Sativa Group Plc
Interim Statement to 30 June 2019

Contents

Sativa Group Plc

Sativa Group Plc (NEX: SATI), (or "Sativa" or "the Company" or "the Group"), is pleased to announce its results for the 6 months to 30 June 2019.

Key points:

- Revenue increased by 133% on H2 2018 to £588,000 (2018: H1: £8,000, H2: £252,000)[1].
- 5% increase in gross margin on H2 2018 to 46% (2018 H1: 87%, H2: 41%)[1].
- Gross profit of £273,000, a 164% increase on H2 2018 (2018: H1: £7,000, H2: £103,000)[1].
- Cash at bank and cash equivalents of £2.23 million (31 December 2018: £3.74 million).
- Two offtake agreements were signed with suppliers for CBD oil in Portugal and also Switzerland.
- The Company's direct selling platform was launched in May 2019, with 430 sales advocates recruited by the period-end, generating strong revenue growth.
- The first Goodbody Wellness centre was opened in Bath at the end of June, alongside a training centre for customer facing staff at the Company's HQ. Post period-end, further stores opened in Cirencester and Clifton, Bristol, completing the planned three-store pilot phase.

Henry Lees-Buckley, who was appointed CEO in August 2019, said: "Sativa made substantial progress during the first half of the year with revenue and gross profits growing strongly.

"The Goodbody CBD Wellness business completed its three-store pilot phase and is poised to roll-out its franchise model. With the George Botanicals brand and PhytoVista laboratories also performing well, prospects look good."

[1] P&L variance comparison to H2 2018, as the results to June 2018 represent 9 days of trading performance from George Botanicals, post-acquisition on 22 June 2018.

Sativa Group Plc

Chairman's Statement

During the first half of its financial year Sativa made substantial progress in the development of its business. Revenue and gross profits grew strongly in its CBD wellness business, and further investment was made in production and testing equipment to boost the efficiency of production and the breadth of testing services offered.

George Botanicals, the manufacturing, sales and distribution brand has established a firm and growing presence in the market, with revenue growth augmented by the launch of the direct selling channel, and the Goodbody Wellness brand launching its flagship store in Bath at the end of the period.

Post period-end two further stores were opened in Cirencester and Bristol, completing the initial three-store pilot phase ahead of a planned nationwide franchise roll-out. The first three stores have all received a favourable customer response and show steadily growing revenues.

PhytoVista has become a recognised "go-to" laboratory for testing cannabidiol products, delivering in excess of 1,500 tests to external customers from incorporation to the period close.

In recognition of the growth in importance of its UK trading subsidiaries, the Company changed its name in June to Sativa Group Plc, reflecting the reclassification of the Group by NEX Exchange to an operating company.

The Company continues to develop its medicinal cannabis strategy, and is also finalising its plans for a veterinary clinical trial programme with its regulatory consultants.

The Group adjusted EBITDA (earnings before interest, tax, depreciation, share-based payments) loss of £1,065,000 for the period reflects in part the early stage of growth in its subsidiaries and the central overhead of £746,000. Of the latter figure, £140,000 represents investment in regulatory compliance and the legal and adviser cost incurred in consequence. Apart from the necessity of adherence to legal and regulatory guidelines in the processing and selling of CBD products, the Company pursues best practice in its management and product processing as a core policy.

Cash and cash equivalents at period end were £2,230,000.

In August, Henry Lees-Buckley was welcomed to the Board as Chief Executive Officer, with Geremy Thomas transitioning to Deputy Chairman. Henry brings a wealth of public market experience to Sativa, gained in Canada, the USA, and the UK.

Since his arrival, Henry has undertaken a thorough review of the Company's strategy and operations. The management structure has been streamlined and improvements are in-hand for product branding, packaging, marketing, and distribution. Additional investment has been undertaken as a result of these implementations and the benefits of these changes are expected to become apparent from the fourth quarter of this year onwards.

Sativa is excited about the progress being made in its CBD wellness division which includes new store openings, anticipated execution of distribution contracts and sales initiatives related to branding changes. The timing of these have been somewhat delayed from initial management expectations and this combined with the additional investment means that management expects a slight shortfall against its internal full year 2019 revenue and EBITDA forecasts.

Sativa is building a strong foundation to accelerate growth, with growing revenues from high-quality branded products in expanding markets, and the Directors are confident of its prospects looking towards 2020 and beyond.

Jonathan Wearing
Chairman
27 September 2019

Sativa Group Plc

Group Statement of Comprehensive Income for the 6 months ended 30 June 2019

	Note	to 30 June 2019 £'000	to 30 June 2018 £'000
Revenue	2	588	8
Cost of sales		(315)	(1)
Gross profit		273	7
Operating costs		(1,338)	(217)
Loss from operating activities before depreciation and share-based payment charges		(1,065)	(210)
Depreciation		(53)	-
Share-based payment charges-employees	4	(314)	(569)
Share-based payment charges-sponsorship		(63)	-
Loss from operating activities		(1,495)	(779)
Interest payable		(2)	-
Fair value losses on listed investments		(65)	-
Loss before taxation		(1,562)	(779)
Taxation		-	-
Loss for the period		(1,562)	(779)
Total comprehensive income for the period attributable to the owners of the parent company		**(1,562)**	**(779)**
Loss per share		**Pence**	**Pence**
Basic	3	0.30	0.44
Diluted	3	0.30	0.44

Sativa Group Plc
Group Statement of Financial Position as at 30 June 2019

	Notes	30 June 2019 £'000	30 June 2018 £'000
Assets and liabilities			
Non-current assets			
Intangible assets		572	291
Property, plant and equipment		1,268	46
Investments		177	235
		2,017	572
Current assets			
Inventories		173	64
Trade and other receivables		660	27
Cash and cash equivalents		2,230	1,416
		3,063	1,507
Current liabilities			
Trade and other payables		(349)	(258)
Finance lease liability for right to use assets		(137)	-
		(486)	(258)
Non-current liabilities			
Finance lease liability for right to use assets		(513)	-
		(513)	-
Net assets		4,081	1,821
Equity			
Issued share capital		1,319	1,089
Share premium account		5,043	943
Share-based payments reserve	4	1,140	568
Retained earnings		(3,421)	(779)
Total retained earnings		4,081	1,821

Approved and authorised for issue by the Board on and signed on its behalf by:

....
– Director

……………………………………
– Director

Sativa Group Plc
Group Statement of Cash Flows for the 6 months ended 30 June 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss for the period		(1,562)	(779)
Depreciation of property, plant and equipment		53	-
Interest payable		2	-
Share-based payment charges- employees	4	314	568
Share-based payment charges-sponsorship		63	-
Fair value losses on listed investments		65	-
Increase in inventories		(60)	(6)
Increase in trade and other receivables		(426)	(3)
Increase / (decrease) in trade and other payables		154	(171)
Net cash used in operations		(1,397)	(391)
Cash flows from investing activities			
Payments for listed investments		-	(224)
Payments for property, plant and equipment		(334)	(1)
Proceeds from sale of property, plant and equipment		5	-
Net cash used in investing activities		(329)	(225)
Cash flows from financing activities			
Proceeds from issue of equity shares		220	2,032
Repayment of Lease Liability		(7)	-
Net cash generated by financing activities		213	2,032
Net increase / (decrease) in cash and cash equivalents during the period		(1,513)	1,416
Cash and cash equivalents at the beginning of the period		3,743	-
Cash and cash equivalents at the end of the period		2,230	1,416

Notes to the Financial Statements

1 Accounting policies

Reporting entity
Sativa Group plc is a public limited company, incorporated and domiciled in England & Wales. The ordinary shares of the Company are traded on the NEX Exchange.

Basis of information
The interim financial statements have been prepared in accordance with the presentation, recognition and measurement required of applicable International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and IFRIC interpretations applicable as at 30 June 2019. Information for the 6 months ended 30 June 2019 and the first year period ended 30 June 2018 included in this announcement are unaudited and does not compare statutory accounts within the meaning of section 434 of the Companies Act 2006. The audited annual report and financial statements of the company for the period ended 31 December 2018 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006 and did not included references to any matters to which the auditor drew attention by way of emphasis.

The accounting policies applied in these consolidated interim financial information to June 2019 are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018. IFRS 16 "Leases" has since been applied for new leases in 2019. There were no operating leases at 30 June 2018.

The comparative figures have been restated due to an adjustment to the comparative share-based payment charge.

2 Segment reporting

Segment information is presented in the financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business reporting format reflects the Group's management and internal reporting structure.

Sale of cannabidiol products ("Products") is the income that the Group receives from the sale of its products. Testing of cannabidiol products ("Testing") is the income that the Group receives from testing of products.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Products	Testing	Period ended 30 June
	2019 £'000	2019 £'000	2019 £'000
Gross sales	478	123	601
Inter-segment sales	-	(13)	(13)
Segment revenue	478	110	588
Segment results	(346)	(89)	(435)
Share based payment charges - employees			(314)
Regulatory costs			(140)
Unallocated costs			(606)
Operating loss			(1,495)
Interest payable			(2)
Fair value loss on listed investments			(65)
Loss for the period			(1,562)

The unallocated costs are central costs and are non-operating in nature and do not have a direct impact on the operating segments.

3 Loss per share

Basic loss per share is computed by dividing the loss for the period attributable to equity holders of the parent by the weighted-average number of ordinary shares outstanding during the period.

The following tables set out the computations for basic and diluted loss per share:

Period ended 30 June 2019	**Loss** £'000	**Weighted average number of shares**	**Per-share amount** pence
Basic and Diluted EPS			
Loss for the period attributable to equity holders of the parent	(1,562)	513,521,193	(0.30)

Diluted earnings per share
Diluted earnings per share is computed by dividing the profit for the period attributable to equity holders of the parent by the weighted-average number of ordinary shares outstanding during the period as adjusted for the effect of all dilutive potential ordinary shares.

The weighted average number of shares and the loss for the year for the purposes of calculating diluted loss per share are the same as for the basic loss per share calculation. This is because the outstanding share options would have the effect of reducing the loss per share and would not, therefore, be dilutive under the terms of IAS 33.

In order to better demonstrate the performance of the Group, an adjusted loss per share calculation has been presented below which adds back or deducts items typically adjusted for by users of financial statements. The calculations of the adjusted basic and diluted loss per share amounts are based on the following information:

	2019 £'000
Loss for the period attributable to equity holders of the parent	(1,562)
Adjustments:	
Share-based payment charges	377
Adjusted earnings	(1,185)
Weighted average number of shares	513,521,193

Adjusted earnings per share:	**2019** **Pence**
Basic and diluted	(0.23)

4 Share-based payments - employees

The following is a summary of the movements in outstanding share options.

Period ended 30 June 2019

	Number of options
Brought forward 1 January 2019	134,696,154
Granted during the period	7,076,923
Exercised during the period	(7,666,667)
Surrendered during the period	(7,923,076)
Outstanding at 30 June 2019	126,183,334
Exercisable as at 30 June 2019	101,623,929

The options surrendered during the period relate to options held by Geremy Thomas which are only surrendered if certain options issued since admission vest.

5 IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease is recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition is replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

The adoption of IFRS 16 did not have an impact on the reported results of previous periods as the operating leases in place were short-term and immaterial. Under IFRS 16, the Group has recognised a right of use asset of £645,000 and a capitalised lease liability of £650,000. During the 6 month period to 30 June 2019, the group has recognised interest on the finance lease liability of £2,000, and recognised depreciation on the right of use asset of £7,000.

Ends -