PRESS RELEASE

CIRCASSIA PHARMACEUTICALS PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

-- Successfully raised over £200 million in landmark IPO --
-- Fully-funded to bring to market the first of a new generation of allergy immunotherapies --
-- Strong operational momentum and Cat-SPIRE phase III study >85% recruited --

Oxford, UK – 29 July 2014: Circassia Pharmaceuticals plc ("Circassia" or "the Company") (LSE: CIR), a clinical-stage specialty biopharmaceutical company, today announces its interim results for the six months ended 30 June 2014.

OPERATIONAL HIGHLIGHTS

Cat-SPIRE
- Phase III registration field study (CP007) >85% recruited: 1,037 subjects randomised, full recruitment on track to complete by year-end with headline data expected H1 2016
- Follow-on 2-5 year study (CP007A) initiated following regulatory approval
- Pilot phase II paediatric safety study (CP009) ongoing

HDM-SPIRE (house dust mite)
- FDA approval received for HDM-SPIRE phase IIb field study (TH005)
- Positive results from phase IIb two-year follow-up study (TH002A)
- Observational field study (TH003) successfully completed
- Phase II controlled asthmatic safety study (TH004) initiated and fully-recruited

Ragweed-SPIRE
- Confirmatory phase IIb chamber study (TR006) initiated and fully-recruited
- Phase II controlled asthmatic safety study (TR007) initiated and fully-recruited

Grass-SPIRE
- Phase IIb third season follow-up study (TG002B) initiated
- Phase II controlled asthmatic safety study (TG004) initiated
- Observational study (TG003) initiated

FINANCIAL HIGHLIGHTS (unaudited)

- Raised gross proceeds of £202.0 million (£192.4 million net of expenses) following successful initial public offering (IPO) on the Main Market of the London Stock Exchange
- Research and development investment of £16.4 million (H1 2013: £9.1 million)
- Loss for the financial period of £16.2 million (H1 2013: £7.3 million)
- Net cash used in operating activities of £21.3 million (H1 2013: £9.2 million)
- Cash balances[1] at 30 June 2014 of £201.9 million (31 December 2013: £30.6 million)

1. Cash, cash equivalents and short-term bank deposits

Steve Harris, Circassia's Chief Executive, said: *"Circassia has made extraordinary progress over the past seven years which has resulted in a transformational start to 2014. Building on impressive proof-of-concept clinical data across multiple programmes, we raised over £200 million through an IPO and are fully-funded to bring our lead product candidate Cat-SPIRE to market. Our phase III registration trial in cat allergy is on track and we expect to report headline data in H1 2016. Furthermore, we have initiated seven new clinical trials this year, six of which are expected to report over the next 12 months.*

"Our short-course SPIRE product candidates represent a major step change to a new generation of allergy treatments. The US immunotherapy market is gathering momentum, and with manufacturing already at commercial scale for the launch of Cat-SPIRE we remain resolutely focused on delivering our key clinical milestones, developing our commercial operations and pursuing options to accelerate growth."

-Ends-

An analyst meeting will take place today at 9.30am BST at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD, with registration and coffee from 9.15am BST. Simultaneously, a live webcast of the event will be available in the Media section of the Company's website at www.circassia.co.uk.

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Forward-looking statements

This press release contains certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of Circassia. The use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target" or "believe" and similar expressions (or the negatives thereof) are generally intended to identify forward-looking statements. These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved. Nothing contained in this press release should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. Circassia 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.

Notes to editors

1. Circassia

Circassia is a specialty biopharmaceutical company focused on the development and commercialisation of a range of immunotherapy product candidates for the treatment of allergy. Established in 2006, the Company has used its innovative proprietary technology, the ToleroMune® platform, to develop a new class of allergy therapies; Synthetic Peptide Immuno-Regulatory Epitopes (SPIREs) which Circassia believes represents a step change to a new generation of allergy treatments. The Company's portfolio of product candidates is designed to treat a broad range of seasonal and perennial allergies. The lead product candidate Cat-SPIRE, a new treatment for cat allergy, is currently in phase III development and three other product candidates have completed phase IIb clinical studies. As Circassia continues to grow, the Company remains focused on its founding principle – a commitment to improving patients' lives by controlling immune responses. Further information is available at: www.circassia.co.uk.

SUMMARY

We have delivered strong operational momentum during the first half of 2014. Notably, we successfully raised over £200 million through our landmark initial public offering (IPO) on the Main Market of the London Stock Exchange in March 2014. This gives us the financial strength to bring to market Cat-SPIRE, the first of a new generation of allergy immunotherapy products that have the potential to overcome the limitations of current treatments, and to accelerate the development of other product candidates in our late-stage portfolio.

Having initiated seven new clinical trials across the product portfolio so far this year, we have focused heavily on driving patient recruitment, leveraging our extensive clinical data sets to inform the design of clinical trials and planning the regulatory pathways for our key clinical programmes. With further positive efficacy results announced during the period, the extensive ToleroMune® platform data set continues to indicate that our short-course SPIRE allergy treatments have the potential to offer long-lasting effects without the need for further injections.

OPERATIONAL REVIEW

CAT-SPIRE: FOR THE TREATMENT OF CAT ALLERGY

Circassia's lead product candidate, Cat-SPIRE, contains seven synthetically produced peptides identified from *Fel d 1*, the main allergen responsible for allergy to cats. We have successfully completed seven clinical studies in the Cat-SPIRE development programme to date including phase IIb one- and two-year follow-up studies. Subjects who received a short course of four doses of Cat-SPIRE over 12 weeks maintained a statistically significant improvement in their symptoms one year after starting the treatment compared with those on placebo (p=0.01). A follow-up study two years after the start of treatment, which was not powered to deliver statistically significant results, showed persistent efficacy. Subjects maintained an overall improvement in symptoms compared with those on placebo (p=0.13) and for the secondary endpoint measured at the end of the cat allergen challenge, these improvements were statistically significant (p=0.02).

Phase III registration field study (CP007) >85% recruited: 1,037 subjects randomised to date

Cat-SPIRE is currently being evaluated in a double-blind, randomised, placebo-controlled, multi-centre phase III field study. The trial will enrol 1,182 patients aged 12 to 65 years old who are allergic to cats and live with a cat in their home. The study will evaluate the safety and efficacy of both a single course and two courses of Cat-SPIRE with each course consisting of four standardised doses administered over 12 weeks. The trial's primary efficacy endpoint will be the combined reduction in rhinoconjunctivitis symptoms and rescue medication use one year after the start of treatment, compared with placebo. Circassia has randomised 1,037 subjects to date and has paused recruitment, as planned, during the summer pollen seasons to avoid confounding allergy symptoms. Recruitment will resume in Q4 2014.

Follow-on 2-5 year study (CP007A) initiated

Circassia has received regulatory approval to enrol subjects who complete the phase III registration study (CP007) into a follow-on study which will capture symptom scores and rescue medication usage annually at two, three, four and five years after the baseline allergy evaluation in the phase III study.

Pilot phase II paediatric safety study (CP009) ongoing

As part of the paediatric investigation plan agreed with the European Medicines Agency (EMA), Circassia is also evaluating Cat-SPIRE in a pilot phase II paediatric safety study which will enrol 12 subjects: six aged 9 - 12 years old, and six aged 5 - 8 years old. Results from this safety and tolerability study are expected in H2 2015.

Next key milestones

Full recruitment of the phase III study (1,182 subjects) is on track to complete by year-end 2014 and results are expected in H1 2016. Subject to the results of this phase III registration study, the Company intends to

submit applications to the FDA, Health Canada and the EMA for marketing approval for Cat-SPIRE in H2 2016 and use the data package to support applications in other territories.

HDM-SPIRE: FOR THE TREATMENT OF HOUSE DUST MITE ALLERGY

Circassia's novel product candidate HDM-SPIRE contains seven synthetically produced peptides identified from the key allergens found in house dust mite faeces. We have successfully completed four clinical studies in the HDM-SPIRE development programme, including a proof-of-concept phase IIb clinical study where subjects who received a short course of four doses of HDM-SPIRE over 12 weeks had a significant improvement in their symptoms one year after starting the treatment compared with those on placebo (p=0.02).

Observational field study (TH003) successfully completed

During the first half of 2014, Circassia completed an observational study in the field setting. The study enrolled 109 subjects with house dust mite allergy and monitored their symptoms over a six-week period. The data from this study helped to design key elements of the forthcoming phase IIb field study (TH005) protocol, such as the optimum duration for recording symptom scores, the range of symptoms to be evaluated, the extent of rescue medication usage and the value of screening measures to identify suitable patients.

FDA approval received for HDM-SPIRE phase IIb field study (TH005)

Circassia plans to enrol 660 subjects into a randomised, double-blind, placebo-controlled phase IIb field study (TH005) to: confirm the efficacy of a short course of four 12-nmol doses seen in the first phase IIb study (TH002); evaluate two courses of HDM-SPIRE (eight doses); and evaluate the safety and efficacy of a higher 20-nmol dose of HDM-SPIRE. Following a positive pre-IND meeting with the US Food and Drug Administration (FDA) in May 2014, Circassia has agreed the phase IIb study design with the FDA and received FDA approval for the investigational new drug (IND) application in July 2014.

Positive results from phase IIb two-year follow-up study (TH002A)

In June 2014, Circassia announced positive results from a phase IIb two-year follow-up study which enrolled 72 subjects who had previously received either placebo or one of two 12-nmol dose regimens as part of the original successful phase IIb study (TH002). Two years after starting treatment with HDM-SPIRE or placebo, investigators reassessed patients' allergy symptoms when exposed to house dust mite allergen in an environmental exposure chamber. Improvements in nasal and ocular symptoms were measured using the Total Rhinoconjunctivitis Symptom Score (TRSS) on the second and third days of the three-day house dust mite allergen challenge. Data highlights include:

- Improvements in TRSS compared to placebo in the 4 x 12-nmol treatment group[1] observed at two years were equivalent to the reductions in the same group of subjects observed at one year;
- As seen in previous SPIRE clinical studies, subjects with more severe allergy symptoms demonstrated a greater treatment effect after receiving HDM-SPIRE compared to placebo;
- When data from all three days of the house dust mite allergen challenge were included, improvements in TRSS compared to placebo in the 4 x 12-nmol treatment group[1] were even greater when compared to the primary endpoint measure of the second and third days alone; and
- HDM-SPIRE continues to be well-tolerated with no late-onset safety concerns identified.

1. Subjects in this treatment group received a short course of four 12-nmol doses of HDM-SPIRE over 12 weeks.

Given that the two-year follow-up study enrolled a smaller number of subjects than the original treatment study, it was not powered to deliver statistically significant results. These encouraging data are being used to inform the wider HDM-SPIRE clinical programme and Circassia intends to present these data in due course as part of the Company's wider scientific publication programme.

Phase II controlled asthmatic safety study (TH004) initiated and fully-recruited

During the first half of 2014, Circassia completed the enrolment of 30 house dust mite allergic subjects with controlled asthma into a phase II safety study. Results from this study are expected in Q3 2014 and, if positive, will enable the inclusion of controlled asthmatics into the upcoming phase IIb field study.

Next key milestones

A randomised, double-blind, placebo-controlled phase IIb field study (TH005) in 660 subjects is on track to commence in Q4 2014. Results from TH004 are also expected in Q3 2014.

RAGWEED-SPIRE: FOR THE TREATMENT OF RAGWEED ALLERGY

Circassia's novel product candidate Ragweed-SPIRE contains seven synthetically produced peptides identified from the key allergen found in the pollen of ragweed; a group of approximately 40 species of annual weed plants most of which are native to North America. We have successfully completed four clinical studies in the Ragweed-SPIRE development programme, including a proof-of-concept phase IIb clinical study where subjects with more severe symptoms who received higher-dose treatment achieved a significant improvement following eight doses of Ragweed-SPIRE compared with those on placebo (p=0.04).

Confirmatory phase IIb chamber study (TR006) initiated and fully-recruited

During the first half of 2014, Circassia enrolled 280 subjects into a randomised, double-blind, placebo-controlled phase IIb study. Screening, baseline challenge and treatment were completed before the ragweed pollen season, and the post-treatment challenge will occur after the peak of the season is over. The study is evaluating the safety and efficacy of three Ragweed-SPIRE treatment regimens in comparison to placebo. Results from this study are expected in Q1 2015.

Phase II controlled asthmatic study (TR007) initiated and fully-recruited

During the period, Circassia initiated a phase II safety study which has enrolled 55 ragweed allergic subjects with controlled asthma. The study will evaluate the safety and tolerability of two Ragweed-SPIRE regimens in comparison to placebo. Results from this study are expected in Q4 2014 and, if positive, will enable the inclusion of controlled asthmatics into the planned phase III study for Ragweed-SPIRE.

Next key milestones

Results from TR007 are expected in Q4 2014. Efficacy results from the confirmatory phase IIb chamber study (TR006) are expected in Q1 2015. Subject to the results of this study, the Company plans to commence enrolling subjects into the phase III study for Ragweed-SPIRE in H2 2015.

GRASS-SPIRE: FOR THE TREATMENT OF GRASS ALLERGY

Circassia's novel product candidate Grass-SPIRE contains a mixture of seven peptides identified from the allergens from the major grass varieties; Rye, Timothy and Bermuda grass. We have successfully completed three clinical studies in the Grass-SPIRE development programme, including a proof-of-concept phase IIb study in which subjects who received the optimal short course of Grass-SPIRE therapy had significantly improved symptoms at the end of the season compared with those on placebo (p=0.03). Persistent efficacy was also demonstrated after a second grass season, approximately 18 months after the last dose of Grass-SPIRE.

Phase II controlled asthmatic study (TG004) initiated

In April 2014, Circassia initiated a phase II safety study which aims to enrol 48 to 60 grass allergic subjects with controlled asthma. The study will evaluate the safety and tolerability of two Grass-SPIRE regimens, in comparison to placebo, in subjects with asthma that is controlled with inhaled salbutamol and/or inhaled corticosteroids. Results from this study are expected in H1 2015 and, if positive, will enable the inclusion of controlled asthmatics into a phase III study.

Observational study (TG003) initiated

In May 2014, Circassia initiated a grass observational study. The study aims to enrol up to 120 subjects with grass allergy to monitor their symptoms and rescue medication usage during the grass pollen season. Data from this study are expected in H1 2015 and will be used to inform the design of the planned phase III study.

Phase IIb third season follow-up study (TG002B) initiated

In June 2014, Circassia initiated a third season follow-up study which will enrol up to 118 subjects who had previously received either placebo, a 6-nmol dose or one of two 12-nmol dose regimens as part of the original 282-subject phase IIb study (TG002). Given that this follow-up study will enrol a smaller number of subjects than the original treatment study, it is not expected to have sufficient power to deliver statistically significant results. Results are expected in Q4 2014.

Next key milestones

Results from TG002B are expected in Q4 2014 which, as noted above, are likely to be directional rather than statistically significant. Data from TG003 and TG004 will be used to inform the design of a phase III study. Results from the Ragweed-SPIRE phase IIb confirmatory chamber study will also assist the seasonal allergy study design. Circassia expects to commence enrolling subjects into the phase III study for Grass-SPIRE in H1 2016.

EARLIER-STAGE PRODUCT CANDIDATES

Circassia is evaluating a novel product candidate for the treatment of Birch allergy, based on the *Bet v 1* allergen. The toxicology programme for this product candidate will commence in H2 2014, with recruitment into a first-in-man study expected to begin in 2015. Circassia is also evaluating novel product candidates for the treatment of Japanese cedar allergy and Alternaria allergy. For both programmes, the Company has applied its ToleroMune® platform technology to identify candidate epitopes. Pre-clinical studies to confirm that the selected epitopes do not cause histamine release are ongoing.

MANUFACTURING

Our manufacturing process involves two stages: manufacture of the peptide followed by freeze drying and fill finish of the final product. The final product is stable in a freeze-dried state, allowing for convenient transport and storage at room temperature. Cat-SPIRE and Ragweed-SPIRE are already capable of commercial scale manufacture. During the first half of 2014, the HDM-SPIRE freeze drying fill finish process was established and is capable of commercial scale production.

OUTLOOK

US immunotherapy market is gathering momentum

We are pleased to see the positive developments in the US immunotherapy market with the recent FDA approvals of oral sublingual immunotherapies for the treatment of grass and ragweed allergies, developed by Merck and Stallergenes, which we believe will open up the market to new treatment approaches.

Focus on building an innovative British specialty biopharmaceutical company

Our priority is to complete the clinical development of our new generation allergy immunotherapy product candidates and take them through to approval and launch. We have retained all commercial rights to our product candidates and are well-positioned to exploit the full value of our product portfolio. We continue to prepare for the launch of Cat-SPIRE and new third party research conducted during the period, which reported positive feedback from nurses and patients, supports our wider market access preparations.

We intend independently to commercialise our products in North America and major EU markets and are actively evaluating options to build or acquire our own sales and marketing infrastructure. We also plan to establish commercialisation partnerships with third parties in other regions of the world.

We have strengthened our organisation by hiring key operational personnel, and we continue to leverage our ToleroMune® platform to expand the development portfolio and further strengthen our broad intellectual property estate.

First phase III results from late-stage portfolio expected in H1 2016

Our core clinical development programmes are on track; six clinical studies are due to report over the next 12 months and, importantly, results from the ongoing phase III registration study for Cat-SPIRE are expected in H1 2016. Subject to the results of the Cat-SPIRE phase III registration study, we intend to submit applications to the FDA, Health Canada and the EMA for marketing approval in H2 2016.

Furthermore, based on our current clinical development plans, we expect that phase III data for Ragweed-SPIRE and Grass-SPIRE will be available in 2017, with phase III data for HDM-SPIRE available in 2019.

Programme	Date[1]	Upcoming clinical milestones	Trial ref.
HDM-SPIRE	Q3 2014	Phase II controlled asthmatic study reports	TH004
HDM-SPIRE	Q4 2014	Initiate phase IIb field study	TH005
Ragweed-SPIRE	Q4 2014	Phase II controlled asthmatic study reports	TR007
Grass-SPIRE	Q4 2014	Phase IIb third season follow-up study reports	TG002B
Cat-SPIRE	Q4 2014	Complete phase III recruitment	CP007
Ragweed-SPIRE	Q1 2015	Phase IIb chamber study reports	TR006
Grass-SPIRE	H1 2015	Observational study reports	TG003
Grass-SPIRE	H1 2015	Phase II controlled asthmatic study reports	TG004
Cat-SPIRE	H2 2015	Pilot paediatric safety study reports	CP009
Ragweed-SPIRE	H2 2015	Enrolment into phase III field study	-
Cat-SPIRE	H1 2016	Phase III study reports	CP007
Grass-SPIRE	H1 2016	Enrolment into phase III field study	-
Cat-SPIRE	H2 2016	File for marketing approval	-

1. To be included in announcements as appropriate and in-line with financial calendar.

FINANCIAL REVIEW

SUMMARY OF RESULTS

Operating loss

Operating loss for the six months ended 30 June 2014 was £19.5 million. This was £9.5 million higher than H1 2013 and reflects the increase in the number of clinical trials and more advanced stage of product development across the Company's portfolio, together with an increase in headcount.

Research and development activities

Investment in research and development activities has increased to £16.4 million (H1 2013: £9.1 million). This increase is mainly due to the following factors:

- Increase in the number of subjects randomised in the Cat-SPIRE phase III study;
- Initiation of a number of clinical trials including, but not limited to: Cat-SPIRE CP007A, a phase III follow-on study; Ragweed-SPIRE TR006, a phase IIb chamber study; Ragweed-SPIRE TR007, a phase II controlled asthmatics study; and HDM-SPIRE TH005, a phase IIb field study;
- Manufacture of pre-validation and process validation batches of active pharmaceutical ingredient (API) and drug product for HDM-SPIRE and Ragweed-SPIRE;
- Increase in headcount to 31 (H1 2013: 13); and
- A charge in respect of new share options awarded of £0.4 million (H1 2013: £nil).

Administrative expenditure

Administrative expenses, which includes overheads specific to corporate functions, centrally managed support functions and corporate costs, have increased to £3.1 million (H1 2013: £1.1 million).

- Increase in headcount to 15 (H1 2013: 6).
- A charge in respect of new share options awarded of £0.4 million (H1 2013: £nil).
- IPO related costs which were not available for offset against the share premium account of £0.2 million (H1 2013: £nil).

Net finance income

Net finance income has decreased by £0.3 million to £0.1 million mainly due to the foreign exchange losses suffered on the revaluation of the US Dollar bank balance at 30 June 2014 compared to 2013. Since the purchase of the currency, the US Dollar has weakened against GBP Sterling resulting in a foreign exchange translational loss of £0.4 million. The remaining £0.1 million loss is mainly due to the foreign exchange translational loss on Swiss Francs purchased during the period.

R&D tax credits on qualifying expenditure

The tax credit of £3.4 million (H1 2013: £1.6 million) represents amounts recoverable under current legislation relating to qualifying research and development expenditure. The increase mainly reflects the increase in R&D expenditure during H1 2014, however there has also been an increase in the R&D tax credit rate for qualifying R&D expenditure from 11% to 14.5%. The increase was effective from 1 April 2014.

Loss per share

Basic loss per share was 11p (H1 2013: 48p) on loss after tax of £16.2 million (H1 2013: £7.3 million). The decrease in loss per share is due to the increase in Ordinary Share capital of the Company compared to

H1 2013 following Admission. Note 10 to the interim financial statements provides a full explanation of the change in share capital.

Statement of financial position

The Group's net assets at 30 June 2014 were £209.2 million (2013: £30.0 million). The increase mainly arises from cash raised from Admission to the main market of the London Stock Exchange in March 2014.

On 18 March 2014, the Company was admitted to the London Stock Exchange. Approximately 64.5 million Ordinary shares were offered at 310p each raising gross proceeds of £200.0 million. In addition, approximately 0.6 million shares from the over-allotment option were offered at 310p each, raising additional gross proceeds of £2.0 million.

Costs relating to Admission amounted to £9.6 million. Of this, £9.4 million was offset against the Share Premium Account and £0.2 million of indirect Admission costs were included in the income statement. Of the £9.4 million offset against the Share Premium Account, £0.6 million was included in trade payables at 30 June 2014.

Current tax assets were £7.4 million (2013: £4.0 million). This represents the R&D tax credit due from HM Revenue and Customs. Of this, £4.0 million is due in respect of the claim for the year ended 31 December 2013 and £3.4 million represents the accrued R&D tax credit for H1 2014, which will be included in the full year claim for 2014 to HM Revenue and Customs. Receipt of last year's claim of £4.0 million is expected before the end of the year.

Trade and other payables have decreased by £1.9 million to £4.0 million, mainly due to the settlement of year end accruals of supplier invoices and annual year-end bonuses. The loan notes classified as financial liabilities as at 31 December 2013 were converted into Ordinary shares of the Company on Admission. A full explanation is provided in Note 10.

Cash flow

The Group's cash position (including short term deposits) increased from £30.6 million at 31 December 2013 to £201.9 million at 30 June 2014. The main changes are:

- Net proceeds of £193.2 million in respect of shares issued on Admission (H1 2013: £1,928 in respect to shares issued).

- Cash used in operating activities of £21.3 million (H1 2013: £9.2 million). Of this, £19.2 million (H1 2013: £10.3 million) was due to operating R&D and administrative expenses. Interest received from bank deposits amounted £0.2 million (H1 2013: £1.1 million) and bank charges amounted to £7,000 (H1 2013: £10,000). The balance relates to negative working capital and foreign exchange movements of £2.3 million (H1 2013: £nil million).

Principal risks and uncertainties

The principal risks and uncertainties reported in the condensed interim financial statements and for the remaining six months of the financial year remain unchanged from those set out on page 3 of the Annual Report and Financial Statements for the year ended 31 December 2013. There are significant risks and uncertainties that could have a significant impact on the Group in the future. Particular risks include clinical and regulatory risk, intellectual property risk and financial risk, which includes foreign exchange, interest rate and credit risk. The changes in the Group's financial risk management policies are detailed in Note 2 to the condensed interim financial statements.

Condensed interim consolidated statement of comprehensive income for the six months ended 30 June 2014

	Notes	**30 June 2014 £'000 Unaudited**	30 June 2013 £'000 Unaudited
Research and development costs		**(16,452)**	(9,124)
Administrative expenses		**(3,092)**	(1,144)
Other gains		**-**	270
Operating loss	4	**(19,544)**	(9,998)
Finance costs		**(476)**	(14)
Finance income		**566**	429
Finance income - net	5	**90**	415
Share of (loss) /profit of joint venture	7	**(166)**	595
Loss before tax		**(19,620)**	(8,988)
Taxation	6	**3,378**	1,645
Loss for the financial period		**(16,242)**	(7,343)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive expense of joint venture	7	**(7)**	(11)
Total comprehensive expense for the period		**(16,249)**	(7,354)
Loss per share			
Loss per share from continuing operations	8	**(£0.11)**	(£0.48)

The notes on pages 14 to 19 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of financial position as at 30 June 2014

	Notes	30 June 2014 £'000 Unaudited	31 December 2013 £'000 Audited
Assets			
Non-current assets			
Intangible assets		**2,012**	2,012
Investment in joint venture	7	**22**	195
		2,034	2,207
Current assets			
Other receivables		**1,899**	1,215
Current tax assets		**7,375**	3,995
Short term bank deposits		**150,401**	7,047
Cash and cash equivalents		**51,481**	23,568
		211,156	35,825
Total assets		**213,190**	38,032
Equity and liabilities			
Equity attributable to the owners of the parent company			
Ordinary shares	10	**152**	13
Preference shares	10	**-**	52
Share premium	12	**297,931**	103,403
Share option reserve	11	**836**	56
Accumulated losses		**(89,761)**	(73,479)
Total equity		**209,158**	30,045
Liabilities			
Current liabilities			
Trade and other payables		**4,032**	5,975
Financial liabilities		**-**	2,012
Total liabilities		**4,032**	7,987
Total equity and liabilities		**213,190**	38,032

The notes on pages 14 to 19 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of cash flows for the six months ended 30 June 2014

	Note	**30 June 2014 £'000 Unaudited**	30 June 2013 £'000 Unaudited
Cash flows from operating activities			
Cash used in operations	9	**(21,480)**	(10,334)
Interest received		**160**	1,112
Interest paid		**(7)**	(10)
Net cash used in operating activities		**(21,327)**	(9,232)
Cash flows from investing activities			
(Increase)/decrease in short term bank deposits		**(143,354)**	34,226
Net cash (used in)/from investing activities		**(143,354)**	34,226
Cash flows from financing activities			
Proceeds from issue of Ordinary shares		**193,172**	2
Net cash from financing activities		**193,172**	2
Net increase in cash and cash equivalents		**28,491**	24,996
Cash and cash equivalents 1 January		**23,568**	13,981
Exchange (loss)/gain on cash and cash equivalents		**(578)**	227
Cash and cash equivalents at 30 June		**51,481**	39,204

The notes on pages 14 to 19 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of changes in equity

Group	Note	Share Capital £'000	Share Premium £'000	Share option reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2014 (audited)	10, 11, 12	65	103,403	56	(73,479)	30,045
Comprehensive expense:					(16,242)	(16,242)
Loss for the year						
Other comprehensive expense:						
Share of other comprehensive expense of joint venture					(7)	(7)
Total comprehensive expense					(16,249)	(16,249)
Transactions with owners:						
Issue of Ordinary shares	12	54	194,528			194,582
Capitalised reserves re bonus shares at IPO		33			(33)	-
Employee share option scheme	11			780		780
At 30 June 2014 (unaudited)	**10, 11, 12**	**152**	**297,931**	**836**	**(89,761)**	**209,158**
At 1 January 2013 (audited)		63	103,403	1	(53,480)	49,987
Comprehensive expense:					(7,343)	(7,343)
Loss for the year						
Other comprehensive expense:						
Share of other comprehensive expense of joint venture					(11)	(11)
Total comprehensive expense					(7,354)	(7,354)
Transactions with owners:						
Issue of Ordinary shares		2				2
At 30 June 2013 (unaudited)		65	103,403	1	(60,834)	42,635

The notes on pages 14 to 19 are an integral part of these condensed interim consolidated financial statements.

Notes to the condensed interim consolidated financial statements

1. General information

Circassia Pharmaceuticals Plc is a public limited company which is listed on the London Stock Exchange (Admission date – 18 March 2014) and incorporated and domiciled in the UK. The address of its registered office is The Magdalen Centre, Robert Robinson Avenue, Oxford Science Park, Oxford, Oxfordshire, England, OX4 4GA.

These condensed interim financial statements were approved for issue on 28 July 2014.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board of Directors on 21 February 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed interim financial statements have been reviewed, but not audited.

Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern

The Group has sufficient cash and cash equivalents to meet its day-to-day working capital requirements. Though the Group continues to make losses, the Directors believe it is appropriate to prepare the financial information on the going concern basis. This is because the Group's research into new products continues to progress according to plan and the additional funding secured following Admission in 2014, will allow the Group to meet its liabilities as they fall due for the foreseeable future.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Use of estimates and assumptions

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013.

2. Financial risk management

Financial risk factors

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013. There have been no changes in the

risk management department or in any risk management policies since the year end except for those disclosed below.

Credit risks
The Group's policy is to place funds with financial institutions which have a minimum credit rating of Fitch IBCA of A- long term/F1 short term. Not more than £35 million can be placed with any single counterparty.

The fair value of the following financial assets and liabilities approximate their carrying value amount:

- Other receivables
- Short term bank deposits
- Cash and cash equivalents
- Trade and other payables

3. Operating segments

The Group is currently organised into one business segment, which is the development and commercialisation of pharmaceutical products. Since this is the only primary reporting segment, no segmental analysis of the figures has been carried out.

4. Operating loss

Included within operating loss to 30 June 2014 are professional fees of approximately £0.2 million relating to costs of Admission, which have been expensed against the income statement. All other costs of Admission have been offset against the share premium account.

5. Finance income and costs

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000
Finance costs:		
Bank charges payable	**(9)**	(9)
Interest payable on loan notes	**-**	(5)
Loss on foreign exchange	**(467)**	-
Total finance costs	**(476)**	(14)
Finance income:		
Bank interest receivable	**566**	429
Total finance income	**566**	429
Net finance income	**90**	415

Translational foreign exchange gains and losses have been reallocated from 'Administrative expenses' to 'Finance Costs' in 2014 on the face of the income statement.

6. Taxation

The amount included in the condensed interim financial statements for the six months ended 30 June 2014 and 2013 represents the credit receivable by the Group for the period and adjustments to prior years. The amounts have not yet been agreed with the relevant tax authorities and have been calculated at a rate of 11% for 2013 and at a rate of 11% for qualifying expenditure from 1 January 2014 to 31 March 2014 and 14.5% for qualifying expenditure from 1 April 2014 to 30 June 2014, being the prevailing R&D tax credit rates at the time. An uplift of 125% has been applied to all qualifying expenditure in line with R&D tax rules.

7. Investment in joint venture

	Six months ended 30 June 2014 £'000	Year ended 31 Dec 2013 £'000	Six months ended 30 June 2013 £'000
At 1 January	**195**	167	167
Share of (loss)/profit	**(166)**	46	595
Foreign exchange difference on consolidation	**(7)**	(18)	(11)
At period end	**22**	195	751

8. Net loss per Ordinary share

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent company by the weighted average number of Ordinary shares in issue during the year.

		2014	2013
Loss from continuing operations attributable to ordinary equity owners of the parent company	£'000	**(16,242)**	(7,343)
Weighted average number of Ordinary shares in issue	Number[1]	**148,366,886**	15,430,935
Loss per share		**(£0.11)**	(£0.48)

As net losses from continuing operations were recorded in 2014 and 2013, the dilutive potential shares are anti-dilutive for the earnings per share calculation.

1. Please refer to called-up share capital note (see note 10) regarding the change in the number of shares. Pursuant to IAS 33.26, the weighted average number of Ordinary shares outstanding during the period and for all periods presented have been adjusted for the subdivision of each 10p Ordinary share into 125 Ordinary shares of 0.08p.

   The additional Ordinary shares issued in respect of the above events have been treated as if the events had occurred at the beginning of the earliest period reported.

9. Cash used in operations
Reconciliation of loss before tax to net cash used in operations

	For the six months ended 30 June	
	2014	2013
	£'000	£'000
Continuing operations		
Loss before tax	**(19,620)**	(8,988)
Adjustment for:		
Interest income	**(566)**	(429)
Interest expense	**9**	14
Share of joint venture loss /(profit)	**166**	(595)
Fair value loss on derivative	**-**	(270)
Share options reserve movement	**780**	-
Foreign exchange gain/(loss) on non-operating cashflows	**578**	(30)
Changes in working capital:		
(Increase)/decrease in trade and other receivables	**(279)**	131
Decrease in trade and other payables	**(2,548)**	(167)
Net cash used in operations	**(21,480)**	(10,334)

10. Called-up share capital

As at 30 June 2014

	£'000
Issued and fully paid	
189,419,634 Ordinary shares of 0.08p	**152**
Total share capital	**152**

As at 31 December 2013

	£'000
Issued and fully paid	
129,489 Ordinary shares of 10p	13
Total Ordinary share capital	13
147,932 A Preference shares of 10p each	15
366,967 B Preference shares of 10p each	37
Total Preference share capital	52
Total share capital	65

On 24 February 2014, a director of the Company, exercised 4,000 EMI share options, which resulted in 4,000 Ordinary shares of 10p (equivalent to 500,000 Ordinary shares of 0.08p) being issued, with proceeds on exercise of £400.

Immediately prior to admission of the Company's shares on the London Stock Exchange, the Company effected a capital reorganisation, which resulted in the following:

a) Conversion of Preference shares to Ordinary shares

There were 514,898 Preference shares all of which converted automatically into Ordinary shares at a conversion rate of one Ordinary share for each Preference share held.

b) Issue of liquidation Preference shares

Each holder of Preference shares was issued additional Ordinary shares (Liquidation Preference Shares) by the Company. This was by way of capitalisation of reserves and resulted in the issue of 327,708 additional 10p Ordinary shares.

c) Conversion of loan notes

As part of the capital reorganisation, the 115 loan notes were converted into 7,155 Ordinary shares of 10p in the Company.

On 18 March 2014, the Company subdivided each 10p Ordinary share held (983,250) into 125 Ordinary shares of 0.08p (122,906,250). In addition, 64,516,129 new Ordinary shares were issued, raising gross proceeds of £200 million.

On 20, 22, 24 and 27 March 2014, a number of employees exercised their EMI options, which resulted in 1,363,875 shares being issued, with exercise proceeds of £1,091.10

On 11 April 2014, 633,380 Ordinary shares from the Over-Allotment Option were issued, raising gross proceeds of approximately £2 million.

11. Share based payments

Share schemes under which employees have been awarded share options have remained the same as detailed in the Group's annual financial statements for the year ended 31 December 2013, except for the addition of a new Performance Share Plan (PSP) scheme. With the exception of the new PSP scheme, all other option schemes are closed to any further awards.

Options granted under the PSP Scheme have no exercise price. The contractual life of the options is 10 years. Options cannot normally be exercised before the third anniversary of the date of grant.

Options, which were granted before Admission on 18 March 2014 were valued using the Black-Scholes option pricing model using the same valuation assumptions as disclosed in the Group's annual financial statements for the year ended 31 December 2013. Share options granted after Admission were valued using the Black-Scholes option pricing model using the average share price for the day on the date of grant.

During the six months ended 30 June 2014, 1.8m share options were awarded to employees of the Group under the PSP scheme.

Share option reserve

	30 June 2014 £'000	31 Dec 2013 £'000
At 1 January	**56**	1
Employee share option scheme	**780**	55
At 30 June and 31 December respectively	**836**	56

12. Share premium

	2014 £'000	2013 £'000
At 1 January	**103,403**	57,111
Conversion of loan notes into Ordinary shares	**2,014**	-
Issue of new shares	**201,911**	47,014
Expenses relating to share issue	**(9,397)**	(722)
At 30 June and 31 December respectively	**297,931**	103,403

13. Related party transactions

During the six months ended 30 June 2014, purchases of £3.1 million in respect of clinical trials were made from Adiga Life Sciences (joint venture).

As part of the capital reorganisation, 115 loan notes were converted into 7,155 Ordinary shares of 10p (equivalent to 894,375 Ordinary shares of 0.08p) in the Company. Steven Harris and Charles Swingland, each held 15 loan notes, resulting in each Director receiving 933 Ordinary shares of 10p (equivalent to 116,625 Ordinary shares of 0.08p) on conversion of their loan notes.

In addition, Dr Francesco Granata purchased 19,354 shares (0.08p Ordinary shares) in Circassia Pharmaceuticals Plc following Admission.

Statement of Directors' responsibilities

The Directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report. The Directors of Circassia Pharmaceuticals plc are listed on page 22.

The Directors are responsible for the maintenance and integrity of the Group's website www.circassia.co.uk. Legislation in the UK governing the preparation and dissemination of interim financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Steven Harris
Chief Executive Officer

Julien Cotta
Chief Financial Officer

28 July 2014

Independent review report to Circassia Pharmaceuticals plc

Report on the condensed interim financial statements

Our conclusion

We have reviewed the condensed interim financial statements, defined below, in the interim financial report of Circassia Pharmaceuticals plc for the half-year ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed interim financial statements, which are prepared by Circassia Pharmaceuticals plc, comprise:

- the condensed interim consolidated statement of financial position as at 30 June 2014;
- the condensed interim consolidated statement of comprehensive income for the period then ended;
- the condensed interim consolidated statement of cash flows for the period then ended;
- the condensed interim consolidated statement of changes in equity for the period then ended; and
- the notes to the condensed interim consolidated financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of Circassia Pharmaceuticals plc is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed interim consolidated financial statements included in the interim financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim financial statements.

Responsibilities for the condensed interim financial statements and the review

Our responsibilities and those of the Directors

The interim financial report, including the condensed interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the condensed interim financial statements in the interim financial report based on our review.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London

28 July 2014

SHAREHOLDER INFORMATION

Financial calendar

- Interim management statement: Q4 2014
- Preliminary results for the 12 months ending 31 December 2014: Q1 2015
- Annual General Meeting: H1 2015

Registrars

All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to Equiniti. Shareview is Equiniti's shareholder portal offering access to services and information to help manage your shareholdings and inform your important investment decisions.

Shareview Portfolio
Shareview Portfolio is an online portfolio management tool which enables you view and manage all the shareholdings you have, where Equiniti is the Registrar, in one place. It is free to use and provides access to a wide range of market information and investment services. Please visit www.shareview.co.uk.

This is not a recommendation to buy or sell shares. The price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested.

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Directors

- **Dr Francesco Granata** (Chairman)
- **Steven Harris** (Chief Executive Officer and co-founder)
- **Julien Cotta** (Chief Financial Officer)
- **Dr Rod Hafner** (Senior Vice President Research and Development)
- **Dr Tim Corn** (Independent Non-Executive Director)
- **Russell Cummings** (Non-Executive Director)
- **Paul R Edick** (Independent Non-Executive Director)
- **Dr Jean-Jacques Garaud** (Independent Non-Executive Director and Senior Independent Director)
- **Cathrin Petty** (Non-Executive Director)
- **Charles Swingland** (Non-Executive Director and co-founder)