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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

- **Excellent progress across proprietary clinical pipeline with key data for ultra-rapid acting insulin AT247 expected in H2**

- **Continued strong progress across partnered programmes with addition of a new collaboration with a Top 5 global pharmaceutical company**

- **Acceleration of commercially driven strategy, with post-period acquisition of Tetris Pharma Ltd ("Tetris Pharma") and £6 million Placing to add key commercial diabetes product and build out Arecor's specialty hospital products franchise with scalable sales, marketing and distribution platform**

Cambridge, UK, 8 September 2022: 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 2022.

Sarah Howell, Chief Executive Officer of Arecor, said: *"Arecor's ambition is to build a significant self-sustaining biopharmaceutical company and we expect the next six months to bring further progress within our diabetes franchise and continuing discussions with potential partners to expand our portfolio of revenue generating partnership deals. Clinical data for AT247 is expected later in 2022 and is key to further demonstrating its superiority against current gold standard treatments and its potential to facilitate a fully closed loop artificial pancreas. This could provide a significant inflexion point for the Group. In H2, we also expect to initiate a further clinical trial for AT278 in people living with Type 2 diabetes".*

"Our acquisition of Tetris Pharma brings an opportunity to accelerate our commercially-driven strategy alongside our core diabetes and partnered programmes. We have gained a revenue-generating sales, marketing and distribution platform which complements our existing specialty hospitals products franchise. The lead product, Ogluo®, meets a key patient need for people living with diabetes at risk of severe hypoglycaemia, which is a therapeutic area we know well. We believe that the platform the Tetris team has established adds the optionality of taking selected products to market in the UK and Europe, where appropriate, as an addition to Arecor's already proven partnering strategy."

Operational highlights

- Phase I US clinical trial of AT247, an ultra-rapid acting insulin product candidate, delivered by continuous subcutaneous infusion via insulin pump over three days, initiated in January, with top-line data expected in H2 2022
- Positive Phase I clinical data of AT278, an ultra-rapid acting, ultra-concentrated insulin product candidate, presented at leading international diabetes conference, ATTD, in April

- Exclusive formulation study collaboration signed with top five global pharmaceutical company in June
- IP position strongly enhanced through the grant of three European (two post-period) and one US patent

- **Post period events**
  - Acquisition of Tetris Pharma Ltd, a commercial stage specialty pharmaceutical company with a sales and distribution team and a platform focused on injectable specialty products across the UK and Europe, and a Placing which raised £6 million in August

Financial highlights

- Revenue of £0.7 million (H1 2021: £0.5 million)
- Total income of £1.1 million (H1 2021: £0.6 million)
- Investment in R&D of £4.8 million (H1 2021: £1.9 million)
- Loss after tax for the period of £4.4 million (H1 2021: £3.1 million)
- Cash and cash equivalents of £13.7 million at 30 June 2022 (30 June 2021: £22.1 million)

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.

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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 pipeline 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

We have had a strong start to the year, with our portfolio of investigational proprietary therapeutic products, particularly in the diabetes franchise, continuing to make strong clinical progress and our partnered portfolio continuing to grow and advance in line with expectations.

We continue to deliver on our strategy for our lead proprietary diabetes product candidates AT247 and AT278, generating additional clinical data to further demonstrate their superiority compared with gold standard insulins available to patients today and to position these products for partnering under our existing licensing model.

Further building on our vision to become a significant self-sustaining biopharmaceutical company, in August we raised £6 million and acquired Tetris Pharma, a commercial stage speciality pharmaceutical company with a marketing and distribution platform across the UK and European markets with a core focus on niche injectable and hospital-based prescription products, including a ready-to-use glucagon auto-injector pen, Ogluo® to treat severe Hypoglycaemia. The Tetris Pharma platform has the potential to add future optionality to our specialty hospital products franchise by providing the capability to take select products to market in the UK and Europe where appropriate. There is no change to the Group's overall strategy, and we believe the deal is a strong strategic fit for the Group, bringing a key commercial diabetes product into our portfolio, complementing our existing specialty hospital products franchise and offering the potential to accelerate significant revenue growth.

To support our growing profile as a leader in transforming patient care by enhancing existing therapeutic medicines, we presented, and were nominated for awards at, key investor and industry events. In March, we won the HCR Hewitsons Award for Innovation in Business, and our CEO, Sarah Howell, won Business Person of the Year at the UK Cambridgeshire Live Business Awards. In May, we received a Highly Commended award for Biotech Company of the Year and Sarah Howell received a Highly Commended award for CEO of the Year at the Cambridge Science & Technology Awards.

Operational highlights (including post period end)

During the period we continued to make excellent clinical progress in our diabetes franchise:

In January, we commenced a US Phase I clinical trial investigating the potential of AT247, our ultra-rapid acting insulin product candidate, when delivered by continuous subcutaneous infusion via insulin pump, with the last patient dosed in July. The trial is a double blind, randomised, three-way crossover study in 24 participants with type I diabetes, comparing the pharmacokinetics (PK) and pharmacodynamics (PD) of AT247 with Novo Nordisk's NovoRapid® and Fiasp®, two market-leading rapid and ultra-rapid acting insulin treatments. We remain on track to report headline data later in 2022. This is our first US clinical study and the data is key, both as an important next step in determining whether AT247 can facilitate a fully closed loop artificial pancreas, a transformational treatment option for people living with diabetes and, in turn, potentially generating a compelling partnering package demonstrating the superiority of AT247 compared to gold standard insulins available to patients today.

In May, we presented positive data at the 15th International Advanced Technologies and Treatments for Diabetes (ATTD) meeting from a Phase I clinical trial investigating our ultra-rapid acting, ultra-concentrated insulin product candidate, AT278. The data, which were at the high end of expectations, were well received at the international congress and support both the candidate's continued development and its potential to significantly improve outcomes and quality of life for the growing population of people living with diabetes who have high daily insulin needs, particularly those with type 2 diabetes. We will also present data from the trial at the upcoming 58th Annual Meeting of the European Association for the Study of Diabetes (EASD), being held from 19-23 September 2022 in Stockholm, Sweden and online.

Also in May, we hosted a key opinion leader webinar, entitled "The Need for Concentrated and Rapid Acting Insulin Treatments in Diabetes Care", which brought together four world-class experts in the field of diabetes care to discuss the AT278 clinical data, as well as the clear clinical and patient need.

A further clinical trial of AT278, in people living with type 2 diabetes, is expected to begin dosing patients later this year. The randomised, double-blind Phase I study in obese type 2 diabetes patients will recruit approximately 28 adult patients with each receiving one subcutaneous dose (0.5 U/kg) of AT278, NovoRapid® and Humulin® R U 500 in three separate treatment periods. The PK/PD profile will be measured in each treatment period in a glycemic clamp setting.

Partnership agreements

In June, we signed an exclusive formulation study collaboration with a top five global pharmaceutical company to apply our Arestat™ technology to develop improved, stable, high concentration liquid formulations of the partner company's proprietary products. This technology partnership continues to validate the strength of and need for the Arestat™ technology platform.

We continue to build a strong pipeline of potential collaborations and future revenue opportunities with further deals anticipated in H2 and beyond. 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, or equivalent.

Our four licensed programmes continue to progress in line with expectations and we still expect the first partnered product incorporating the Arestat™ technology to be AT220. This is our most advanced partnered programme and is a novel and differentiated formulation of a product licensed to a global pharmaceutical and healthcare company, targeting a multi-billion market opportunity. Arecor will receive development milestones and royalties on sales on continued development and commercialisation.

Intellectual Property portfolio

We have a broad and robust global patent portfolio protecting both the Arestat™ technology platform as well as the enhanced versions of therapeutic medicines that we develop leveraging Arestat™. To date, during 2022, we have further strengthened the portfolio with four significant patents protecting our proprietary Arestat™ technology and novel formulations of existing therapeutic medicines with enhanced features:

- In January, the European Patent Office granted patent EP3496734B protecting novel compositions of insulin glargine with improved thermostability.
- In March, the United States Patent and Trademark Office granted patent US11278624, protecting novel formulations of the Group's proprietary insulin products, AT247 and AT278.
- In August, the European Patent Office granted two patents, EP3592383B1 and EP3592385B1, protecting the Group's novel formulations of high-concentration adalimumab.

Arecor has over 60 granted patents protecting our Arestat™ technology platform and enhanced products developed utilising the technology.

Finance

Total income increased to £1.1 million (H1 2021: £0.6 million) due to increases in both revenue and grant income.

Revenue recognised in the period of £0.7 million (H1 2021: £0.5 million), derived from formulation development projects, was in line with expectations.

Other operating income of £0.4 million (H1 2021: £0.1 million) was part of the £2.8 million grant from Innovate UK to support the further clinical development of AT247. The period ended 30 June 2021 reflected preliminary activities in Q2 2021, following approval of the grant award in March 2021.

Investment in R&D increased to £4.8 million (H1 2021: £1.9 million) reflecting the clinical development of our proprietary pipeline including the US Phase 1 clinical trial for AT247 and preliminary costs for the further clinical trial in AT278, ahead of the planned dosing of patients later this year. Sales, General and Administrative costs were £1.6m (H1 2021: £1.5 million). The increased investment in R&D resulted in a total loss after tax for the period of £4.4 million (H1 2021: £3.1 million).

The Group ended H1 with a cash balance of £13.7 million, (H1 2021: £22.1 million).

Post the period end, the Company raised £6 million through the issue of an aggregate of 2,000,000 Placing Shares with institutional and other investors at a Placing Price of 300 pence per ordinary share before expenses. This included participation in the Placing by certain of the Company's Directors, who subscribed an aggregate of £113,271 at the Placing Price for 37,755 Placing Shares.

Summary and outlook

Arecor is a dynamic and growing company with an ambition to build a significant self-sustaining biopharmaceutical company. We are committed to transforming patient care as evidenced by the strong momentum across our portfolio of best-in-class proprietary and partnered programmes.

Looking forward to the next six months, we expect to see further clinical progress within our diabetes franchise and continuing discussions with potential partners to expand our portfolio of revenue generating

partnership deals. The data for AT247, expected later in 2022, is key to further demonstrating the superiority of AT247 and its potential to facilitate a fully closed loop artificial pancreas, and could be a significant inflexion point for Arecor. Alongside our core business, we look forward to working closely with the Tetris Pharma team to continue the roll-out of Ogluo®.

In H2, we also expect to initiate a further Phase I clinical trial for AT278 in Type 2 diabetes.

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Consolidated Statement of Comprehensive Income

	Notes	**Period ended 30 June 2022**	Period ended 30 June 2021	Year ended 31 December 2021
		Unaudited	Unaudited	Audited
		£000	£000	£000
Revenue	***3***	**693**	460	1,158
Other operating income		**429**	51	640
Research and Development		**(4,763)**	(1,934)	(5,386)
Sales, General and Administrative	***4***	**(1,587)**	(1,533)	(2,851)
Operating loss		**(5,228)**	(2,956)	(6,439)
Finance income		**3**	5	1
Finance expense	***6***	**(9)**	(500)	(507)
Loss before tax		**(5,234)**	(3,452)	(6,945)
Taxation		**867**	347	776
Loss for the period		**(4,367)**	(3,106)	(6,169)
Basic and diluted loss per share (£)	***7***	**(0.16)**	(0.17)	(0.27)

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 2022

Consolidated Statement of Financial Position

	Notes	**30 June 2022**	30 June 2021	31 December 2021
		Unaudited	Unaudited	Audited
		£000	£000	£000
Assets				
Non-current assets				
Intangible Assets		**26**	34	30
Property, Plant and Equipment		**346**	361	328
Other receivables		**48**	48	48
		420	443	406
Current assets				
Trade and other receivables		**1,466**	612	1,423
Inventory	***8***	**68**	-	-
Current tax receivable		**1,642**	347	776
Cash and cash equivalents		**13,717**	22,149	18,316
		16,893	23,108	20,515
Current liabilities				
Trade and other payables		**(2,568)**	(1,997)	(2,141)
Lease liabilities		**(127)**	(125)	(126)
		(2,695)	(2,121)	(2,267)
Non-current liabilities				
Lease liabilities		**(42)**	(168)	(105)
		(42)	(168)	(105)
Net Assets		**14,576**	21,261	18,549
Equity				
Share capital	***9***	**278**	277	278
Share premium account	***9***	**23,348**	23,348	23,348
Share-based payment reserve		**11,455**	297	519
Other reserves		**912**	11,455	11,455
Retained earnings		**(21,417)**	(14,116)	(17,051)
Shareholder's funds		**14,576**	21,261	18,549

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Other reserves £000	Share-based compensation reserve £000	Retained earnings £000	Total equity £000
For the period ended 30 June 2021						
Balance at 1 January 2021	**27**	**11,594**	**-**	**1,045**	**(11,892)**	**774**
Loss for the period	-	-	-	-	(3,106)	(3,106)
	-	-	-	-		
Total comprehensive loss for the period	-	-	-	-	(3,106)	(3,106)
Transactions with owners:						
Shares issued by Arecor Limited	1	-	-	-	-	1
Share-based compensation: reversal of Arecor Limited charge	-	-	-	(882)	882	-
Capitalisation of shares	139	(139)	-	-	-	-
Incorporation of Arecor Therapeutics Limited	-	(11,455)	11,455	-	-	-
Share-based compensation: Arecor Therapeutics plc charge	-	-	-	134	-	134
Shares issued by Arecor Therapeutics plc	110	24,785	-	-	-	24,895
Share issue expense	-	(1,437)	-	-	-	(1,437)
Total transactions with owners	250	11,754	11,455	(748)	882	23,593
Balance at 30 June 2021 (Unaudited)	**277**	**23,348**	**11,455**	**297**	**(14,116)**	**21,261**
For the period ended 31 December 2021						
Balance at 1 July 2021	**277**	**23,348**	**11,455**	**297**	**(14,116)**	**21,261**
Loss for the period	-	-	-	-	(3,063)	(3,063)
Total comprehensive loss for the period	-	-	-	-	(3,063)	(3,063)
Transactions with owners:						
Issue of shares on exercise of options	1	-	-	-	-	1
Reserve transfer	-	-	-	(128)	128	-
Share-based compensation	-	-	-	350	-	350
Total transactions with owners	1	-	-	222	128	351
Balance at 31 December 2021 (Audited)	**278**	**23,348**	**11,455**	**519**	**(17,051)**	**18,549**
For the period ended 30 June 2022						
Balance at 1 January 2022	278	23,348	11,455	519	(17,051)	18,549
Loss for the year	-	-	-	-	(4,367)	(4,367)
Total comprehensive loss for the year	-	-	-	-	(4,367)	(4,367)
Transactions with owners:						
Share-based compensation	-	-	-	393	-	393
Total transactions with owners	-	-	-	393	(4,367)	(3,974)
Balance at 30 June 2022 (Unaudited)	**278**	**23,348**	**11,455**	**912**	**(21,417)**	**14,576**

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Consolidated Statement of Cash Flows

	Period ended 30 June 2022 Unaudited £000	Period ended 30 June 2021 Unaudited £000	Year ended 31 December 2021 Audited £000
Cash flow from operating activities			
Loss before tax	**(5,234)**	(3,452)	(6,945)
Finance income	**(3)**	(5)	(1)
Finance costs	**9**	500	507
Share-based compensation	**393**	134	484
Depreciation	**85**	78	163
Amortisation	**4**	4	8
Foreign exchange movements	**76**	(3)	(5)
	(4,670)	(2,742)	(5,789)
Changes in working capital			
(Increase)/ decrease in inventory	**(68)**	-	-
(Increase)/ decrease in trade and other receivables	**(43)**	(447)	(1,257)
Increase/(decrease) in trade and other payables	**427**	693	838
Tax received	**-**	758	758
	316	1,005	339
Net cash used in operating activities	**(4,354)**	(1,737)	(5,450)
Cash flow from investing activities			
Purchase of property, plant & equipment	**(100)**	(15)	(69)
Interest received	**3**	-	1
Net cash used in investing activities	**(97)**	(15)	(68)
Cash flow from financing activities			
Issue of ordinary shares	**-**	20,001	20,002
Share issue costs	**-**	(1,437)	(1,437)
Shareholder loans	**-**	2,500	2,500
Capital payments on lease liabilities	**(63)**	(53)	(112)
Interest paid on lease liabilities	**(9)**	(11)	(22)
Net cash (used in) / generated by financing activities	**(72)**	21,000	20,931
Net (decrease) / increase in cash and cash equivalents	**(4,523)**	19,248	15,413
Exchange rate movement	**(76)**	3	5
Cash and cash equivalents at beginning of period or financial year	**18,316**	2,898	2,898
Cash and cash equivalents at end of period or financial year	**13,717**	22,149	18,316

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

1. BASIS OF PREPARATION

The financial statements for the period ended 30 June 2022 incorporate the results of Arecor Therapeutics plc and Arecor Limited. The Group's consolidated interim financial information for the period to 30 June 2022 are unaudited. They were approved by the board of directors on 7 September 2022.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006. The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable at 31 December 2022.

The results presented for the comparative period to 30 June 2021 are presented as a continuation of the financial statements of Arecor Limited, adjusted to reflect the share capital of Arecor Therapeutics plc as parent, following the acquisition of Arecor Limited by Arecor Therapeutics plc on 3 June 2021.

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 2022 and 30 June 2021 is unaudited.

Financial statements for year ended 31 December 2021 have been filed with the Registrar of Companies for Arecor Therapeutics plc (Company registration number 13331147). The audit report for this period, previously filed, was unmodified.

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 £000.

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 2021 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 £13.7 million at the 30 June 2022 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.

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. Revenue arises from the performance of formulation development studies and from granting of licences.

Formulation development

Revenue from the performance of formulation development collaborations is recognised as the performance obligation defined in a contract is performed over time. Possible performance obligations can include, but are not exclusively limited to, completion of method development and pre-formulation activities, completion of rounds of formulation optimisation, or completion of stability studies. 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 nature of this type of work is that it takes places evenly within each phase of each contract. During main contract phases, the progress of the work is dictated by physical constraints e.g., required periods of observation which dictate the pace of work, hence time passed best indicates the stage of completion of a service performed over time, which is even over the life of each element of the contract. The Group's performance does not create an asset with an alternative use to the Group and the Group 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 Group 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 normally fully released before the next billing point. Dependent on the nature of work involved in the different phases of a contract, it can, on occasion be the case that phases overlap.

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 research element, as described above.

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 Group operates equity-settled share-based payment schemes. Where share-based payments (options) have been granted to employees, the fair value of the share-based payments is measured at the grant date and charged to the statement of comprehensive income over the vesting period.

A valuation model is used to assess the fair value, taking into account the terms and conditions attached to the share-based payments. The fair value at grant date is determined including the effect of market-based vesting conditions, to the extent such vesting conditions have a material impact. It also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

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 2022	Period ended 30 June 2021	Year ended 31 December 2021
UK	101	-	71
Europe	55	47	76
USA	492	383	940
Rest of World	45	30	71
Total revenue	**693**	**460**	**1,158**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. Information reported includes revenue by project, expenditure by type and department, cashflows and EBITDA for the Group.

The Board of Directors has been identified as the chief operating decision makers, who are responsible for allocating resources, assessing the performance of the operating segment and making strategic decisions.

	Period ended 30 June 2022	Period ended 30 June 2021	Year ended 31 December 2021
Formulation development projects	693	376	1,014
Licence agreements	-	-	-
Non-Government grants	-	84	114
Total revenue	**693**	**460**	**1,158**

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.

In the period ended 30 June 2022, five customers (period ended 30 June 2021, five customers) each contributed more than 10% of the Company's revenue, with the largest three customers contributing 16%, 15% and 15% respectively (period ended 30 June 2021, 30%, 19%, 18%).

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.

Sales, General and Administrative costs for the period ended 30 June 2021 included £0.5 million non-recurring costs associated with the Admission of Arecor Therapeutics plc to AIM.

5. SHARE BASED COMPENSATION

The Company operates an All-Employee Share Option Plan (AESOP) and grants EMI share options to eligible employees. The options vest over time.

The Company's Long Term Incentive Plan (LTIP) is principally used to grant options to Executive directors and senior management. The 2021 LTIP options will vest after three years subject to meeting 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
Balance at 31 December 2020	**121,732**
Options vested and exercised	(62,493)
Options lapsed pre bonus issue	(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**
Options vested and exercised	(151,492)
Options lapsed	(24,748)
EMI options granted	87,500
LTIP options granted	75,000
Balance at 31 December 2021	**1,414,944**
Options lapsed	(13,497)
Balance at 30 June 2022	**1,401,447**

Charges to the Statement of Comprehensive Income	**£000**
Period to June 2022	393
Period to June 2021	134
Year to December 2021	484

6. FINANCE EXPENSES

In the period ended 30 June 2022, the finance expenses of £9,000 were interest costs on finance leases (period ended 30 June 2021: £11,000).

Finance expenses for the period ended 30 June 2021 included a charge of £0.5 million relating to finance costs arising from the conversion of loan note instruments.

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.

Basic and diluted loss per share

	Period ended 30 June 2022	Period ended 30 June 2021	Year ended 31 December 2021
Loss for the period (£000)	**(4,367)**	(3,106)	(6,169)
Weighted average number of ordinary shares (number)	**27,835,024**	18,237,593	23,033,420
Loss per share from continuing operations (£ per share)	**(0.16)**	(0.17)	(0.27)

8. INVENTORY

Inventory includes active pharmaceutical ingredients, which will be consumed over a period of more than 12 months.

9. EQUITY

Share Capital

	At 30 June 2022 Number	**At 30 June 2021 Number**	**At 31 December 2021 Number**
Allotted, called up and fully paid			
Ordinary shares of £0.01	27,835,024	27,683,532	27,835,024
Total share capital	**27,835,024**	**27,683,532**	**27,835,024**

	At 30 June 2022 £'000	**At 30 June 2021 £'000**	**At 31 December 2021 £'000**
Allotted, called up and fully paid			
Ordinary shares of £0.01	278	277	278
Total share capital	**278**	**277**	**278**

10. EVENTS AFTER THE BALANCE SHEET DATE

On 4th August, pursuant to the terms of the acquisition of Tetris Pharma Ltd ('Tetris Pharma'), the Company agreed to acquire the entire issued share capital of Tetris Pharma for initial consideration consisting of the issue of 651,726 new ordinary shares to the Tetris Pharma sellers. The Company also agreed to discharge certain existing liabilities of Tetris Pharma with an aggregate value of approximately £2 million, including payments related to the purchase of initial Ogluo® inventory and certain non-recurring liabilities.

Deferred consideration of up to £4 million in aggregate is payable to the Tetris Pharma Sellers through three earn out payments on the first, second and third anniversaries of completion of the acquisition. Such deferred consideration is subject to revenue and EBITDA performance targets. The ordinary shares will be issued at a price equal to the greater of 405 pence per share and the 30-day volume weighted average price of the ordinary shares immediately preceding the date such earn out payment is determined.

On 4th August, the Company raised £6 million through an aggregate of 2,000,000 Placing Shares with institutional and other investors at a Placing Price of 300 pence per ordinary share before expenses.

Certain of the Company's Directors participated in the Placing and subscribed an aggregate of £113,271 at the Placing Price for 37,755 Placing Shares.

11. 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.