Arecor Therapeutics plc
("Arecor", the "Company" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Positive results from Phase I clinical trial for AT278 ultra-concentrated ultra-rapid acting insulin candidate for diabetes

Three new partnership agreements

Successful £20 million AIM IPO

Cambridge, UK, 23 September 2021: Arecor Therapeutics plc (AIM: AREC), a globally focused biopharmaceutical company advancing today's therapies to enable healthier lives, today announces its interim results for the six months ended 30 June 2021.

Sarah Howell, Chief Executive Officer of Arecor, said: "*We have made tremendous progress across the business during the first six months of the year with our successful IPO on AIM and very successful Phase I clinical results for AT278 being key highlights. Earlier this week, we announced positive results from the Phase I clinical trial for our ultra-concentrated ultra-rapid acting insulin, AT278, the second product in our diabetes franchise. This follows the positive results of the Phase I clinical trial for AT247, our ultra-rapid acting insulin, and positions Arecor with a combination of rapid concentrated and ultra-rapid insulins to advance diabetes treatment. In addition, our new partnership agreements with Lilly and Par, and most recently with Intas Pharmaceuticals, further demonstrate the strength and breadth of our Arestat™ platform. With the £20 million raised, we are now well-placed to advance our proprietary pipeline with further clinical trials for our lead products planned in the coming year, including the expected completion of the US Phase I clinical trial for AT247."*

Operational Highlights (including post-period events):

- Positive results from Phase I clinical trial for AT278, an ultra-concentrated ultra-rapid acting insulin, demonstrating significantly early accelerated PK/PD profile compared to market leading comparator, NovoRapid®
- Positive Phase I clinical data of AT247 presented at ATTD, the leading international diabetes conference
- Received FDA clearance of IND application for AT247, an ultra-rapid acting insulin, paving the way for the US clinical trial
- Signed three new partnership agreements with Eli Lilly and Company ('Lilly'), Par Sterile Products ('Par') and Intas Pharmaceuticals ('Intas')
- Awarded £2.8 million Innovate UK grant to support Phase II development of AT247
- Grant of US patent as part of a global patent portfolio underpinning the Arestat™ platform

Financial Highlights:

- Successful IPO on AIM, raising £20 million
- Revenue of £0.5 million (H1 2020: £0.8 million, including £0.3 million milestone payment)
- Investment in R&D of £1.9 million (H1 2020: £1.6 million)
- Loss after tax for the period of £3.1 million (H1 2020: £1.0 million)
- Cash and cash equivalents of £22.1 million at 30 June 2021 (30 June 2020: £2.5 million)
- Debt free at 30 June 2021, following the conversion of £4.4 million loan notes into new ordinary shares, immediately prior to the IPO

Analyst conference call today

Dr Sarah Howell, Chief Executive Officer, and Susan Lowther, Chief Financial Officer, will host a meeting and webcast for analysts and investors at 11.00 am UK time today. A copy of the interim results presentation will be released later this morning on the Company website at www.arecor.com. Please contact Consilium Strategic Communications for details on arecor@consilium-comms.com / +44 203709 5700.

For more information, please contact:

Arecor Therapeutics plc	**www.arecor.com**
Dr Sarah Howell, Chief Executive Officer	Tel: +44 (0) 1223 426060
Email: info@arecor.com	
Susan Lowther, Chief Financial Officer	Tel: +44 (0) 1223 426060
Email: info@arecor.com	
Mo Noonan, Communications	Tel: +44 (0) 7876 444977
Email: mo.noonan@arecor.com	
Panmure Gordon (UK) Limited (NOMAD and Broker)	
Freddy Crossley, Emma Earl (Corporate Finance)	
Rupert Dearden (Corporate Broking)	Tel: +44 (0) 20 7886 2500
Consilium Strategic Communications	
Chris Gardner, David Daley, Angela Gray	Tel: +44 (0) 20 3709 5700
Email: arecor@consilium-comms.com	

Notes to Editors

About Arecor

Arecor Therapeutics plc is a globally focused biopharmaceutical company transforming patient care by bringing innovative medicines to market through the enhancement of existing therapeutic products. By applying our innovative proprietary formulation technology platform, Arestat™, we are developing an internal portfolio of proprietary products in diabetes and other indications, as well as working with leading pharmaceutical and biotechnology companies to deliver enhanced formulations of their therapeutic products. The Arestat™ platform is supported by an extensive patent portfolio.

For further details please see our website, www.arecor.com

This announcement contains inside information for the purposes of the retained UK version of the EU Market Abuse Regulation (EU) 596/2014 ("UK MAR").

Corporate Overview

Arecor has continued to make strong progress in the first six months of the financial year including its Admission to AIM on 3rd June 2021 and associated successful placing which raised £20 million from new and existing shareholders.

During the period and in the lead up to these results, our proprietary portfolio has made great advancements, with AT247, our ultra-rapid insulin, presented at key conferences, receipt of a substantial grant toward its Phase II development, and importantly, U.S. Food and Drug Administration (FDA) clearance of the IND for a Phase I clinical trial in the US. In addition, the positive results of our first Phase I clinical trial for AT278, our ultra-concentrated ultra-rapid insulin, further build on and validate our diabetes franchise. These results are clinically significant and signal AT278's potential to disrupt the market for insulin treatment in people with diabetes. With no concentrated (>200 U/mL) rapid acting insulin products currently on the market, not only does AT278 have the potential to be the first such product available to patients, it would be a critical enabler in the development of next generation miniaturised insulin delivery systems. There remains an urgent need for new insulin products that can deliver improved patient outcomes. Progress in our portfolio shows the potential of our enhanced therapeutics to deliver significant clinical benefits to patients.

We have also continued to strengthen our portfolio of products partnered with major pharmaceutical companies, demonstrating how our formulation technology can bring enhanced products to market for partners that simplify care and improve medicine management.

Operational highlights (including post period end)

In March, we were awarded a £2.8 million grant from Innovate UK to support the Phase II development of AT247, Arecor's ultra-rapid acting insulin for the treatment of diabetes which has been developed using our ground-breaking Arestat™ platform.

In June, we presented data at the leading international diabetes conference ATTD (Advanced Technologies & Treatments for Diabetes) following the successful results of our Phase I study of AT247 ultra-rapid acting insulin, in which AT247 demonstrated faster insulin absorption with an accelerated Pharmacokinetic (PK) and Pharmacodynamic (PD) profile compared to NovoRapid® and Fiasp®.

In September, we received clearance from the FDA of our Investigational New Drug (IND) application for AT247 allowing a clinical trial to commence in the US. The IND supports a Phase I clinical trial in approximately 24 participants with type I diabetes, to further explore the clinical benefits of AT247. In a recently published European Phase I clinical study, AT247 exhibited an earlier insulin appearance, exposure, and offset, with corresponding enhanced early glucose-lowering effect compared with NovoRapid® and Fiasp®. This new US clinical trial is expected to complete in 2022.

In September, we announced positive results from a Phase I clinical trial of our second product in the diabetes franchise, AT278, an ultra-concentrated ultra-rapid acting insulin, which demonstrated superiority over current market leading comparator, NovoRapid®. In the double-blind, randomised, two-way cross over Phase

I clinical study in 38 participants with Type I diabetes, the pharmacokinetics (PK), pharmacodynamics (PD) and safety of a single subcutaneous (SC) dose of 0.3 U/Kg AT278 (500 U/mL) were compared with those of a single SC dose of 0.3 U/Kg NovoRapid® (100 U/mL), a currently available gold standard rapid acting insulin treatment, in a euglycemic clamp setting. The trial met the primary endpoint of non-inferiority with respect to glucose lowering action as compared with NovoRapid® (100 U/mL rapid acting insulin). In addition to meeting this primary endpoint, AT278 also demonstrated a significantly accelerated early PK/PD profile compared to NovoRapid®. No safety signals were detected. AT278 has the potential to enable more effective management of blood glucose levels to the increasing number of people with diabetes with high daily insulin requirements (>200 units/day) whilst maintaining the convenience and compliance benefits of being able to deliver their required insulin doses in a lower injection volume via a single injection. A truly rapid acting concentrated insulin is a critical enabler in the development of the next generation miniaturised insulin delivery devices.

Partnership agreements

During the period, and in the lead up to the financial results, we added three new agreements to our partner portfolio of global pharmaceutical companies including agreements with Lilly and Par in the period and an agreement with Intas in September. In each of these collaborations we apply our Arestat™ technology, which enhances the properties of therapeutic proteins, peptides and vaccines, to deliver superior reformulations of our partners' proprietary products.

Our partners fully fund the development work and have the option to acquire rights to the new proprietary formulation and associated Intellectual Property under a technology licensing model, with associated milestone and royalty payments.

In May, we signed an agreement to develop a differentiated, thermostable formulation of one of Lilly's global, proprietary products intended for self-administration. The thermostable formulation would allow greater convenience of use of the product by patients, whilst maintaining its integrity.

In June, we signed an agreement to develop a differentiated, stable, single dose, Ready-to-Use ("RTU") formulation of one of Par's products for intravenous administration. The new product formulation supports safe medication practices and operational efficiency by eliminating the need for reconstitution.

In September, we signed an agreement with Intas to develop a new formulation to improve its usability for the patient compared to current marketed products and in particular facilitate home use outside of a healthcare environment. Upon successful completion of development, Accord Healthcare, an affiliate of Intas, will promote this product across all major markets.

Intellectual Property portfolio

In May, we were granted a patent by the United States Patent and Trademark Office of U.S., Utility Patent No. 10,925,965 B2, that contributes to the Group' global patent portfolio underpinning our Arestat™ platform. This US patent claims proprietary formulation technology aimed at enabling stabilised multi-dose protein products that are desirable in the market but are often challenging to achieve.

The US is an important international market for biopharmaceuticals and one where Arecor has established commercial and development partnerships.

Finance

Revenue recognised in the period of £0.5 million was derived from formulation development projects and was in line with expectations. In the prior period, revenue recognised of £0.8 million included a £0.3 million milestone from an existing license agreement.

Other operating income of £51,000 (H1 2020: £0.3 million) reflected start-up activities relating to a £2.8 million grant, which was awarded by Innovate UK in March 2021. Other operating income of £0.3 million in the prior period, was derived from two Innovate grant projects which ended during 2020.

Investment in R&D increased to £1.9 million (H1 2020: £1.6 million) and included Phase I clinical trial costs for AT278, an ultra-concentrated ultra-rapid acting insulin. Other administrative expenses increased to £1.4 million (H1 2020: £0.7 million) which reflected the placing costs of £0.5 million incurred in the period.

The total loss after tax for the period was £3.1 million (H1 2020: £1.0 million).

Following the admission to AIM on 3rd June, the Group closed the first half of the financial year with a strong cash balance of £22.1 million, compared to £2.5 million at 30 June 2020.

Summary and Outlook

"We have made tremendous progress across the business during the first six months of the year with key highlights including our successful IPO on AIM and, earlier this week, positive results from the Phase I clinical trial for our ultra-concentrated ultra-rapid acting insulin, AT278, the second product in our diabetes franchise. This follows the positive results of the Phase I clinical trial for AT247, our ultra-rapid insulin for diabetes, and positions Arecor with a combination of rapid concentrated and ultra-rapid insulins to advance diabetes treatment. In addition, we have secured three new technology partnership collaborations with Lilly, Par and Intas, further demonstrating the strength and breadth of our Arestat™ technology platform. With the £20 million raised, we are now well-placed to rapidly advance our proprietary pipeline with further clinical trials for our lead products planned in the coming year, including the expected completion of a US Phase I clinical trial for AT247."

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Consolidated Statement of Comprehensive Income

	Notes	**Period ended 30 June 2021**	Period ended 30 June 2020	Year ended 31 December 2020
		Unaudited	Unaudited	Audited
		£	£	£
Revenue	***3***	**460,021**	817,043	1,697,593
Other operating income		**51,341**	342,608	452,456
Research and development		**(1,892,459)**	(1,620,575)	(3,936,557)
Sales, General and Administrative	***4***	**(1,440,899)**	(721,449)	(1,323,692)
Share based compensation	***5***	**(134,340)**	(158,911)	(317,822)
Operating loss		**(2,956,336)**	(1,341,284)	(3,428,022)
Finance income		**4,556**	3,548	2,976
Finance expense	***6***	**(500,278)**	(6,249)	(87,289)
Loss before tax		**(3,452,058)**	(1,343,985)	(3,512,335)
Taxation		**346,511**	297,156	759,968
Loss for the period		**(3,105,547)**	(1,046,829)	(2,752,367)
Basic and diluted loss per share (£)	***7***	**(0.17)**	(0.06)	(0.17)

There were no other items of comprehensive income during the periods under review.

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Consolidated Statement of Financial Position

	Notes	**30 June 2021**	30 June 2020	31 December 2020
		Unaudited	Unaudited	Audited
		£	£	£
Assets				
Non-current assets				
Intangible Assets		**34,030**	42,363	38,196
Property, Plant and Equipment		**361,000**	371,089	375,346
Other receivables		**48,000**	48,000	48,000
		443,030	461,452	461,542
Current assets				
Trade and other receivables		**612,003**	227,812	165,536
Current tax receivable		**346,511**	295,445	758,257
Cash and cash equivalents		**22,149,496**	2,476,731	2,898,460
		23,108,010	2,999,988	3,822,253
Current liabilities				
Trade and other payables		**(1,996,533)**	(864,432)	(1,303,118)
Lease liabilities		**(124,813)**	(62,622)	(105,215)
		(2,121,346)	(927,054)	(1,408,333)
Non-current liabilities				
Lease liabilities		**(168,314)**	(213,992)	(191,903)
Borrowings	***9***	**-**	-	(1,698,229)
Derivative financial instruments		**-**	-	(211,543)
		(168,314)	(213,992)	(2,101,675)
Net Assets		**21,261,380**	2,320,394	773,787
Equity				
Share capital	***10***	**276,835**	27,135	27,155
Share premium	***10***	**23,348,020**	11,593,688	11,593,688
Other reserves		**11,454,787**	-	-
Share-based compensation reserve		**297,359**	885,920	1,044,831
Retained earnings		**(14,115,621)**	(10,186,349)	(11,891,887)
Shareholder's funds		**21,261,380**	2,320,394	773,787

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Other reserves	Share-based compensation reserve	Retained earnings	Total equity
	£	£	£	£	£	£
For the period ended 30 June 2021						
Balance at 1 January 2021	**27,155**	**11,593,688**	**-**	**1,044,831**	**(11,891,887)**	**773,787**
Loss for the period	--	-	-	-	(3,105,547)	(3,105,547)
	-	-	-	-		
Total comprehensive loss for the period	-	-	-	-	(3,105,547)	(3,105,547)
Contributions by and distributions to owners:						
Shares issued by Arecor Limited	625	-	-	-	-	625
Share-based compensation: reversal of Arecor Limited charge	-	-	-	(881,813)	881,813	-
Capitalisation of shares	138,901	(138,901)	-	-	-	-
Incorporation of Arecor Therapeutics Limited	-	(11,454,787)	11,454,787	-	-	-
Share-based compensation: Arecor Therapeutics plc charge	-	-	-	134,340	-	134,340
Shares issued by Arecor Therapeutics plc	110,154	24,784,798	-	-	-	24,894,952
Share issue expense	-	(1,436,778)	-	-	-	(1,436,778)
Total contributions by and distributions to owners	249,680	11,754,332	11,454,787	(747,473)	881,813	23,593,139
Balance at 30 June 2021 (Unaudited)	**276,835**	**23,348,020**	**11,454,787**	**297,359**	**(14,115,621)**	**21,261,380**
For the period ended 30 June 2020						
Balance at 1 January 2020	26,732	11,593,688	-	727,009	(9,139,520)	3,207,909
Loss for the period	-	-	-	-	(1,046,829)	(1,046,829)
	-	-	-	-	-	
Total comprehensive loss for the period	-	-	-	-	(1,046,829)	(1,046,829)
Contributions by and distributions to owners:						
Issue of shares	403	-	-	-	-	403
Share-based compensation	-	-	-	158,911	-	158,911
Total contributions by and distributions to owners	403	-	-	158,911	-	159,314
Balance at 30 June 2020 (Unaudited)	**27,135**	**11,593,688**	**-**	**885,920**	**(10,186,349)**	**2,320,394**
For the year ended 31 December 2020						
Balance at 1 January 2020	26,732	11,593,688	-	727,009	(9,139,520)	3,207,909
Loss for the year	-	-	-	-	(2,752,367)	(2,752,367)
	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(2,752,367)	(2,752,367)
Contributions by and distributions to owners:						
Issue of shares	423	-	-	-	-	423
Share-based compensation	-	-	-	317,822	-	317,822
Total contributions by and distributions to owners	423	-	-	317,822	-	318,245
Balance at 31 December 2020 (Audited)	**27,155**	**11,593,688**	**-**	**1,044,831**	**(11,891,887)**	**773,787**

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Consolidated Statement of Cash Flows

	Period ended 30 June 2021 Unaudited £	Period ended 30 June 2020 Unaudited £	Year ended 31 December 2020 Audited £
Cash flow from operating activities			
Loss before tax	**(3,452,058)**	(1,343,985)	(3,512,335)
Finance income	**(4,556)**	(3,548)	(2,976)
Finance costs	**500,278**	6,249	87,289
Share-based compensation	**134,340**	158,911	317,822
Depreciation	**78,054**	108,645	160,292
Amortisation	**4,167**	4,167	8,334
Foreign exchange movements	**(2,711)**	43,371	42,944
	(2,742,486)	(1,026,190)	(2,898,630)
Changes in working capital			
(Increase)/ decrease in trade and other receivables	**(446,467)**	321,446	383,722
Increase/(decrease) in trade and other payables	**693,415**	(75,133)	363,553
Tax received	**758,257**	294,713	294,713
	1,005,205	541,026	1,041,988
Net cash used in operating activities	**(1,737,281)**	(485,164)	(1,856,642)
Cash flow from investing activities			
Purchase of property, plant & equipment	**(14,510)**	(44,307)	(52,295)
Interest received	**258**	3,548	2,976
Net cash used in investing activities	**(14,252)**	(40,759)	(49,319)
Cash flow from financing activities			
Issue of ordinary shares	**20,000,626**	403	423
Share issue costs	**(1,436,778)**	-	-
Shareholder loans	**2,500,000**	-	1,905,474
Transaction costs on loan received	**-**	-	(65,006)
Capital payments on lease liabilities	**(53,190)**	(21,813)	(49,225)
Interest paid on lease liabilities	**(10,800)**	(6,249)	(17,985)
			-
Net cash generated by / (used in) financing activities	**20,999,858**	(27,659)	1,773,681
Net increase / (decrease) in cash and cash equivalents	**19,248,325**	(553,582)	(132,280)
Cash and cash equivalents at beginning of period or financial year	**2,898,460**	3,073,684	3,073,684
Exchange rate movement	**2,711**	(43,371)	(42,944)
Cash and cash equivalents at end of period or financial year	**22,149,496**	2,476,732	2,898,460

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Notes to the financial information

COMPANY INFORMATION

Arecor Therapeutics plc ("Arecor" or "the Company") is a public limited company incorporated and registered in England and Wales on 13 April 2021 at Chesterford Research Park, Little Chesterford, Saffron Walden, CB10 1XL with registered number 13331147.

The business of the Company and its principal activity is to act as a holding company. The Group's activities and operations are carried on by Arecor Limited, the Company's wholly owned subsidiary.

On 24 May 2021 Arecor Limited undertook a bonus issue of shares and share options on the basis of five shares for every one share or share option held.

On 24 May 2021 all shareholders and convertible loan note holders in Arecor Limited and the Company entered into a Share and CLN Exchange Agreement, pursuant to which the Company acquired the entire issued share capital and convertible loan notes in Arecor Limited.

On 24 May 2021 the Company was re-registered under section 92 of the Companies Act as a public limited company.

On 2 June 2021, pursuant to a Shareholders' resolution passed on 26 May 2021 and class consents:

a) the A ordinary shares, A1 ordinary shares and B ordinary shares were converted into ordinary shares;
b) the ordinary shares were converted into C ordinary shares; and
c) the Company renamed the C ordinary shares into ordinary shares

On 3 June 2021 the Company's shares were admitted to trading on AIM, a market operated by The London Stock Exchange.

1. BASIS OF PREPARATION

The financial statements for the period ended 30 June 2021 incorporate the results of Arecor Therapeutics plc and Arecor Limited. The Group's consolidated interim financial information for the period to 30 June 2021 are unaudited. They were approved by the board of directors on 20th September 2021.

International Financial Reporting Standards as adopted for use in the European Union ("IFRS") is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable at 31 December 2021.

The consolidated statements have been prepared and are presented as a continuation of the financial statements of Arecor Limited, adjusted to reflect the share capital of the new parent. The results presented for the comparative periods relate to Arecor Limited.

The financial information contained in these interim financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. These interim financial statements do not include all of the information and disclosures required in the annual financial statements. The financial information for the six months ended 30 June 2021 and 30 June 2020 is unaudited.

Financial statements for year ended 31 December 2020 have been filed with the Registrar of Companies for Arecor Limited (Company registration number 06256698). The audit report for this period, previously filed, was unmodified.

Since the registration of Arecor Therapeutics plc in April 2021, audited financial statements have yet to be filed with the Registrar of Companies.

All intra-Group transactions, balances, income and expenses have been eliminated in full on consolidation.

The financial information is presented in Sterling, which is the functional currency of the Group and has been rounded to the nearest £.

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the accounting policies set out in the audited financial statements for the period ended 31 December 2020 and IFRS.

a) Going Concern

The Directors are pleased to present the financial information on a going concern basis. Having carefully considered the cash position of £22.1 million at the 30 June 2021 reporting date and the cashflow forecast for the 12 months from the date of approval of the interim results, the Directors are confident that the Group has sufficient cash to make the necessary investments to grow in line with its strategic vision and to meet the liabilities of the business as they fall due.

The current COVID-19 pandemic has the potential to materially impact the ability of the Group to execute its strategy and to negatively impact the Group's cashflow forecast. At the date of approval of the interim results, the Company's operations have not been significantly impacted by the crisis.

The Directors are confident that at this time of economic uncertainty, the Group has a stable cash position and all necessary actions have been taken to protect the business from the impact of the COVID-19 pandemic.

b) Revenue

Revenue is measured based on the consideration that the Company expects to be entitled to in exchange for transferring promised goods and services. There are two main revenue types: the first arises from the performance of formulation development studies and the second from granting of licences.

Formulation development

Revenue from the performance of formulation development projects is recognised as the performance obligation defined in a contract is performed over time. The progress of the work is dictated by project phases, hence time passed best indicates the stage of completion of a service performed over time, over the life of each element of the contract. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Transaction prices are determined based on prices agreed in the contracts, each of which is negotiated individually with the customer. This includes the allocation of the whole contract price between each distinct performance obligation within each contract.

The types of contracts entered into by the Company do not include any obligations for returns or refunds nor are warranties offered relating to the work performed.

None of the practical expedients in IFRS 15 have been applied.

In general, revenue is billed in advance of performance of work for each phase of a contract, meaning most arrangements give rise to contract liabilities as each invoice is raised, and these liabilities are fully released before the next billing point.

Licence agreements
Revenue from licence agreements where it has been assessed as giving the right to use the underlying intellectual property, is recognised at the granting of the licence.

Where agreements combine the grant of a licence and the provision of services the consideration is allocated between the two elements based on the identifiable elements of the separate performance obligations, being the licence grant and the distinct obligations included in the agreement.

Where licences include variable consideration, typically in the form of milestone payments, revenue is recognised when a milestone is achieved.

Non-government grants
Where the Company receives non-government grants, they are treated as revenue as they have comparable performance obligations and conditions to other revenue contracts. These grants typically relate to research projects rather than licences.

c) Government grants
The Company receives UK government grants for research work. Grants are agreed for named projects, offering reimbursement of specified costs incurred on these projects. The grants are paid after each grant reporting period when the claim is submitted, and there are no clauses requiring the Company to repay any amounts as the funding is cost-based rather than outcome-based. The administering body has the right to request information on any items within each grant claim and to request an independent auditor's report. There are no clawback provisions relating to the grants as they are not paid until after the relevant expenditure has been incurred and agreed, and this is the only condition.

Revenue-based grants have been credited to the statement of comprehensive income in the period to which they relate.

d) Research and development costs
Research expenditure is expensed as it is incurred. Development costs relating to internally developed products are capitalised from the date at which all of the following criteria are met for a product:

- The technical feasibility of completing the project (so that an intangible asset thereby generated will be available for use or sale) can be demonstrated;
- An intention to complete the project can be demonstrated;
- An ability to use or sell an intangible asset generated by the project can be demonstrated;
- It is possible to demonstrate how an intangible asset generated by the project will generate probable future economic benefits for the Company;
- It is possible to demonstrate the availability of adequate technical, financial & other relevant resources to complete the development and to use or sell an intangible asset generated by the project;
- An ability to measure reliably the expenditure attributable to the project can be demonstrated.

Until all of the above criteria are met, such costs are classified as research expenditure and expensed accordingly. As drug products cannot be commercialised until they have completed Phase III clinical trials and received regulatory approval, the Company considers that the above criteria have not been met for any current products and therefore all costs will continue to be expensed until such time as they are met.

Included within research expenditure are all costs relating to the development and protection of the Company's intellectual property. These are expensed through the Statement of Comprehensive Income.

e) Share based compensation

The Company operates an All-Employee Share Option Plan (AESOP) and grants EMI share options to all eligible employees. The Company's Long Term Incentive Plan (LTIP) is principally used to grant options to senior management. A grant of options under the AESOP and the LTIP was made on 3 June 2021.

On 2 June, certain employees entered into an EMI option exchange agreement where they agreed to release an option over shares in Arecor Limited ('Old Option') for a replacement option over shares in the Company ('Rollover Option'). The Rollover Options are treated as having been granted on the date on which the Old Option was granted and are exercisable subject to the same conditions as applied to the Old Option.

f) Impairment of non-financial assets

At each balance sheet date, the Directors review the carrying amounts of the Company's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

g) Leases

The Company has taken the IFRS 1 exemption in relation to the adoption of IFRS 16, thereby measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. The right of use asset is measured at the transition date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Right of use assets are recognised in a separate category of property, plant and equipment and are depreciated over the shorter period of lease term and useful life of the underlying asset, starting at the commencement date of the lease.

3. REVENUE AND OPERATING SEGMENT

	Period ended 30 June 2021	Period ended 30 June 2020	Year ended 31 December 2020
UK	-	-	-
Europe	46,539	369,158	735,675
Rest of World	413,482	447,885	961,918
Total revenue	**460,021**	**817,043**	**1,697,593**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board of Directors has been identified as the chief operating decision maker, who is responsible for allocating resources, assessing the performance of the operating segment and making strategic decision.

For the period ending 30 June 2021, five customers (period to 30 June 2020, three customers) each contributed more than 10% of the Company's revenue, with the largest three customers contributing 30%, 19% and 18% respectively (period to June 2020, 42%, 33%, 11%).

	Period ended 30 June 2021	Period ended 30 June 2020	Year ended 31 December 2020
Formulation development projects	375,648	389,631	666,089
Licence agreements	-	339,443	920,015
Non-Government grants	84,373	87,969	111,489
Total revenue	**460,021**	**817,043**	**1,697,593**

Revenue from formulation development projects is recognised as the performance obligations set out in agreements are satisfied over time.

Revenue from licence agreements which include a right to use the underlying intellectual property is recognised at the granting of a licence. Where agreements combine the grant of a licence and the provision of services the recognition is allocated between the two elements based on the identifiable elements of performance obligations set out in each agreement. Milestones defined in license agreements are recognised when a milestone is achieved.

4. SALES, GENERAL AND ADMINISTRATIVE COSTS

Operating expenditure which is not considered as Research and Development is treated as Sales, General and Administrative costs. This includes Finance, HR, Administrative and Business Development teams, building facilities and costs relating to the Board of Directors.

In the period Sales, General and Administrative included £0.5 million non-recurring costs associated with the Admission of Arecor Therapeutics plc to AIM.

Expenditure from continuing operations for the period of £1.0 million was broadly in line with the prior period (H1 2020: £0.9 million).

5. SHARE BASED COMPENSATION

On 2 June, certain employees entered into an EMI option exchange agreement where they agreed to release an option over shares in Arecor Limited ('Old Option') for a replacement option over shares in the Company ('Rollover Option'). The Rollover Options are treated as having been granted on the date on which the Old Option was granted, with the earliest grant date being 12 December 2018 and the latest grant date being 3 November 2020.

The Rollover Options are subject to graded vesting: one third vest on the first anniversary of the date of grant and two thirds vest in equal instalments over the following 24 months. The Rollover Options are subject to the same conditions which applied to the Old Option. The exercise price is £0.01 per share.

The Company operates an All-Employee Share Option Plan (AESOP) and grants EMI share options to eligible employees. A grant of options under the AESOP was made on 3rd June at an exercise price of £2.26 per share. The options are subject to graded vesting with one third vesting on the first, second and third anniversary of the date of grant.

The Company's Long Term Incentive Plan (LTIP) is principally used to grant options to Executive directors and senior management. A grant of options under the LTIP was made on 3rd June at an exercise price of £0.01 per share. The LTIP options will vest after three years subject to meeting a performance criteria of total shareholder return in relation to the techMARK mediscience index over the same period. Ordinary shares acquired on exercise of the LTIP options are subject to a holding period of a minimum of one year from the date of vesting.

The movement in share options in the period was as follows:

	Number of Options
Opening Balance at 1 January 2020	**144,100**
Options vested and exercised	(42,299)
Options lapsed	(1,319)
Options granted	21,250
Balance at 31st December 2020	**121,732**
Options vested and exercised	(62,493)
Options lapsed	(5,250)
Bonus issue (five to one basis)	269,945
EMI Options granted	404,750
LTIP options granted	700,000
Balance at 30 June 2021	**1,428,684**

Charges to the Statement of Comprehensive Income	**£**
Period to June 2021	134,340
Period to June 2020	37,822
Year to December 2020	79,723

The Rollover Options have been treated as a modification of the original options, adjusted for the bonus issue of five share options for every one share option held and the corresponding dilution of the fair value of each option. The vesting period of the Rollover Options is unchanged.

6. FINANCE EXPENSES

Included in Finance expense is a charge of £0.5 million relating to the conversion of the convertible loan note instruments into ordinary shares at a subscription price which was at a discount of 10% to the placing price at Admission.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Given the Company's reported loss for the periods and financial year, share options were not taken into account when determining the weighted average number of ordinary shares in issue during the year as they would be anti-dilutive, and therefore the basic and diluted loss per share are the same.

On 3 June, 8,849,558 ordinary shares were issued by the Company pursuant to the placing and admission to AIM.

These share issues have been included in the earnings per share calculation of the prior period and year ended 31 December 2020, to provide a comparable calculation.

Basic and diluted loss per share

	Period ended 30 June 2021	Period ended 30 June 2020	Year ended 31 December 2020
Loss for the period (£)	**(3,105,547)**	(1,046,829)	(2,752,367)
Weighted average number of ordinary shares (number)	**18,237,593**	16,202,890	16,247,322
Loss per share from continuing operations (£ per share)	**(0.17)**	(0.06)	(0.17)

8. RELATED PARTY TRANSACTIONS

In the period and pre-Admission to AIM the Company paid consultancy fees of £42,217 (2020: £23,882) to one non-executive director and one former non-executive director who are also shareholders.

9. BORROWINGS AND DERIVATIVES

	At 30 June 2021 £	**At 30 June 2020 £**	**At 31 December 2020 £**
Non-current			
Convertible loan notes	-	-	1,698,229
	-	-	1,698,229
Total borrowings	**-**	**-**	**1,698,229**

	At 30 June 2021 £	**At 30 June 2020 £**	**At 31 December 2020 £**
Non-current			
Embedded derivative	-	-	211,543
	-	**-**	**211,543**

Convertible loan note instruments

On 28 October 2020, Arecor Limited executed a convertible loan note instrument which constituted £1,905,474 unsecured convertible loan notes. On 31 March 2021, Arecor Limited executed a supplemental loan note instrument for £2,500,000 unsecured convertible loan notes.

The terms of these instruments included interest payable at the rate of eight per cent. per annum. The loan notes plus accrued, unpaid interest could be:

a) converted into shares on the admission to a recognised investment exchange including AIM;
b) converted into shares upon raising equity capital of at least £8,000,000; or
c) redeemed on the first business day after the fifth anniversary of the date of issue.

Following the adoption by the Company of the convertible loan notes and completion of the Share and CLN Exchange on 24 May 2021, the convertible loan notes in Arecor Limited were released. The convertible loan stock of £4,405,474 in the Company was converted into ordinary shares, immediately prior to Admission, at

a 10% discount to the placing price. This has been treated as a finance expense in the Consolidated Statement of Comprehensive Income.

Interest accrued was disregarded on conversion in accordance with the terms of the instruments.

10. EQUITY

Share Capital

	At 30 June 2021 Number	At 30 June 2020 Number	At 31 December 2020 Number
Allotted, called up and fully paid			
Ordinary shares of £0.01	27,683,532	134,676	135,245
A Ordinary shares of £0.01		1,397,715	1,397,715
A1 Ordinary shares of £0.01		24,600	24,600
B Ordinary shares of £0.01		243,386	244,776
C Ordinary shares of £0.01		913,182	913,182
Total share capital	**27,683,532**	**2,713,559**	**2,715,518**

	At 30 June 2021 £	At 30 June 2020 £	At 31 December 2020 £
Allotted, called up and fully paid			
Ordinary shares of £0.01	276,835	1,347	1,352
A Ordinary shares of £0.01		13,977	13,977
A1 Ordinary shares of £0.01		246	246
B Ordinary shares of £0.01		2,434	2,448
C Ordinary shares of £0.01		9,132	9,132
Total share capital	**276,835**	**27,136**	**27,155**

On 2 June 2021, pursuant to a Shareholders' resolution passed on 26 May 2021 and class consents:

a) the A ordinary shares, A1 ordinary shares and B ordinary shares were converted into ordinary shares;
b) the ordinary shares were converted into C ordinary shares; and
c) the Company renamed the C ordinary shares as ordinary shares

This resulted in 16,668,066 existing ordinary shares.

On 2 June 2021, 2,165,908 ordinary shares were issued pursuant to the share and convertible loan note conversion.

On 3 June 2021 8,849,558 ordinary shares were issued by the Company pursuant to the placing and admission to AIM, raising £20 million before expenses.

Share Premium

Proceeds received in addition to the nominal value of the shares issued during the period have been included in share premium less registration and other regulatory fees and net of related tax benefits. Costs of new shares issued to share premium in the period amounted to £24,754,332. Registration and other regulatory fees incurred as a result of these transactions amounted to £1,436,778.

11. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since the 30 June 2021 reporting date that have had a material impact on the financial results announced.

12. COPIES OF INTERIM REPORT

Copies of the interim report are available to the public free of charge from the Company at Chesterford Research Park, Little Chesterford, Saffron Walden, CB10 1 XL during normal business hours for 14 days from today.

Copies are also available on the Company's website at www.arecor.com.