

**Quantum Pharma Plc**

("Quantum" or the "Group")

**Half year results for the six months to 31 July 2015**

Quantum Pharma Plc (AIM: QP.), the growing, service-led niche pharmaceutical manufacturer, developer and supplier to the health and care sectors, has today published its half year results for the six months to 31 July 2015, which show the Group has progressed well in the period and the Group is pleased to report results that are in line with management's expectations.

**Financial Highlights:**

	<b>FY16 HI</b>	<b>FY15 HI</b>	<b>Movement</b>
Revenue	£34.3 million	£28.0 million	22%
Gross profit	£13.1 million	£11.4 million	15%
Adjusted EBITDA <sup>1</sup>	£5.5 million	£5.4 million	3%
Adjusted profit before tax <sup>1</sup>	£4.5 million	£2.5 million	77%
Adjusted earnings per share <sup>1</sup> (restated)	3.2 pence	1.5 pence <sup>2</sup>	115%
Interim dividend per share	0.5 pence	n/a	n/a
Product development expenditure	£3.0 million	£1.1 million	164%

<sup>1</sup> Adjusted EBITDA, adjusted profit before tax and adjusted earnings per share each exclude share based payments, one off costs, acquisition costs and deferred consideration of acquisitions.

<sup>2</sup> The earnings per share for the period ended 31 July 2014 has been restated to reflect the capital structure of the Plc as if it had always existed

- Record half years in a number of business units – UL Medicines, Quantum Aseptic Services, Protomed (*Biodose*®) and Biodose Services.
- New banking facilities in place with RBS and Lloyds which position the Group well for the future.
- First interim dividend of 0.5p per share, representing one third of expected total dividend for the current financial year.

**Business Highlights:**

- Acquisitions of Lamda and NuPharm, significantly enhancing the Group's product pipeline, development and manufacturing infrastructure.
- Increased Niche Pharmaceuticals regulated product development pipeline to in excess of 70 licensed pharmaceuticals and medical devices ("products").
- At least 10 products are anticipated to be in the market by end of this financial year with a significant number of launches to follow in the next financial year.
- Significant tender and contract wins in homecare for Biodose Services and strong progress made with Biodose Connect®.
- The Group has focused its operations into three divisions; Specials, Niche Pharmaceuticals and Medication Adherence.

**Post Period Highlights:**

- Out-licence of Aviticol® (colecalciferol 20,000 IU capsules, marketed in the UK under the brand name Aviticol®) to a major German pharmaceutical company for €1.5million.
- A number of out-licensing deals across Europe from Lamda.
- Exclusive agreement to manufacture and supply Futura Medical plc's novel treatment for erectile dysfunction as a special.
- Investment in key senior management team appointments.

**Andrew Scaife, Chief Executive Officer of Quantum Pharma, commented:**

"The Group has had a good first half and continues to take significant strategic steps, broadening its product and service offerings and penetrating new markets, all whilst continuing to generate growth across the Group.

During the period we continued to develop all key aspects of the Group, from infrastructure to management, and now have in place a very strong platform from which to further develop and deliver our strategy. Although there have been some delays in product launches, the number of products in the Niche Pharmaceuticals product pipeline has nearly doubled during the period. The exact timing of approvals and launches of any development pipeline is hard to predict precisely, however, we look forward to a very busy next 18 months as the front end of our product pipeline comes to market.

We anticipate a number of these product launches in the remainder of the financial year and as such we expect to trade in line with the market expectations for the year ending January 2016. Furthermore, as a result of the possibilities provided by the recent acquisitions of Lamda and NuPharm, the increased Niche

Pharmaceuticals pipeline and the focused divisional structure, I believe that the Group has greater growth potential now than at the time of the IPO, and I am excited by the future. ”

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**Notes to Editors**

**Quantum Pharma** is a service-led, niche pharmaceutical manufacturer, developer and supplier to the retail pharmacy, pharmaceutical wholesale, hospital, homecare and care home markets. Quantum Pharma operates through three divisions, offering a portfolio of innovative and complementary products and services.

**Specials:**

Comprising four business units which manufacture, source and supply specials to pharmacies, pharmaceutical wholesalers, hospitals (NHS and private) and other specials suppliers throughout the UK and overseas.

*Quantum Pharmaceutical* manufactures and supplies specials and special obtains to pharmacy chains, pharmaceutical wholesalers, hospitals and independent pharmacies in the UK.

*UL Medicines* sources and supplies unlicensed imported medicines, batch made and bespoke specials to hospitals, community pharmacies and wholesalers in the UK and overseas.

*NuPharm* offers outsourced manufacture for solid and liquid dose batch-made specials and niche licensed medicines, product development and clinical trials product manufacture.

*Quantum Aseptic Services* manufactures aseptically prepared sterile intravenous products, either individually for named patients or in batches for supply to private and NHS hospitals and homecare patients.

#### **Niche Pharmaceuticals:**

Comprising three business units which develop and supply niche pharmaceuticals, provide development and regulatory services and out-license products and dossiers to 3<sup>rd</sup> parties across Europe.

*Colonis* is a product development business which takes niche pharmaceutical products through the regulatory pathway to achieve licensed and/or regulated status.

*Lamda* is a full service contract development specialist with customers across Europe. It specialises in creating added value products with distinct advantages for patients and health care providers, providing full services for the entire development chain – from inception to registration, to post approval finished product supply and regulatory support.

*PERN Consumer Products*, owner of the Dermacool brand – a range of menthol in aqueous creams.

#### **Medication Adherence:**

Comprising two business units which provide products and services designed to enhance adherence to medication regimes:

*Protomed* which owns *Biodose*<sup>®</sup> a medicines delivery system that accommodates liquid and solid medication, supporting medicines administration and adherence, for patients, their carers and clinicians. A telehealth version with the ability to remotely monitor medication adherence is in live testing.

*Biodose Services* assembles and delivers pre-prepared medication regimes to care homes and homecare patients, incorporating *Biodose*<sup>®</sup> as appropriate.

For further information, please visit [www.quantumpharmagroup.com](http://www.quantumpharmagroup.com).

## Overview

During the period revenue rose by 22% across the Group to £34.3 million (2014: £28 million) and gross profit increased by 15% to £13.1 million (2014: £11.4 million). Adjusted administrative expenses<sup>3</sup> increased by £1.7 million due to an increase in the costs of the Group operating centre and costs for the newly acquired businesses. Adjusted EBITDA increased by 3% to £5.5 million (2014: £5.4 million) and underlying pretax profit increased by 77% to £4.5 million (2014: £2.5 million). Adjusted earnings per share (restated) increased to 3.2p (2014: 1.5p).<sup>4</sup>

<sup>3</sup> Adjusted administrative expenses for July 2015 is calculated by adjusting the total £8.7 million for £0.5 million share based payments and £1.2 million deal costs including deferred consideration for an adjusted total of £7.0 million. July 2014 is calculated by adjusting the total £4.3 million for £0.2 million share based payments, £0.5 million one off costs and adding back the £1.7 million one off loan release for an adjusted total of £ 5.3 million.

<sup>4</sup> The EPS figure is adjusted to exclude non-recurring expenditure. The 2014 EPS figure is restated to ensure a like for like number of shares following the IPO, further details of both are included in note 4.

The Group has a significant and growing portfolio of new products and services in development, which we anticipate will be commercialised over the coming months and years. The investment in new product development during the period was £3.0 million (2014: £1.1 million) in support of this expanding pipeline. Geographically, the Group has a strong base in the UK and a growing international presence, which provides an excellent platform for growth. The Group is now trading in over ten international territories and is looking to increase its services throughout the UK, Europe and ultimately, on a global scale. There is also scope to further strengthen Quantum Pharma's position as market leader in the UK in specials.

During the period we acquired Lamda and NuPharm and continue to spend time integrating them into the Group. The acquisition of Lamda has increased our niche pharmaceuticals pipeline, in-house development capabilities and provided access to new geographical markets. NuPharm is a niche manufacturer, developer and supplier of specials, licensed products and clinical trials products which provides the Group with vertical integration, through enhanced manufacturing capabilities, access to a new customer base and the ability to manufacture niche specials and regulated products for third parties.

The Group also secured new banking facilities with Royal Bank of Scotland and Lloyds Bank, comprising a term loan of £25 million and a revolving credit facility of £10 million to fund further product development, working capital requirements, in-licensing of products and further acquisitions.

In order to provide increased focus upon the Group's operations and drive synergies, we have simplified Quantum's structure into three distinct divisions; Specials (comprising Quantum Pharmaceutical, UL Medicines, NuPharm and Quantum Aseptic Services), Niche Pharmaceuticals (comprising Colonis, Lamda and Pern) and Medication Adherence (comprising Protomed and Biodose Services).

We have also made senior appointments across the business to focus the divisions and to manage the Group's growing portfolio of companies, products and services. These include the appointment of Nicola Massey as the new managing director of the Niche Pharmaceuticals division, as announced this morning.

The Board has declared its first interim dividend of 0.5 pence per share being one third of the total proposed dividend for the full year of 1.5 pence per share. This interim dividend will be paid on 20 November 2015 to shareholders on the register at the close of business on 30 October 2015. The shares will go ex-dividend on 29 October 2015. This proposed full year dividend represents a 20% uplift from the pro-rata dividend paid for the year ended 31 January 2015. In future years the Board expects to implement the progressive dividend policy, announced at IPO, based on the dividend for the current financial year.

The Group's strategy continues to be to use Quantum's market-leading position in UK unlicensed medicines and special obtains, its growing international network and its live product intelligence as a base to become a leading, service-orientated, niche pharmaceuticals business both in the UK and internationally.

### **Current trading and outlook**

During the current financial year, we will continue to lay strong foundations for future growth. The Group has a strong pipeline of niche pharmaceutical products which, coupled with a market-leading service, will provide significant opportunities both in the UK and internationally.

The niche pharmaceutical pipeline continues to grow, with in excess of 70 licensed pharmaceuticals and medical devices ("products"). Unfortunately a few of these products which were planned to launch earlier in the year have been delayed. We still anticipate, however, to have in total at least 10 products in the market by the end of the financial year. Consequently the Group expects to trade in line with market expectations for the year ending January 2016.

There are a significant number of regulated products scheduled to launch throughout the next financial year and beyond, and the acquisition of Lamda provides the Group with greater control over product development and speed of delivery.

## Divisional Review

### Specials (comprising Quantum Pharmaceutical, UL Medicines, NuPharm and Quantum Aseptic Services)

Revenue and gross profit increased across all business units during the period. Revenue increased by 13% to £29.1 million (2014: £25.7 million) and gross profit to £11.5m (2014: £10.3m). This was a strong performance given the current climate as the retail specials sector continues to come under pressure due to prescribing volume, the drug tariff and product licensing. Adjusted EBITDA was slightly down for the division to £5.8 million (2014: £6.0 million).

The core specials business continues to be well placed in the market and management believe that we are outperforming our competition and are well positioned to take advantage of any market consolidation which may occur over the coming years. Through its strategy of working very closely with key strategic national customer partners, **Quantum Pharmaceutical** has, and will continue to benefit from the acquisition strategies of three of the largest players in the UK pharmacy market which have all commenced and/or completed significant acquisitions representing new business gains for Quantum Pharmaceutical.

After the period, Quantum Pharmaceutical announced that they have signed an exclusive agreement to manufacture and supply MED2002, Futura Medical plc's novel treatment for erectile dysfunction, as a special. This is a novel product which has applications in a significant market and we are excited about its potential as a special.

**Quantum Aseptic Services** continues to progress well in winning new customers, driving growth and improving profitability as it heads towards break even. The combination of quality, accuracy and speed of service is attracting high levels of attention. In addition, we have launched a range of our own ophthalmic products and will work to expand this range going forward.

**UL Medicines** continues to perform well both in the UK and internationally. UL now has accounts with 97% of UK hospital trusts. To support the growth, operations were moved to a newly commissioned 15,000 square foot warehouse in August.

**NuPharm** is a business that complements the Group extremely well and offers unique manufacturing services to third parties in the UK. Good progress is being made to upgrade the facility, introduce group standards and policies and integrate the operations into wider group functions. Initial contact with the

NuPharm customer base post acquisition has been very positive and this, along with the integration cost saving opportunities, provide a good platform to drive growth and improve margin across the specials business.



## **Niche Pharmaceuticals (comprising Colonis, Lamda and Pern)**

Revenue in the period grew to £1.9 million (2014: £0.3 million) and adjusted EBITDA in the period was £0.4 million, (2014: £0.1 million).

The Niche Pharmaceuticals pipeline now has over 70 regulated products, with 20 of these currently in assessment with the MHRA and other authorities (May 2015: 10). It is anticipated that a further seven products will be filed for assessment by the end of the financial year.

The sales of Aviticol® have been below initial expectations, due to a combination of the need to convert nutritionals and two competing licensed versions of colecalciferol 20,000 IU launching around the same time as Aviticol®. However, Aviticol® has performed as expected in terms of specials conversion, which demonstrates that the Group is able to leverage its strong position with its customers to secure exclusive and preferred positions for niche pharmaceuticals. The conversion of nutritionals to licensed products, however, has proved to be more challenging than predicted and nutritionals continue to be dispensed against generic prescriptions. Aviticol® is atypical compared to the rest of Quantum's niche pharmaceuticals pipeline, where there is not a need to convert nutritionals.

The slower than expected growth has been partly compensated by out-licensing. At post period end, Colonis signed a €1.5 million out-licensing agreement for Aviticol® with a major German pharmaceutical company. This type of out-licensing deal forms an integral part of the Group's business plan and model for the Niche Pharmaceuticals division. The Group continue to pursue a number of other out-licensing opportunities for Aviticol® and the other products in its pipeline.

The marketing authorisation for Ergocalciferol 50 000 IU capsules was issued by the MHRA in December 2014. The product is manufactured and ready for launch, however, the launch is delayed whilst Colonis works with the MHRA to complete some post licensing testing, relating to the third party Active Pharmaceutical Ingredients ("API") production process. Colonis is now awaiting final confirmation from the MHRA that it is satisfied with the results of the testing. As soon as we have this confirmation, which we anticipate will be in the near future, it will be launched.

The Group has in-licensed rights in the UK for a unique, cost effective and patented range of medical devices for the treatment of the side effects of oncology. This Mucodis branded range of oncology medical devices already each have a CE Mark and the first of these products (an Oromucosal spray) has been manufactured and is currently being shipped with launch expected shortly. Further launches in this range are then anticipated during the financial year. Specialist, therapeutic specific, teams are now active amongst hospital

cancer prescribers, nurses and pharmacists preparing the way and establishing the demand for these products.

The Group is also working on a joint venture for a medical device with a leading cancer treatment hospital. Originally planned to launch earlier in the year, this is now in the final stages of registration, and is anticipated to be launched in Q4 alongside the Mucodis branded range.

As announced last week, the Group has completed a number of out-licencing deals across Europe through Lamda which provides fixed licensing fees and future royalty income. The continued commercialisation of the latent value held within Lamda's 100 plus projects is very encouraging for the future.

### **Medication Adherence (comprising Protomed and Biodose Services)**

Revenue for the half year increased by 65% to £5.5 million (2014: £3.3 million) and adjusted EBITDA loss in the period improved by 57% to (£0.3 million) (2014: £0.7 million loss). During the period Protomed achieved a break even position, whilst Biodose Services is expected to break even in Q1 2016. Biodose Connect® remains on course to be commercialised in the first half of 2016.

This business unit has performed well across the board, generating record results, narrowing its losses, winning significant homecare contracts and making strong progress in the development of and pilots utilising Biodose Connect®.

As announced in August, following a competitive tender process, Biodose Services was awarded an 18 month contract (with an option to extend for a further two years by mutual consent) with Yorkshire and Humber NHS Pharmaceutical Purchasing Consortium for homecare services for medicines. This contract is to supply nearly 3,000 patients, which will require 9,500 deliveries per annum. Biodose Services' expects to commence delivery in the last quarter of the financial year, and will reach full capacity within six months.

Biodose Connect® has continued with significant product development adding new features and a dashboard to offer remote medication management and tailored reminders to patients. The ability to offer tailored alerts to the patient's healthcare professional when key medicines are missed as well as prior to the dose being due reduces the risk of admissions to hospitals and care homes. The first phase of a pilot service (in a mental health setting) generated positive patient and service user feedback. More work is planned with dementia and vulnerable patients within their own homes. Work is also advanced, with development partners, on a second version of Biodose Connect® (the Biodose tray is placed within a reusable plastic

housing rather than a cardboard sleeve), to run alongside the current version, with further enhanced features including audible alerts and Bluetooth.

During the period the Group made a small investment for approximately 8.5% of the equity in **Mevia AB** (“Mevia”). Mevia is a Swedish company which provides intelligent telehealth solutions to increase the quality of medical treatments and improve adherence. Protomed worked with Mevia on the first version of Biodose Connect® and this investment complements the activities of the Medical Adherence division. We continue to look for other strategic or investment opportunities in this area.

**Condensed Consolidated Income Statement  
for period ended 31 July 2015**

	Note	(Unaudited) 6 months ended 31 July 2015	(Unaudited) 6 months ended 31 July 2014	(Audited) Year ended 31 January 2015
		£000	£000	£000
<b>Revenue</b>	<b>3</b>	<b>34,268</b>	27,991	61,716
Cost of sales		<b>(21,172)</b>	(16,559)	(35,820)
<b>Gross profit</b>		<b>13,096</b>	11,432	25,896
Other operating income		<b>16</b>	14	28
Distribution expenses		<b>(1,276)</b>	(1,218)	(2,448)
Administrative expenses		<b>(8,685)</b>	(4,295)	(16,806)
<b>Operating profit</b>		<b>3,151</b>	5,933	6,670
Financial income		-	19	28
Financial expenses		<b>(415)</b>	(2,464)	(5,650)
<b>Net financing expense</b>		<b>(415)</b>	(2,445)	(5,622)
Share of profit of equity-accounted investees, net of tax		<b>44</b>	15	42
<b>Profit before tax</b>	<b>3</b>	<b>2,780</b>	3,503	1,090
Taxation		<b>(284)</b>	(777)	(366)
<b>Profit for the period</b>		<b>2,496</b>	2,726	724
<b>Attributable to:</b>				
Equity holders of the parent		<b>2,496</b>	2,613	696
Non-controlling interest		-	113	28
<b>Profit for the period</b>		<b>2,496</b>	2,726	724
<b>Basic and diluted earnings per share attributed to equity shareholders of the Company</b>				
Basic (p):	<b>4</b>	2.0	2.1 <sup>1</sup>	1.3
Diluted (p):	<b>4</b>	2.0	2.1 <sup>1</sup>	1.3

All activities relate to continuing operations.

<sup>1</sup> The earnings per share for the period ended 31 July 2014 has been restated to reflect the capital structure of the plc as if it had always existed.

**Condensed Consolidated Statement of Comprehensive Income  
for period ended 31 July 2015**

	<b>(Unaudited) 6 months ended 31 July 2015 £000</b>	(Unaudited) 6 months ended 31 July 2014 £000	(Audited) Year ended 31 January 2015 £000
<b>Profit for the period</b>	<b>2,496</b>	2,726	724
<b>Other comprehensive income</b>			
<i>Items that are or may be recycled subsequently into profit or loss</i>			
Foreign exchange translation differences	3	9	37
	<hr/>	<hr/>	<hr/>
<b>Other comprehensive income for the period, net of income tax</b>	<b>2,499</b>	2,735	761
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>2,499</b>	2,735	761
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>			
Equity holders of the parent	2,499	2,622	733
Non-controlling interest	-	113	28
	<hr/>	<hr/>	<hr/>
	<b>2,499</b>	2,735	761
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Condensed Consolidated Balance Sheet  
as at 31 July 2015**

	<i>Note</i>	<b>(Unaudited) 31 July 2015 £000</b>	(Unaudited) 31 July 2014 £000	(Audited) 31 January 2015 £000
<b>Non-current assets</b>				
Property, plant and equipment		5,471	3,189	3,684
Intangible assets	6	74,852	55,688	57,524
		<b>80,323</b>	<b>58,877</b>	<b>61,208</b>
<b>Current assets</b>				
Inventories		5,128	3,071	3,258
Tax receivable		-	-	297
Trade and other receivables		12,559	12,464	11,899
Cash and cash equivalents	7	5,779	5,355	5,873
		<b>23,466</b>	<b>20,890</b>	<b>21,327</b>
<b>Total assets</b>		<b>103,789</b>	<b>79,767</b>	<b>82,535</b>
<b>Current liabilities</b>				
Other interest-bearing loans and borrowings	7	(7,555)	(3,668)	(699)
Trade and other payables		(16,403)	(22,921)	(15,681)
Tax Payable		(256)	(502)	-
Provisions		-	(132)	(13)
		<b>(24,214)</b>	<b>(27,223)</b>	<b>(16,393)</b>
<b>Non-current liabilities</b>				
Other interest-bearing loans and borrowings	7	(22,399)	(52,604)	(14,140)
Other payables		(2,018)	(15)	(16)
Provisions		(234)	(405)	(297)
Deferred tax liabilities		(1,558)	(682)	(969)
		<b>(26,209)</b>	<b>(53,706)</b>	<b>(15,422)</b>
<b>Total liabilities</b>		<b>(50,423)</b>	<b>(80,929)</b>	<b>(31,815)</b>
<b>Net assets/(liabilities)</b>		<b>53,366</b>	<b>(1,162)</b>	<b>50,720</b>

**Condensed Consolidated Balance Sheet** *(continued)*  
as at 31 July 2015

	<b>(Unaudited)</b> <b>31 July 2015</b> <b>£000</b>	(Unaudited) 31 July 2014 £000	(Audited) 31 January 2015 £000
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<b>12,500</b>	4,306	12,500
Share premium	<b>64,940</b>	-	64,940
Consolidation reserve	<b>(9,752)</b>	(3,843)	(9,752)
Translation reserve	<b>48</b>	17	45
Other reserve	<b>(21,726)</b>	(7,310)	(21,726)
ESOP own share reserve	<b>(484)</b>	(36)	(484)
Merger reserve	<b>8,742</b>	8,742	8,742
Retained earnings	<b>(902)</b>	(3,491)	(3,545)
	<b>53,366</b>	(1,615)	50,720
<b>Non-controlling interest</b>	-	453	-
<b>Total equity</b>	<b>53,366</b>	(1,162)	50,720

## Condensed Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Consolidation reserve £000	Translation reserve £000	Other reserve £000	ESOP own share reserve £000	Merger reserve £000	Retained earnings £000	Total parent equity £000
Balance at 1 February 2015	12,500	64,940	(9,752)	45	(21,726)	(484)	8,742	(3,545)	50,720
<b>Total comprehensive income for the period</b>									
Profit or loss	-	-	-	-	-	-	-	2,496	2,496
Other comprehensive income	-	-	-	3	-	-	-	-	3
Total comprehensive income for the period	-	-	-	3	-	-	-	2,496	2,499
<b>Transactions with owners, recorded directly in equity</b>									
Equity-settled share based transactions	-	-	-	-	-	-	-	459	459
Dividend payable	-	-	-	-	-	-	-	(312)	(312)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	147	147
<b>Balance at 31 July 2015</b>	<b>12,500</b>	<b>64,940</b>	<b>(9,752)</b>	<b>48</b>	<b>(21,726)</b>	<b>(484)</b>	<b>8,742</b>	<b>(902)</b>	<b>53,366</b>



## Condensed Consolidated Statement of Changes in Equity

	Share capital £000	Consolidation reserve £000	Translation reserve £000	Other reserve £000	ESOP own share reserve £000	Merger reserve £000	Retained earnings £000	Total parent equity £000	Non- controlling interest £000	Total equity £000
Balance at 1 February 2014	4,306	(3,843)	8	(7,094)	(36)	8,742	(6,298)	(4,215)	340	(3,875)
<b>Total comprehensive income for the period</b>										
Profit or loss	-	-	-	-	-	-	-	-	113	113
Other comprehensive income	-	-	9	-	-	-	2,613	2,622	-	2,622
Total comprehensive income for the period	-	-	9	-	-	-	2,613	2,622	113	2,735
<b>Transactions with owners, recorded directly in equity</b>										
Equity-settled share based payment transactions	-	-	-	-	-	-	194	194	-	194
Total contributions by and distributions to owners	-	-	-	-	-	-	194	194	-	194
<b>Changes in ownership interests</b>										
Acquisition of non-controlling interest without a change in control	-	-	-	(216)	-	-	-	(216)	-	(216)
Total transactions with owners	-	-	-	(216)	-	-	194	(22)	-	(22)
<b>Balance at 31 July 2014</b>	<b>4,306</b>	<b>(3,843)</b>	<b>17</b>	<b>(7,310)</b>	<b>(36)</b>	<b>8,742</b>	<b>(3,491)</b>	<b>(1,615)</b>	<b>453</b>	<b>(1,162)</b>

**Condensed Consolidated Cash Flow Statements  
for period ended 31 July 2015**

	(Unaudited) 6 months ended 31 July 2015 £000	(Unaudited) 6 months ended 31 July 2014 £000	(Audited) Year ended 31 January 2015 £000
<b>Cash flows from operating activities</b>			
Profit for the period	2,496	2,726	724
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	663	398	981
Financial income	-	(19)	(28)
Financial expense	415	2,464	5,650
Release of other loan	-	(1,650)	(1,650)
Share of profit of equity-accounted investees	(44)	(15)	(42)
Loss on sale of property, plant and equipment	-	(4)	-
Equity settled share-based payment expenses	459	194	2,057
Taxation	284	777	366
	<b>4,273</b>	<b>4,871</b>	<b>8,058</b>
Decrease/(increase) in trade and other receivables	269	(2,426)	(1,861)
Increase in inventories	(886)	(455)	(642)
Decrease in trade and other payables	(1,732)	(2,332)	(2,374)
Decrease in provisions	(14)	(77)	(257)
	<b>1,910</b>	<b>(419)</b>	<b>2,924</b>
Interest paid	(250)	(999)	(10,935)
Tax received	186	888	787
<b>Net cash from operating activities</b>	<b>1,846</b>	<b>(530)</b>	<b>(7,224)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	-	4	-
Interest received	-	19	28
Acquisition of subsidiaries net of cash acquired	(12,613)	-	-
Acquisition of property, plant and equipment	(679)	(824)	(1,672)
Capitalised development expenditure	(3,023)	(1,145)	(3,140)
Acquisition of other intangible assets	(78)	(5)	(77)
<b>Net cash from investing activities</b>	<b>(16,393)</b>	<b>(1,951)</b>	<b>(4,861)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	-	-	73,134
Proceeds from new loan	29,520	10,549	25,337
Purchase of own shares by ESOP trust	-	-	(448)
Repayment of borrowings	(15,067)	(7,000)	(59,914)
Purchase of preference shares	-	-	(6,010)
Acquisition of non-controlling interest	-	-	(18,428)
<b>Net cash from financing activities</b>	<b>14,453</b>	<b>3,549</b>	<b>13,671</b>
Net (decrease)/increase in cash and cash equivalents	(94)	1,068	1,586
Cash and cash equivalents at start of period	5,873	4,287	4,287
<b>Cash and cash equivalents at period end</b>	<b>5,779</b>	<b>5,355</b>	<b>5,873</b>

## Notes to the condensed consolidated financial statements

(forming part of the financial statements)

### 1 Accounting Policies

#### 1.1 Basis of preparation

The interim financial information set out in this statement for the six months ended 31 July 2015 and the comparative figures for the six months ended 31 July 2014 are unaudited. This financial information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. It does not comply with IAS 34 'Interim Financial Reporting' as is permissible under the rules of the AIM market ("AIM").

This interim statement, which is neither audited nor reviewed, has been prepared in accordance with the measurement and recognition criteria of Adopted IFRS's. This statement does not include all the information required for the full annual financial statements and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 January 2015.

The half year results were approved by the Board of Directors on 19 October 2015.

#### 1.2 Accounting policies

The accounting policies applied in preparing these interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 January 2015, as described in those financial statements.

#### 1.3 Status of financial information

The comparative figures for the financial year ended 31 January 2015 are not the company's statutory financial statements for that financial year. Those accounts have been reported on by the company'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.

#### 1.4 Principal risks and uncertainties

The principal risks and uncertainties associated with the Group's business can be divided into the following main areas:

- Key customers
- Regulatory clearance
- Marketing Authorisations (licences for new products)
- Facilities
- Reputation
- Changes in legislation
- Drug tariff and prescription pricing practice
- Loss of key employees

Information on these risks and how they are managed is given on page 19 in the Annual Report. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

### 2 Acquisitions of subsidiaries

#### *Acquisitions in the period to 31 July 2015*

**Lamda**

In April 2015 the Group acquired the entire share capital of Lamda Laboratories SA, Lamda Pharma SA and Lamda Pharma UK Limited ('Lamda') for consideration, settled in cash of £3,416,000 (€4,700,000). Deferred consideration of £3,700,000 (€5,000,000) is payable in two equal instalments 12 and 24 months after the date of completion. The amounts payable as deferred consideration are contingent on the continued employment of Mr G Liolios.

The arrangement to pay the deferred consideration has been accounted for separate to the business combination, as remuneration, as the payments are contingent on the continued employment of Mr Liolios. The £3,700,000 is to be charged evenly over the 24 month performance period. The charge in the current half year is £446,000.

Lamda provide a fully outsourced research and development service to companies looking to license medical products from its state of the art development laboratories near Athens, Greece.

£382,000 of expenses relating to the acquisition were charged to the Consolidated Income Statement in accordance with IFRS 3.

The resulting goodwill totaling £2,415,000 has been capitalised and is subject to an annual impairment review by management. Goodwill is attributed to Lamda's knowledge and expertise in the research and development of products and the synergies provided to the rest of the Group.

The book and fair value of the net assets acquired in respect of the Lamda Group, and consideration payable, were as follows:

	<b>Book Value</b>	<b>Fair Value Adjustment</b>	<b>Fair Value</b>
	£000	£000	£000
<b>Non-Current Assets</b>			
Property, plant and equipment	792	-	792
<b>Current Assets</b>			
Inventories	592	221	813
Receivables	382	-	382
Cash	133	-	133
<b>Total Assets</b>	1,899	221	2,120
<b>Total Liabilities</b>	(1,119)	-	(1,119)
<b>Net Assets</b>	780	221	1,001
<b>Goodwill</b>			2,415
Purchase consideration			3,416
Satisfied by:			
Cash			3,416

## 2 Acquisitions of subsidiaries (continued)

The fair value adjustments in respect of this acquisition are provisional at 31 July 2015 and will be finalised in 2016.

In the period since acquisition the subsidiary contributed a net operating profit of £77,000, prior to a £446,000 charge for deferred consideration, as noted above, resulting in an overall net loss of £369,000.

### ***NuPharm***

In July 2015 the Group acquired the entire share capital of NuPharm Group Limited and its wholly owned trading subsidiary NuPharm Laboratories Limited for consideration (including expenses), settled in cash of £9,337,000 and contingent consideration of up to £4,000,000 payable 24 months from the date of acquisition.

The contingent consideration is subject to certain performance criteria being achieved. The amount payable ranges from £nil to a maximum of £4,000,000. The directors have estimated those contingent amounts at a fair value of £2,000,000.

NuPharm is a UK based, outsourced manufacturer for batch made specials and niche licensed pharmaceutical products. In addition it has product development expertise and is a clinical trials product manufacturer.

£372,000 of expenses relating to the acquisition were charged to the Consolidated Income Statement in accordance with IFRS 3.

The resulting goodwill totaling £9,274,000 has been capitalised and is subject to an annual impairment review by management. Goodwill is attributed to NuPharm's expertise in batch manufacturing and the synergies this provides the Group.

## 2 Acquisitions of subsidiaries (continued)

The book and fair value of the net assets acquired in respect of the NuPharm Group, and consideration payable, were as follows:

	<b>Book Value</b>	<b>Fair Value Adjustment</b>	<b>Fair Value</b>
	£000	£000	£000
<b>Non-Current Assets</b>			
Property, plant and equipment	732	-	732
Customer relationships	-	2,787	2,787
<b>Current Assets</b>			
Inventories	171	-	171
Receivables	369	-	369
Cash	7	-	7
<b>Total Assets</b>	<u>1,279</u>	<u>2,787</u>	<u>4,066</u>
<b>Liabilities</b>			
Payables	(1,446)	-	(1,446)
Deferred tax in relation to intangibles	-	(557)	(557)
<b>Total Liabilities</b>	<u>(1,446)</u>	<u>(557)</u>	<u>(2,003)</u>
<b>Net (Liabilities)/Assets</b>	<u>(167)</u>	<u>2,230</u>	<u>2,063</u>
<b>Goodwill</b>			<u>9,274</u>
Purchase consideration			<u>11,337</u>
Satisfied by:			
Cash			9,337
Contingent consideration			<u>2,000</u>

The fair value adjustments in respect of this acquisition are provisional at 31 July 2015 and will be finalised in 2016.

In the period since acquisition the subsidiary contributed a net profit of £20,000 to the consolidated net result for the period.

## 3 Segmental reporting

The following analysis by segment is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to assess performance and make strategic decisions about allocation of resources.

During the period the Group has streamlined its reporting structure into three clear divisions; Specials, Niche Pharmaceuticals and Medication Adherence and information is reported to the Board of Directors in this manner. The segmental information presented below replicates this structure and prior year comparatives have been restated.

### Segmental reporting continued

The sectors distinguished as operating segments are Specials, Niche Pharmaceuticals and Medication Adherence. A short description of these sectors is as follows:

- Specials – Manufacture, source and supply specials to pharmacies, pharmaceutical wholesalers, hospitals (NHS and private) and other specials suppliers throughout the UK and overseas.
- Niche Pharmaceuticals (Niche) – develop and supply nice pharmaceuticals, provide development and regulatory services and out-license products and dossiers to 3rd parties across Europe.
- Medication adherence (MA) – provide products and services designed to enhance adherence to medication regimes.

These segments have separate management teams and offer different products and services. These operating segments are reportable segments. The segment results, as reported to the Board of Directors, are calculated under the principles of IFRS. Performance is measured on the basis of Adjusted EBITDA which comprises the segment result before non cash items (amortisation, depreciation and share based payments) and other items that are excluded when the Board assess performance. This includes 'One-off costs, as termed in the tables below, which include restructuring, professional fees and management bonus. A reconciliation between Adjusted EBITDA and Profit before tax is included in the tables below:

#### 31 July 2015 (Unaudited)

	Specials £000	Niche £000	MA £000	Total £000
<b>Result and reconciliation to profit before tax</b>				
Total revenue	29,104	1,880	5,470	36,454
Intersegmental				(2,186)
<b>Revenue</b>				<b>34,268</b>
<b>Segment Adjusted EBITDA</b>	<b>5,821</b>	<b>394</b>	<b>(286)</b>	<b>5,929</b>
Group cost centres				(419)
<b>Group Adjusted EBITDA</b>				<b>5,510</b>
Intangible amortisation				(249)
Depreciation				(414)
One off costs				(37)
Deal costs				(754)
Deferred consideration treated as remuneration (Lamda)				(446)
Share based payments				(459)
<b>Operating result</b>				<b>3,151</b>
Net finance costs				(415)
Share of profit of jointly controlled entities				44
<b>Profit before taxation</b>				<b>2,780</b>
<b>NET ASSETS</b>				
Segment assets	82,189	14,565	5,750	102,504
Segment liabilities	(52,558)	(12,513)	(17,591)	(82,662)
<b>Segment net assets/(liabilities)</b>	<b>29,631</b>	<b>2,052</b>	<b>(11,841)</b>	<b>19,842</b>
Unallocated net assets				33,524
<b>Total net assets</b>				<b>53,366</b>
Depreciation and amortisation	485	23	155	663
Capital expenditure	613	26	40	679

Unallocated net assets include goodwill and intangibles (£23.8 million), cash and cash equivalents (£3.0 million), trade and other payables (£2.7 million), bank term loans (£29.9 million) and net inter-group loan receivables (£39.3 million).

**Segmental reporting** *continued*

31 July 2014 (Unaudited)

	Specials £000	Niche £000	MA £000	Total £000
<b>Result and reconciliation to profit before tax</b>				
Total revenue	25,742	322	3,308	29,372
Intersegmental				(1,381)
<b>Revenue</b>				<b>27,991</b>
<b>Segment Adjusted EBITDA</b>	<b>6,034</b>	<b>101</b>	<b>(661)</b>	<b>5,474</b>
Group cost centres				(122)
<b>Group Adjusted EBITDA</b>				<b>5,352</b>
Intangible amortisation				(97)
Depreciation				(301)
One off costs				(481)
Profit on sale of non current assets				4
Write off of other loan				1,650
Share based payments				(194)
<b>Operating result</b>				<b>5,933</b>
Net finance costs				(2,445)
Share of profit of jointly controlled entities				15
<b>Profit before taxation</b>				<b>3,503</b>
<b>NET ASSETS</b>				
Segment assets	58,251	4,654	4,719	67,624
Segment liabilities	(33,229)	(3,632)	(15,146)	(52,007)
<b>Segment net assets/(liabilities)</b>	<b>25,022</b>	<b>1,022</b>	<b>(10,427)</b>	<b>15,617</b>
Unallocated net liabilities				(16,779)
<b>Total net liabilities</b>				<b>(1,162)</b>
Depreciation and amortisation	332	6	60	398
Capital expenditure	796	7	21	824

Unallocated net liabilities include goodwill and intangibles (£27.8 million), cash and cash equivalents (£3.0 million), bank term loans (£56.3 million) and net inter-group loan receivables (£8.7 million).



#### 4 Earnings per share

	<b>(Unaudited) 6 months ended 31 July 2015 £000</b>	(Unaudited & restated) 6 months ended 31 July 2014 £000	(Audited) Year ended 31 January 2015 £000
Profit attributable to equity shareholders of the parent (£000)	<b>2,496</b>	2,613	696
Basic weighted average number of shares ('000)	<b>125,000</b>	125,000	54,507
Dilutive potential ordinary shares (‘000)	<b>1,532</b>	-	849
Diluted weighted average number of shares ('000)	<b>126,532</b>	125,000	55,356
	<b>Pence</b>	Pence	Pence
Basic earnings per share	<b>2.0</b>	2.1	1.3
Diluted earnings per share	<b>2.0</b>	2.1	1.3

Basic weighted average number of shares includes those shares in the EBT to which the beneficiaries are unconditionally entitled.

The dilutive potential shares relate to the share options. There were no potentially dilutive shares or other instrument that have been excluded from Diluted EPS because they are antidilutive.

The adjusted EPS, based on the following earnings figure for the year and number of shares in issue of 125,000,000 (2014: 125,000,000) is 3.2 pence (2014: 1.5 pence).

	<b>(Unaudited) 6 months ended 31 July 2015 £000</b>	(Unaudited) 6 months ended 31 July 2014 £000	(Audited) Year ended 31 January 2015 £000
Profit after tax	<b>2,496</b>	2,613	696
<i>Add back:</i>			
One off costs	<b>37</b>	481	3,983
Share based payments	<b>459</b>	194	2,057
Deal costs	<b>754</b>	-	175
Release of other loan	-	(1,650)	(1,650)
Exceptional write off of capitalised debt issue costs	<b>143</b>	-	1,268
Deferred consideration treated as remuneration (Lamda)	<b>446</b>	-	-
Less tax associated with adjustments	<b>(368)</b>	208	(1,239)
Adjusted earnings	<b>3,967</b>	1,846	5,290

The adjusted diluted earnings per share based on the weighted average number of shares of 126,532,000 (2014: 125,000,000) is 3.1 pence (2014: 1.5 pence).

<sup>1</sup> The earnings per share for the period ended 31 July 2014 has been restated to reflect the capital structure of the plc as if it had always existed.

## 5 Dividends

A final dividend in relation to the year ended 31 January 2015 of 0.25p per ordinary share was paid on 7 August 2015 totalling £312,000.

## 6 Intangible assets

	Software development £000	Development costs £000	Patents and trade-marks £000	Customer relationship £000	Goodwill £000	Total £000
<b>Cost</b>						
Balance at 1 February 2014	-	2,223	217	1,728	60,319	64,487
Other acquisitions – internally developed	-	1,145	-	-	-	1,145
Other acquisitions – externally purchased	-	-	5	-	-	5
<b>Balance at 31 July 2014</b>	<b>-</b>	<b>3,368</b>	<b>222</b>	<b>1,728</b>	<b>60,319</b>	<b>65,637</b>
Balance at 1 August 2014	-	3,368	222	1,728	60,319	65,637
Other acquisitions – internally developed	-	1,995	-	-	-	1,995
Other acquisitions – externally purchased	42	-	30	-	-	72
<b>Balance at 31 January 2015</b>	<b>42</b>	<b>5,363</b>	<b>252</b>	<b>1,728</b>	<b>60,319</b>	<b>67,704</b>
Balance at 1 February 2015	42	5,363	252	1,728	60,319	67,704
Acquired through business combinations	-	-	-	2,787	11,689	14,476
Other acquisitions – internally developed	-	3,023	-	-	-	3,023
Other acquisitions – externally purchased	49	-	29	-	-	78
<b>Balance at 31 July 2015</b>	<b>91</b>	<b>8,386</b>	<b>281</b>	<b>4,515</b>	<b>72,008</b>	<b>85,281</b>
<b>Amortisation and impairment</b>						
Balance at 1 February 2014	-	-	47	346	9,459	9,852
Amortisation for the period	-	-	10	87	-	97
<b>Balance at 31 July 2014</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>433</b>	<b>9,459</b>	<b>9,949</b>
Balance at 1 August 2014	-	-	57	433	9,459	9,949
Amortisation for the period	-	128	17	86	-	231
<b>Balance at 31 January 2015</b>	<b>-</b>	<b>128</b>	<b>74</b>	<b>519</b>	<b>9,459</b>	<b>10,180</b>
Balance at 1 February 2015	-	128	74	519	9,459	10,180
Amortisation for the period	-	149	13	87	-	249
<b>Balance at 31 July 2015</b>	<b>-</b>	<b>277</b>	<b>87</b>	<b>606</b>	<b>9,459</b>	<b>10,429</b>
<b>Net book value</b>						
At 31 July 2014	-	3,368	165	1,295	50,860	55,688
At 31 January 2015	42	5,235	178	1,209	50,860	57,524
<b>At 31 July 2015</b>	<b>91</b>	<b>8,109</b>	<b>194</b>	<b>3,909</b>	<b>62,549</b>	<b>74,852</b>

## 7 Net Debt

(Unaudited)                      (Unaudited)                      (Audited)

	<b>6 months ended</b>	<b>6 months ended</b>	<b>Year ended</b>
	<b>31 July 2015</b>	<b>31 July 2014</b>	<b>31 January 2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash & Cash equivalent	5,779	5,355	5,873
Bank Borrowings	(29,954)	(56,272)	(14,839)
Net debt	<u>(24,175)</u>	<u>(50,917)</u>	<u>(8,966)</u>

On 10<sup>th</sup> July 2015 the Group secured new banking facilities for a term of 4 years, comprising a £25 million term loan and a £10 million revolving credit facility. The term loan is repayable by quarterly instalments commencing January 2016.

## **8 Forward Looking Statements**

This announcement and the half year results contain certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of Quantum Pharma plc ("Quantum"). Whilst these statements are made in good faith based on the current expectation and beliefs of the Directors of Quantum, they 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. Recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. Quantum 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. Nothing in this announcement or half year forecasts should be construed as a profit forecast.

- Ends -