net losses and significant cash outflows from cash used in operating activities over the past years as it develops its portfolio. As at 30 June 2018 the Group had total equity of £23.4m (£34.7m 31 December 2017), it incurred a net loss after tax for the six months to 30 June 2018 of £11.4m (£9.0m H1 2017) and used cash in operating activities of £7.8m (£10.2m H1 2017) for the same period. As at 30 June 2018, the Group had cash and cash equivalents of £4.3m (including £0.2m disclosed within assets held for sale).

The future viability of the Group is dependent on ability to generate cash from operating activities, to raise additional capital to finance its operations or to successfully obtain regulatory approval to allow marketing of the Group's development products. The Group's failure to raise capital as and when needed could have a negative impact on its financial condition and ability to pursue its business strategies.

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

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### 1 Basis of preparation *(continued)*

On 27 September 2018 the Company announced the proposed sale of our US commercial operation, Midatech Pharma US, Inc. ("MPUS"), subject to shareholder approval, to Barings LLC ("Baring"), a member of the MassMutual Financial Group, for a consideration of up to \$19m. \$6m of this consideration is contingent on various net sales milestones for the MPUS business for the financial years 2018 and 2019. The net cash available to the business arising from the transaction on completion will be approximately \$4.5m, after settling outstanding borrowings of £5.2m (\$7m) from the MidCap loan (due to existing covenant requirement to repay from such proceeds) and the payment of transaction fees,

The Directors have prepared cash flow forecasts and considered the cash flow requirement for the Group for a period including twelve months from the date of approval of this interim financial information. These forecasts show that further financing will be required during the course of the next 12 months. This requirement for additional financing in the short term represents a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

In addition to utilising the existing cash reserves, and the anticipated income from the sale of the US subsidiary, the Directors are evaluating a number of near-term funding options potentially available to the Group and are confident that additional working capital will become available in the timeframe required and on terms acceptable to the Board and shareholders. Therefore, after considering the uncertainties the Directors consider it is appropriate to continue to adopt the going concern basis in preparing the interim financial information.

Shareholders should note that should the sale of MPUS not complete, the Company would be forced to explore urgent fundraising options, including equity, debt and a sale or licencing of assets, to continue to fund the MPUS operation, the development of the Group's key products and to provide working capital for the Group. There can be no assurance that such a fundraise would be successful or would secure sufficient funding for any or all of these elements for the short, medium or long term. If the sale of MPUS does not complete and an alternative source of finance is not secured in the very near term the Group may not be able to continue trading.

The condensed financial information for the six-month period was approved by the board on 27 September 2018.

### 2 Accounting policies

Except for the adoption of IFRS 9, IFRS 15 and the Non-current assets held for sale and disposal groups policy set out below the accounting policies adopted are consistent with those followed in the preparation of the audited statutory financial statements for the year ended 31 December 2017.

#### **Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

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### 2 Accounting policies *(continued)*

The results of operations disposed during the period are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations. See note 5 for further details of the Non-current assets held for sale.

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" are now effective.

The Group adopted IFRS 9, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, on 1 January 2018, again considering the cumulative impact at this date in assessing whether an adjustment to opening reserves is required. This standard had no material financial impact on either the current or comparative period. Whilst the adoption of IFRS 9 has had no material impact, the Group's policy on provisions has now changed from an incurred to expected loss basis.

The Group has performed a full assessment of the impact of IFRS 15, taking advantage of the practical expedient not to apply IFRS 15 to any contracts completed at 1 January 2018, and has transitioned to the new standard through means of a consideration of the cumulative impact as at 1 January 2018. If IFRS 15 had been applied in the financial statements for the year ended 31 December 2017 and the six month period to 30 June 2017, the directors do not consider that there would have been any material change to revenue recognised on the basis that all performance obligations were satisfied prior to the relevant reporting dates.

In respect of the application of IFRS 15, there is no change in the revenue recognition for services performed, which continue to be recognised over time as a reasonable assessment of the extent to which the performance obligations have been delivered; future revenues which may arise from collaboration agreements with third parties will be recognised when they become due, dependant on the nature of the revenue earned. This policy will be clarified in future financial reports once the nature of any future revenue is known.

#### *IFRS 16 Leases*

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

During 2017 the Group began the process to assess the potential effect of IFRS 16 on its consolidated financial statements. Refer to note 26 of the 2017 annual financial statements for further information on the Group's operating leases.

The undiscounted operating lease commitment was £848k as of 31 December 2017 (the continuing operations element of this is £780k). As disclosed in Note 26 of the 2017 annual financial statements this provides, subject to the provision of the standard, an indicator of the impact of the implementation of IFRS 16 on the Group's consolidated balance sheet.

Upon adoption of the new standard, a portion of the annual operating lease costs, which is currently fully recognised as a functional expense, will be recorded as interest expense. In addition, the portion of the annual lease payments recognised in the cash flow statement as a reduction of the lease liability will be recognised as an outflow from financing activities. Given the leases involved and assuming the current

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

### 2 Accounting policies *(continued)*

low interest rate environment continues, the Group does not currently expect these effects to be significant.

The other standards, interpretations and amendments issued by the IASB (of which some are still subject to endorsement by the European Union), but not yet effective are not expected to have a material impact on the Group's future consolidated financial statements.

Some of the significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The policies which management consider critical because of the level of complexity, judgment or estimation involved in their application and their impact on the financial information are:

- Business combinations
- Impairment of goodwill and intangible assets not yet ready for use
- Share-based payments
- Income Taxes
- Intangible asset recognition
- Fair value through profit and loss derivative liabilities

Given the nature of the financial assets and liabilities held by the company, their carrying values at period end are not materially different to their fair value

#### *Reclassification of comparative operating costs*

At the end of 2017 management reviewed how costs are presented on the statement of comprehensive income, allocated between Research and development costs, Distribution costs, sales and marketing and Administrative costs.

In order to give a clearer and more meaningful picture of activity within the business, certain costs for continuing operations, previously shown within administrative costs have been reclassified to either research and development costs, or distribution costs, sales and marketing. Comparative figures for 2017 have been reclassified to show continuing operations on a consistent basis with current period presentation.

### 3 Taxation

Income tax is recognised or provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the Group Statement of Financial Position date. Research and development tax credits are recognised on an accruals basis and are included as an income tax credit under current assets. The research and development tax credit recognised is based on management's best estimate of the expected tax claim for the period and is recorded within taxation as under the Small and Medium-sized Enterprise Scheme.

|   | <b>Six months<br/>ended 30<br/>June 2018<br/>unaudited<br/>£'000</b> | <b>Six months<br/>ended 30<br/>June 2017<br/>unaudited<br/>£'000</b> |
|---|--|--|
| <b>Income tax credit</b>                | 889  | 644  |
|   | _____  | _____  |
| <b>Total tax credit</b>                 | 889  | 644  |
|   | =====  | =====  |
| <b>Tax from discontinued operations</b> | -  | -  |
|   | =====  | =====  |



# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

### 4 Segment information

#### Revenue

*Geographical analysis of statutory revenue by destination of customer*

|                | Six months<br>ended 30<br>June 2018<br>unaudited<br>£'000 | Six months<br>ended 30<br>June 2017<br>unaudited<br>£'000 |
|----------------|---|---|
| United Kingdom | 97  | 28  |
| Austria        | -   | 25  |
|                | <u>97</u>   | <u>53</u>   |

Due to the low level of revenue in the current and comparative period all customers account for greater than 10% of revenue.

Subject to the sale of the MPUS business, the Group's continuing operations contain one reportable operating segment, Pipeline Research and Development ("Pipeline R&D") which seeks to develop products using the Group's nanomedicine and sustained release technology platforms. Discontinued operations comprise the US Commercial segment, which distributes and sells commercial, cancer supportive care products in the US market.

The accounting policies of the reportable segment is consistent with the Group's accounting policies described in note 2.

No measures of segment assets and segment liabilities were reported to the Group's Board of Directors in order to assess performance and allocate resources. There was no intersegment activity and all revenue is generated from external customers.

The UK and Spanish entities within continuing operations meet the aggregation criteria and therefore represent a single reportable segment under Pipeline R&D. The research and development activities involve the discovery and development of pharmaceutical products in the field of nanomedicine and sustained release technology.

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

### 5 Loss from discontinued operations

The loss from discontinued operations was determined as follows:

|   | <b>Six months<br/>ended 30<br/>June 2018<br/>unaudited<br/>£'000</b> | <b>Six months<br/>ended 30<br/>June 2017<br/>unaudited<br/>£'000</b> |
|---|--|--|
| <b>Results of discontinued operations</b>   |  |  |
| Revenue                                     | 3,057  | 2,971  |
| Expenses                                    | (4,149)  | (6,376)  |
| Fair Value Adjustment – goodwill impairment | (4,701)  | -  |
| Loss from operations                        | <u>(5,793)</u>   | <u>(3,405)</u>   |
| Finance Income                              | -  | 405  |
| Loss for the period                         | <u>(5,793)</u>   | <u>(2,998)</u>   |

During the period, and as a consequence of the group's decision to sell its Commercial US, Midatech Pharma US, Inc. ("MPUS"), MPUS was reclassified as held for sale and revalued to the lower of its carrying value and fair value less costs to sell, The revaluation of MPUS to fair value less cost to sell, being the lower amount, resulted in an impairment of £4.7m. The group determined this valuation based on an offer from Barings LLC, a member of the MassMutual Financial Group, for up to \$19m. Up to \$6m of this consideration is contingent on various net sales milestones for the MPUS business for the financial years 2018 and 2019. Based on a probability adjusted, discounted cash flow model, the provisional estimate of the contingent consideration was \$2.56million and total consideration of \$15.56m.

The finance income in the prior period represents the gain in the period on the revaluation of an equity settled derivative financial liability.

The statement of cash flows includes the following amounts relating to discontinued operations:

|                                       | <b>Six months<br/>ended 30<br/>June 2018<br/>unaudited<br/>£'000</b> | <b>Six months<br/>ended 30<br/>June 2017<br/>unaudited<br/>£'000</b> |
|---------------------------------------|--|--|
| Operating activities                  | (215)  | (1,701)  |
| Investing activities                  | -  | -  |
| Financing activities                  | (6)  | (13)   |
| Net cash from discontinued operations | <u>(221)</u>   | <u>(1,704)</u>   |

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

### 6 Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. As the Group made a loss for the period the diluted earnings per share is equal to the basic earnings per share.

|  | <b>Six months<br/>ended 30<br/>June 2018<br/>Unaudited</b> | <b>Six months<br/>ended 30<br/>June 2017<br/>Unaudited</b> |
|--|--|--|
|  | <b>Continuing</b>  | <b>Continuing</b>  |
|  | <b>£'000</b>   | <b>£'000</b>   |
| <i>Numerator</i>   |  |  |
| Loss used in basic EPS and diluted EPS                       | (5,620)  | (6,036)  |
|  | <u>          </u>  | <u>          </u>  |
| <i>Denominator</i>   |  |  |
| Weighted average number of ordinary shares used in basic EPS | 61,084,135   | 48,699,459   |
|  | <u>          </u>  | <u>          </u>  |
| Basic and diluted loss per share - pence                     | (9p)   | (12p)  |
|  | <u>          </u>  | <u>          </u>  |
|  | <b>Six months<br/>ended 30<br/>June 2018<br/>Unaudited</b> | <b>Six months<br/>ended 30<br/>June 2017<br/>Unaudited</b> |
|  | <b>Discontinued</b>  | <b>Discontinued</b>  |
|  | <b>£'000</b>   | <b>£'000</b>   |
| <i>Numerator</i>   |  |  |
| Loss used in basic EPS and diluted EPS                       | (5,793)  | (2,998)  |
|  | <u>          </u>  | <u>          </u>  |
| <i>Denominator</i>   |  |  |
| Weighted average number of ordinary shares used in basic EPS | 61,084,135   | 48,699,459   |
|  | <u>          </u>  | <u>          </u>  |
| Basic and diluted loss per share - pence                     | (8p)   | (6p)   |
|  | <u>          </u>  | <u>          </u>  |

# Midatech Pharma plc

Notes forming part of the condensed consolidated unaudited interim financial information  
for the six month period ended 30 June 2018

## 7 Property, plant and equipment

|  | Fixtures<br>and fittings | Leasehold<br>improve-<br>ments | Computer<br>equipment | Laboratory<br>equipment | Total              |
|--|--------------------------|--------------------------------|-----------------------|-------------------------|--------------------|
|  | unaudited<br>£'000       | unaudited<br>£'000             | unaudited<br>£'000    | unaudited<br>£'000      | unaudited<br>£'000 |
| <b>Cost</b>                                      |                          |                                |                       |                         |                    |
| At 1 January 2018                                | 252                      | 2,112                          | 342                   | 3,669                   | 6,375              |
| Additions  | 4                        | 90                             | 27                    | 375                     | 496                |
| Reclassified to non-current assets held for sale | -                        | -                              | (25)                  | (33)                    | (58)               |
| Exchange differences                             | -                        | (6)                            | 2                     | (6)                     | (10)               |
| <b>At 30 June 2018</b>                           | <b>256</b>               | <b>2,196</b>                   | <b>346</b>            | <b>4,005</b>            | <b>6,803</b>       |
| <b>Accumulated depreciation</b>                  |                          |                                |                       |                         |                    |
| At 1 January 2018                                | 196                      | 1,238                          | 192                   | 2,220                   | 3,846              |
| Charge for the period                            | 20                       | 169                            | 35                    | 272                     | 496                |
| Reclassified to non-current assets held for sale | -                        | -                              | (23)                  | (30)                    | (53)               |
| Exchange differences                             | (1)                      | (3)                            | -                     | (3)                     | (7)                |
| <b>At 30 June 2018</b>                           | <b>215</b>               | <b>1,404</b>                   | <b>204</b>            | <b>2,459</b>            | <b>4,282</b>       |
| <b>Net book value</b>                            |                          |                                |                       |                         |                    |
| <b>At 30 June 2018</b>                           | <b>41</b>                | <b>792</b>                     | <b>142</b>            | <b>1,546</b>            | <b>2,521</b>       |
| At 1 January 2018                                | 56                       | 874                            | 150                   | 1,449                   | 2,529              |
|  | £'000                    | £'000                          | £'000                 | £'000                   | £'000              |
| <b>Cost</b>                                      |                          |                                |                       |                         |                    |
| At 1 January 2017                                | 228                      | 1,999                          | 281                   | 3,050                   | 5,558              |
| Additions  | 18                       | 41                             | 57                    | 591                     | 707                |
| Disposals  | -                        | -                              | -                     | (41)                    | (41)               |
| Exchange differences                             | 6                        | 72                             | 4                     | 69                      | 151                |
| <b>At 31 December 2017</b>                       | <b>252</b>               | <b>2,112</b>                   | <b>342</b>            | <b>3,669</b>            | <b>6,375</b>       |
| <b>Accumulated depreciation</b>                  |                          |                                |                       |                         |                    |
| At 1 January 2017                                | 149                      | 872                            | 122                   | 1,649                   | 2,792              |
| Charge for the period                            | 43                       | 330                            | 68                    | 542                     | 985                |
| Disposals  | -                        | -                              | -                     | (14)                    | (14)               |
| Exchange differences                             | 4                        | 36                             | 2                     | 43                      | 85                 |
| <b>At 31 December 2017</b>                       | <b>196</b>               | <b>1,238</b>                   | <b>192</b>            | <b>2,220</b>            | <b>3,846</b>       |
| <b>Net book value</b>                            |                          |                                |                       |                         |                    |
| <b>At 31 December 2017</b>                       | <b>56</b>                | <b>874</b>                     | <b>150</b>            | <b>1,449</b>            | <b>2,529</b>       |
| At 1 January 2017                                | 79                       | 1,127                          | 159                   | 1,401                   | 2,766              |

# Midatech Pharma plc

Notes forming part of the condensed consolidated unaudited interim financial information  
for the six month period ended 30 June 2018

## 8 Intangible assets

|  | In-process<br>research and<br>development<br>unaudited<br>£'000 | Product<br>and<br>marketing<br>unaudited<br>£'000 | Goodwill<br>unaudited<br>£'000 | IT/Website<br>costs<br>unaudited<br>£'000 | Total<br>unaudited<br>£'000 |
|--|---|---|--------------------------------|---|-----------------------------|
| <b>Cost</b>                                      |   |   |                                |   |                             |
| <b>At 1 January 2018</b>                         | 13,378  | 19,856  | 13,444                         | 27  | 46,705                      |
| Reclassified to non-current assets held for sale | -   | (20,226)  | (11,390)                       | -   | (31,616)                    |
| Exchange differences                             | -   | 370   | 237                            | 6   | 613                         |
| <b>At 30 June 2018</b>                           | <b>13,378</b>   | <b>-</b>  | <b>2,291</b>                   | <b>33</b>                                 | <b>15,702</b>               |
| <b>Accumulated amortisation and impairment</b>   |   |   |                                |   |                             |
| <b>At 1 January 2018</b>                         | 3,300   | 15,739  | -                              | 19  | 19,058                      |
| Amortisation charge for the period               | -   | 431   | -                              | 1   | 432                         |
| Reclassified to non-current assets held for sale | -   | (16,511)  | -                              | -   | (16,511)                    |
| Exchange differences                             | -   | 341   | -                              | -   | 341                         |
| <b>At 30 June 2018</b>                           | <b>3,300</b>  | <b>-</b>  | <b>-</b>                       | <b>20</b>                                 | <b>3,320</b>                |
| <b>Net book value</b>                            |   |   |                                |   |                             |
| <b>At 30 June 2018</b>                           | <b>10,078</b>   | <b>-</b>  | <b>2,291</b>                   | <b>13</b>                                 | <b>12,382</b>               |
| At 1 January 2018                                | 10,078  | 4,117   | 13,444                         | 8   | 27,647                      |

Included within Goodwill is an amount of £4.7m that has been impaired subsequent to the reclassification to assets held for sale (see note 5 for further details).

# Midatech Pharma plc

Notes forming part of the condensed consolidated unaudited interim financial information  
for the six month period ended 30 June 2018

## 8 Intangible assets (continued)

|  | In-process<br>research and<br>development<br>£'000 | Product<br>and<br>marketing<br>£'000 | Goodwill<br>£'000 | IT/Website<br>costs<br>£'000 | Total<br>£'000 |
|--|--|--------------------------------------|-------------------|------------------------------|----------------|
| <b>Cost</b>  |  |                                      |                   |                              |                |
| <b>At 1 January 2017</b>                               | 12,600   | 21,481                               | 14,488            | 26                           | 48,595         |
| Additions  | 778  | -                                    | -                 | -                            | 778            |
| Exchange differences                                   | -  | (1,625)                              | (1,044)           | 1                            | (2,668)        |
| <b>At 31 December 2017</b>                             | <b>13,378</b>                                      | <b>19,856</b>                        | <b>13,444</b>     | <b>27</b>                    | <b>46,705</b>  |
| <b>Accumulated<br/>amortisation and<br/>impairment</b> |  |                                      |                   |                              |                |
| <b>At 1 January 2017</b>                               | 1,800  | 15,608                               | -                 | 15                           | 17,423         |
| Amortisation charge for<br>the period                  | -  | 1,574                                | -                 | 3                            | 1,577          |
| Impairment   | 1,500  | -                                    | -                 | -                            | 1,500          |
| Exchange differences                                   | -  | (1,443)                              | -                 | 1                            | (1,442)        |
| <b>At 31 December 2017</b>                             | <b>3,300</b>                                       | <b>15,739</b>                        | <b>-</b>          | <b>19</b>                    | <b>19,058</b>  |
| <b>Net book value</b>                                  |  |                                      |                   |                              |                |
| <b>At 31 December 2017</b>                             | <b>10,078</b>                                      | <b>4,117</b>                         | <b>13,444</b>     | <b>8</b>                     | <b>27,647</b>  |
| At 1 January 2017                                      | 10,800   | 5,873                                | 14,488            | 11                           | 31,172         |

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

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### 9 Assets and liabilities classified as held for sale

Midatech announced on 27 September 2018 the sale its US commercial operation. See note 13 for further details of the transaction.

The following major classes of assets and liabilities relating to these operations have been classified as held for sale in the consolidated statement of financial position at 30 June 2018.

|   | <b>30 June 2018</b><br><b>unaudited</b><br><b>£'000</b> |
|---|---|
| Goodwill (net of impairment – see note 5) | 6,689   |
| Product and marketing rights              | 3,715   |
| Property, plant and equipment             | 5   |
| Inventories                               | 994   |
| Trade and other receivables               | 1,904   |
| Cash and cash equivalents                 | 228   |
| <b>Assets held for sale</b>               | <b>13,535</b>   |
| Trade and Other payables                  | 2,351   |
| Borrowings                                | 3   |
| <b>Liabilities held for sale</b>          | <b>2,354</b>  |

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

### 10 Share Capital

|   | Six Months<br>ended 30 June<br>2018 | Six Months<br>ended 30 June<br>2018 | As at 31<br>December<br>2017<br>number | As at 31<br>December<br>2017<br>£ |
|---|-------------------------------------|-------------------------------------|--|-----------------------------------|
| <i>Allotted and fully paid – classified as equity</i> |                                     |                                     |  |                                   |
| At 1 January  |                                     |                                     |  |                                   |
| Ordinary shares of 0.005p each                        | 61,084,135                          | 3,054                               | 61,084,135                             | 3,054                             |
| Deferred shares of £1 each                            | 1,000,001                           | 1,000,001                           | 1,000,001                              | 1,000,001                         |
| Total   |                                     | <u>1,003,055</u>                    |  | <u>1,003,055</u>                  |

In accordance with the Articles of Association for the Company adopted on 13 November 2014, the share capital of the Company consists of an unlimited number of ordinary shares of nominal value 0.005 pence each.

| Date of Issue                         | Type of Share Issue                              | Ordinary<br>Shares<br>number | Deferred<br>Shares<br>number |
|---------------------------------------|--|------------------------------|------------------------------|
| <b>2018</b>                           |  |                              |                              |
| As at 1 January 2018 and 30 June 2018 |  | 61,084,135                   | 1,000,001                    |
| <b>2017</b>                           |  |                              |                              |
| As at 1 January 2017                  |  | 48,699,456                   | 1,000,001                    |
| 19 May 2017                           | Issue of shares to Employee Share Incentive Plan | 20,000                       | -                            |
| 16 October 2017                       | Placing and Open Offer                           | 12,314,679                   | -                            |
| 7 November 2017                       | Issue of shares to Employee Share Incentive Plan | 50,000                       | -                            |
| <b>As at 31 December 2017</b>         |  | <u>61,084,135</u>            | <u>1,000,001</u>             |



# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2018

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### 11 Related party transactions

#### Transactions with Preci-Health (up to 31 May 2018)

The Directors consider Preci-Health SA ("Preci-Health") to be a related party by virtue of the fact that there was a member of key management personnel common to both Companies.

During the period, £nil, (2017 - £44.4k) was invoiced to Preci-Health for research services and credited to revenue.

### 12 Contingent liabilities

The Group had no material contingent liabilities at 30 June 2018 or 31 December 2017.

### 13 Events after the reporting date

On 27 September 2018, the Company announced the proposed sale of our US commercial operation, Midatech Pharma US, Inc. ("MPUS"), subject to shareholder approval, to Kanwa Holdings, LP, an investment vehicle affiliated with Barings LLC ("Baring"), a member of the MassMutual Financial Group, for up to \$19m. Up to \$6m of this consideration is contingent on various net sales milestones for the MPUS business for the financial years 2018 and 2019. Based on a probability adjusted, discounted cash flow model, our provisional estimate of the fair value of the consideration is \$15.56m. The net cash available to the business arising from the transaction will be approximately \$4.5m, after settling outstanding borrowings of £5.2m (\$7m) from the MidCap loan (due to the existing covenant requirement to repay from such proceeds) and the payment of transaction fees.