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

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Significant clinical progress with positive Phase I clinical results for both lead products, AT278 and AT247, in diabetes franchise

Expansion of Partnership Portfolio

Extensive IP portfolio underpinning proprietary Arestat™ platform

Cambridge, UK, 20 April 2023: Arecor Therapeutics plc (AIM: AREC), a globally focused biopharmaceutical company advancing today's therapies to enable healthier lives, today announces its unaudited preliminary results for the year ended 31 December 2022. The Annual Report and Accounts for the year ended 31 December 2022, will be posted to shareholders in due course together with the notice of the 2023 Annual General Meeting.

Sarah Howell, Chief Executive Officer of Arecor, said: *"2022 was a year of delivery and execution of our strategy. As clinical development of the two lead insulin candidates in our Diabetes franchise rapidly advances, 2023 should provide further evidence of their potential to enable a new frontier in diabetes management. We continue to build a strong pipeline of potential collaborations and future revenue opportunities to grow our portfolio of partnerships. In 2023 we anticipate the first product incorporating the Arestat™ technology, AT220, to be marketed by our partner under a royalty generating license agreement in a multi-billion market. The commercial roll-out of Ogluo®, Tetris Pharma's key diabetes product, will accelerate across key European territories meeting a key patient need for people living with diabetes at risk of severe hypoglycaemia."*

Operational Highlights (including post-period events):

- AT247 - Positive results from US Phase I clinical trial of ultra-rapid acting insulin, AT247
  - Delivered by continuous subcutaneous infusion over 3 days via an insulin pump
  - Reinforces AT247 potential to enable a fully closed loop artificial pancreas system
- AT278 – Initiation of second Phase I trial of ultra-rapid acting, ultra-concentrated AT278 in people with Type 2 diabetes, with first patient dosed in Q1 2023
- Specialty Hospital - Ready-to-use (RTU) injectable medicine AT307 transferred to Hikma
  - Arestat™ enabled product to deliver safe, fast and effective treatment options for patients
  - Transferred to Hikma for further development, triggering license milestone for Arecor
- Partnership portfolio further strengthened
  - Two new collaborations with a top five global pharmaceutical company and pharmaceutical division of one of world's largest chemicals marketing and pharmaceuticals companies
- Acceleration of commercially driven strategy with acquisition of Tetris Pharma Ltd
  - £6 million Placing to add key commercial diabetes product, Ogluo®, and build out Arecor's Specialty Hospital Products franchise with scalable sales, marketing and distribution platform
- Appointment of Dr. Manjit Rahelu as Chief Business Officer

Financial Highlights:

- Total Income of £3.5 million (2021: £1.8 million)
- Investment in R&D of £8.6 million (2021: £5.4 million)
- Loss after tax for the year of £9.3 million (2021: £6.2 million)
- Cash and short-term investments of £12.8 million at 31 December 2022 (2021: £18.3 million)
- Successful placing of £6.0 million (before expenses)
- Acquisition of Tetris Pharma Ltd

Analyst meeting and webcast 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. Join the webcast here. A copy of the final 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 Dr Sarah Howell, Chief Executive Officer	www.arecor.com 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, Lindsey Neville	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").

Chair's statement

Growing Arecor's reputation and reach

"As Arecor's reputation for innovative drug development continues to build, we have demonstrated our strengths both in partnership with leading pharmaceutical companies and through progress with our own insulin portfolio. We will continue to build on that work in the coming year to cement our status and expand our reach within the industry."

Celebrating its first full year as a quoted company, Arecor continued to make strong progress in 2022. Against a background of major global challenges impacting the financial markets, we focused on our strategy; delivering clinical data for one of our lead diabetes programmes, bolstering our portfolio of blue-chip partners and successfully completing a £6 million Placing to acquire Tetris Pharma, a complementary commercial acquisition in the specialty hospital products field.

2022 was a year characterised by macroeconomic turmoil and geopolitical events that impacted financial markets and affected all segments of industry including the pharmaceutical sector. Whilst this has had only a limited impact on the day-to-day business through rising costs for companies such as Arecor, the resultant ripples has impacted the way that the industry connects and works together.

Against this backdrop we are very encouraged by how much progress Arecor has made. Our new partnerships with leading pharmaceutical companies only strengthen our reputation as an innovator that pharma and biopharma can work with and clearly demonstrates the strength and relevance of our platform and intellectual property. The progress of our partnered pipeline products and the achievement of licence milestones further exemplifies this success.

Within our own portfolio of insulin-based products notably, AT278 and AT247, we have continued to build out excellent clinical data sets, which is key to demonstrating where they best fit within the clinical landscape and with potential commercial partners. We successfully completed a further Phase I clinical trial in diabetes for AT247, an insulin candidate, which clearly showed that it possesses characteristics that facilitate a fully closed loop artificial pancreas, with optimal automated delivery of insulin. This will enable far more effective disease management, making living with the disease easier and less burdensome for people with Type I diabetes.

Furthermore, we closed the year with initiation of a second Phase I clinical trial for AT278, an ultra-rapid acting, ultra-concentrated (500 U/mL) insulin candidate, in Type 2 diabetic patients. This head-to-head study is important to demonstrate AT278's potential as a single injection treatment for patients who need higher doses of insulin. Its highly concentrated formulation also has the potential to advance the miniaturisation of delivery devices. With ~537 million people living with diabetes worldwide and ~64 million requiring insulin daily, finding solutions to improve the lives of people living with diabetes is more critical than ever.

Diabetes and metabolic disorders are principally treated by endocrinologists, a group of clinical specialists that Arecor already interacts closely with in the development of its diabetes franchise. In August, we successfully raised £6 million to acquire Tetris Pharma, providing Arecor with a marketing, sales and distribution capability focused on injectable specialty products across the UK and Europe. The lead product Ogluo®, a treatment for severe hypoglycaemia is prescribed to diabetics by endocrinologists and so is complementary to our therapeutic focus. This acquisition provides Arecor with greater optionality in the future both for our specialty products franchise and potential partner products.

Looking forward, 2023 will build on the solid platform we have produced in 2022 and will be a year of accelerated delivery across the key areas of our business. One critical aspect of this will be the way we work with both commercial and technology partners. Building successful partnerships is of great importance to Arecor. It requires two-way commitment and engagement, and I would like to thank our partners for their

contribution in making our current and future potential partnerships succeed. The success of our partners with products incorporating our technology is our success.

I would also like to thank our shareholders for their continued belief in our vision, strategy and team. Their support has enabled us to grow Arecor into a successful UK biopharmaceutical company on the international stage and it is pleasing to shine a light on examples of British science and expertise that maintain the UK's strong reputation within the industry.

Finally, the Company would not be where it is today without the hard work and commitment of our employees. 2023 shows no sign of slowing for Arecor. Our focus is ensuring both scientific and commercial delivery across our business pillars; a focus that will drive value for our shareholders.

Andrew Richards
Non-Executive Chair

Chief Executive Officer's review

Significant momentum across internal and partnered portfolio

"Arecor's ambition is to build a significant self-sustaining biopharmaceutical company and in 2022 we made excellent progress across all aspects of our business, advancing our lead diabetes clinical development programmes, delivering on our partnerships portfolio and accelerating our commercially driven strategy."

Our vision is to transform patient care through the enhancement of existing therapeutic products. By applying our innovative proprietary formulation technology platform, Arestat™ we are developing novel formulations of medicines with enhanced properties that genuinely transform patient care, improving outcomes and bringing safer, more effective and affordable treatments for the benefit of patients and healthcare systems.

Combining our extensive know-how and expertise alongside the power of Arestat™, allows us to deliver differentiated, patent-protected products, bringing benefits to patients and achieving a commercial advantage in valuable and often competitive fields of medicine. The progress in 2022 across our internal portfolio of proprietary products and within our partnered programmes, reflects the strength and broad applicability of our formulation technology and expertise.

Within our Diabetes franchise, we made excellent progress in the continued clinical development of our two lead insulin candidates, AT247 and AT278. The latest data from our clinical trials continue to reinforce our belief in the value of these products and that they offer the potential to simplify and improve blood glucose control for people living with diabetes and could enable the development of next generation miniaturised insulin delivery systems and a fully closed loop/artificial pancreas system – the Holy Grail of diabetes management.

The steady growth in demand for ready-to-use (RTU) and ready-to-administer (RTA) hospital care medicines that are administered by healthcare professionals, underlines the significant opportunity for Arecor within our Specialty Hospital Products franchise. The transfer of our novel RTU therapeutic to Hikma, which triggered the payment of a license milestone to Arecor, was a significant advancement for the programme and for our Company – important validation from a major pharmaceutical company of the potential of our Arestat™ technology to deliver difficult to achieve, but important RTU medicines, which are becoming increasingly desirable for fast, safe and effective treatment of patients at the point of care.

The acquisition of Tetris Pharma, and lead product Ogluo®, brought an opportunity to accelerate our commercially driven strategy. Now a subsidiary of Arecor, this business provides us with a revenue-generating sales, marketing and distribution platform which complements our Specialty Hospital Products franchise and adds the optionality of taking selected products to market in the UK and Europe, in addition to our already proven partnering strategy. Its targeting of endocrinologists with Ogluo® provides a valuable link for Arecor to the clinical community most closely engaged with diabetes patients.

In April 2023, we were delighted to welcome Dr. Manjit Rahelu as Chief Business Officer. Manjit brings extensive experience nurturing the growth of companies and driving deals to commercial success, which will be invaluable to Arecor as we deliver on our key strategic goals, leveraging the potential of our Arestat™ platform technology, advancing our pipeline of proprietary products and further expanding our partnered portfolio.

Operational review

Diabetes: Clinical progress with faster acting and more concentrated faster acting insulins, AT247 and AT278. During the year we made further significant progress advancing our proprietary diabetes focused portfolio through clinical development. Our Arestat™ enabled novel formulations of insulin are designed to accelerate insulin absorption post injection, enabling more precise and effective management of blood glucose levels for people living with diabetes, particularly around difficult to manage mealtimes.

In 2022, under an IND we undertook a US Phase I clinical trial of our ultra-rapid acting insulin candidate, AT247, delivered by continuous subcutaneous infusion and designed to further demonstrate the superiority of AT247 compared to current best-in-class insulins available to patients today. Results from that trial clearly demonstrate faster insulin absorption than the currently available, gold standard, rapid acting insulins, NovoRapid® and Fiasp®, and reinforce the potential of AT247 to enable a fully closed loop artificial pancreas system, a potentially life changing treatment option for people living with diabetes. The successful completion of this first trial to investigate the potential of AT247 when delivered by subcutaneous infusion via an insulin pump over a period of 3 days, was an important milestone for Arecor. With a superior PK profile and promising PD results, the data support the potential that AT247 can enable even more effective disease management for people with Type I diabetes using fully automated delivery of insulin via a pump in closed loop mode.

Both clinical trial and real-world evidence show that closed loop systems are more effective in keeping blood glucose in a healthy range than standard care, which entails regular measurement of blood glucose level by the patient. This fact, in addition to patient testimony describing the reduced mental load in the management of their diabetes afforded by such systems, has led to a recommendation by NICE that there should be wider access to closed loop technology for people with Type 1 Diabetes.

The availability of AT247 with its ultra-rapid acting PK/PD profile will be a key component in the move from the currently available systems to those that are fully automatic and require limited input from patients, allowing them to 'fully switch off' from worrying about dipping into hypoglycaemia.

We have also initiated a second Phase I clinical trial of AT278, our ultra-rapid acting, ultra-concentrated insulin candidate, in Type 2 diabetic patients, illustrating the rapid progress we are making in our clinical development programmes. This candidate has a very promising profile, already demonstrated in our previous study, which delivered results at the high end of expectations. In 2022 we took these results to key scientific conferences, showcasing our research to the diabetes research community. At both the International Advanced Technologies and Treatments for Diabetes (ATTD) meeting and the Annual Meeting of the European Association for the Study of Diabetes (EASD), the data were well received. A key opinion leader webinar, entitled "The Need for Concentrated and Rapid Acting Insulin Treatments in Diabetes Care", which we hosted following the ATTD meeting, brought together four world-class experts in the field of diabetes care to discuss the AT278 clinical data and highlighted the clear clinical and patient need.

When speaking about the unmet need for concentrated, rapid acting insulin in the Arecor KOL webinar, Wendy Lane, MD, highlighted the potential benefits to patients with the use of AT278 when delivered by either pen or pump. Patient comfort and convenience are likely to be improved with the smaller injection volume needed and the ultimate development of smaller, longer wear-time devices that concentrated insulin will allow. Importantly, these benefits would come with no compromise to the known clinical benefits of better blood glucose control and outcomes for patients when using fast acting insulin around mealtimes. Currently there are no highly concentrated rapid acting insulins available for these patients.

AT278 has the potential to disrupt the market for insulin treatment as the first concentrated, yet very rapid acting insulin, and thereby become the gold standard insulin for the growing population of people with diabetes with high daily insulin needs. It has the potential to be a critical enabler in the development of next generation miniaturised insulin delivery systems that are beginning to dominate segments of the market. We look forward to generating further data to support this candidate's profile, with results from

our second phase I clinical trial anticipated in Q4 2023. We believe that further investment in the diabetes programme will take the products to a significantly higher value inflexion prior to partnering.

Advancing specialty hospital proprietary portfolio

Our Specialty Hospital Products franchise is developing medicines that are administered within the hospital setting by health care professionals, particularly during the treatment of serious infections, cancer and emergency care. Leveraging our Arestat™ technology, we are developing RTU and RTA medicines within this franchise, which provide significant benefits through point of care use including safety benefits through reduced risk of inappropriate dosing and efficiency benefits through avoiding the need for pharmacy reconstitution.

Under a co-development agreement announced in January 2020 with Hikma, and subsequently expanded in October 2020, we have been responsible for optimising novel formulations of two products using our Arestat™ technology platform. In 2022 we successfully completed the application of this technology platform for both products, and in January 2023, Hikma made the very positive decision to take on full responsibility for the further development and commercialisation activities for one of those products, AT307, a RTU injectable hospital medicine. Hikma will now further develop this product and seek approval under the U.S. Food and Drug Administration's 505(b)(2) regulatory pathway. Hikma will generate all data required for regulatory submission and approval in its territories, including the United States. Under the terms of our royalty-based agreement with Hikma, this transfer also triggered a milestone payment to Arecor, following the upfront payment to Arecor in October 2020 when the co-development and license agreement was signed.

The transfer of AT307 was a significant milestone for Arecor and a clear demonstration of the value that our expertise and technology can bring to leading pharmaceutical companies developing innovative products to improve patient care. It is also an important further step in bringing this important medicine to patients, through Hikma's commitment to the product's further development and future commercialisation.

Following a product portfolio review, Hikma also made the decision to deprioritise AT282, the second RTU medicine within our co-development and licensing agreement. All rights to this product have been returned to Arecor and with the strong data package generated and Arecor owned patents, we are now assessing options for gaining a new commercial partner for this potentially important product.

Expansion of revenue generating partnership deals

The year brought further validation of the scientific strength of our Arestat™ technology platform and the value of our offering to leading healthcare companies, with the addition of two new technology partnerships to our roster of collaborations. Working with our partners we are applying our Arestat™ platform technology to develop enhanced formulations of our partners' proprietary products, with superior target product profiles.

In June 2022, we entered into an exclusive formulation study collaboration with a top 5 global pharmaceutical company to develop improved, stable, high concentration liquid formulations of its proprietary products.

In November 2022, we entered an exclusive formulation collaboration with the pharmaceutical division of one of the world's largest chemicals marketing and pharmaceutical companies, to develop a differentiated, stable, liquid drug product for intravenous RTU administration. The new product formulation supports safe medication practices and operational efficiency by eliminating the need for reconstitution.

In February 2023, we entered into an additional formulation study agreement with an existing top five global pharmaceutical partner, building on a collaboration formed in 2022, to develop improved, stable, high concentration, liquid formulations of its proprietary product

These partners who gain access to our technology, fund the development work and have the option to acquire the rights to the new proprietary formulation and associated Intellectual Property (IP) under a technology licensing model to further develop and commercialise the product.

Partnerships provide near-term revenues as they typically involve upfront and milestone payments and, if successful, they provide significant future recurring revenue upside potential from a royalty stream or equivalent. These also provide continued learnings on where our technology can be applied.

Among our three licensed programmes, we continue to expect the first partnered product incorporating the Arestat™ technology, AT220, to be on the market within 2023. This is our most advanced partnered programme and is a novel and differentiated formulation of a product licensed to a global pharmaceutical company, targeting a multi-billion market opportunity. Arecor will receive development milestones and royalties on sales from continued development and commercialisation.

These partnerships with leading biotech and biopharma companies validate the need and demonstrate the opportunity for the Arestat™ platform and are testament to our world-leading expertise and innovation in formulation science.

Building a robust intellectual property portfolio

Throughout the year we have continued to invest in building a strong patent portfolio to protect our Arestat™ technology platform and proprietary pipeline products. The Group's IP portfolio currently comprises 36 patent families, including >75 granted patents in Europe, the US and in other key territories. The strength of our patents are a key valuable asset in licensing negotiations.

In 2022 we further strengthened the portfolio with six significant patents granted and a further three post-period, protecting our proprietary Arestat™ technology and novel formulations of existing therapeutic medicines with enhanced features. The European Patent Office granted a patent (EP3496734B) protecting novel compositions of insulin glargine with improved thermostability and two patents (EP3592383B1 and EP3592385B1) protecting our novel formulations of high-concentration adalimumab; the United States Patent and Trademark Office granted a patent (US11278624) protecting novel formulations of AT247 and AT278, as did the Japan Patent Office (JP7145849). The same patent was also granted in South Korea.

In February 2023, the Indian Patent Office granted a patent (IN412485) protecting novel formulations of the Group’s proprietary insulin products, AT247 and AT278, until 2038. In addition, the United States Patent and Trademark Office has granted two patents (US11534402 and US11534403) protecting the Group’s novel formulations of high-concentration adalimumab until 2038.

These are important additions to our comprehensive IP strategy and provide further proof of the potential of our Arestat™ technology in the development of enhanced products.

Acquisition of Tetris Pharma and initiation of European roll-out of Ogluo®

2022 provided an opportunity to further build on our ambition to become a significant self-sustaining biopharmaceutical company through the successful £6 million Placing to acquire Tetris Pharma. Tetris Pharma is a strong, strategic fit for the Group, giving Arecor a commercial stage speciality pharmaceutical business with a marketing and distribution platform across the UK and European markets with a core focus on niche injectable and hospital-based prescription products. That 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. While there is no change to the Group's overall strategy, we believe Arecor is stronger as a result of this complementary acquisition. We have gained a key commercial diabetes product for our portfolio, with Ogluo®, a ready-to-use glucagon auto-injector pen to treat severe hypoglycaemia, a key patient need. The acquisition also complements Arecor’s existing Specialty Hospital Products franchise, offering the potential to accelerate significant revenue growth for the Company.

Following an earlier UK launch, the Tetris Pharma team has continued the European commercial roll out of Ogluo®, which is now also available to patients in Germany and Austria. Syneos Health, along with selected potential partners, is supporting Ogluo's® continued roll-out across Europe, with additional launches planned across key territories to further support anticipated revenue growth.

Outlook

2022 was a year of delivery and execution of our strategy. As clinical development of the two lead insulin candidates in our Diabetes franchise rapidly advances, 2023 should provide further evidence of their potential to enable a new frontier in diabetes management. We continue to build a strong pipeline of potential collaborations and future revenue opportunities to grow our portfolio of partnerships. In 2023 we anticipate the first product incorporating the Arestat™ technology, AT220, to be marketed by our partner under a royalty generating license agreement in a multi-billion market. The commercial roll-out of Ogluo®, Tetris Pharma's key diabetes product, will accelerate across key European territories meeting a key patient need for people living with diabetes at risk of severe hypoglycaemia.

Arecor enters 2023 in its strongest position yet to transform patient care with enhanced, differentiated, life-changing treatments. I would like to thank our Board, partners, stakeholders and shareholders for their belief in Arecor. And above all, my colleagues for their exceptional efforts and scientific achievements.

Sarah Howell
Chief Executive Officer

Financial Review

The acquisition of Tetris Pharma Ltd and the associated placing of £6 million in the year, accelerates our commercial strategy and complements our proprietary diabetes portfolio and partnered products

"We are grateful to our shareholders for their support of the acquisition of Tetris Pharma, the associated raise and our vision of building a commercially focused business with the potential to derive significant revenue from existing and future partnering opportunities."

On 4 August 2022, the Group acquired the entire issued share capital of Tetris Pharma Ltd. On 4 August 2022, the Group raised £6 million (before expenses), through the issue of an aggregate of 2,000,000 placing shares to existing institutional and other shareholders at a price of 300 pence per ordinary share. Certain of the Company's directors participated in the placing and subscribed an aggregate of £113,271 for 37,755 shares.

At the end of the financial year, the Group had cash resources of £12.8 million (2021: £18.3 million) and remained debt free. Cash and operating expenditure continue to be carefully managed.

Cashflow forecasts and going concern

The directors regularly review rolling 12 monthly cash flow forecasts. These forecasts indicate that the Group expects to remain cash positive to continue to deliver on its business strategy. This includes a period of at least 12 months from the date of approval of the financial statements. The review of forecasts for this period includes levers and controls which could be applied if it was necessary to do so.

Taking such factors into account, the Group's unaudited financial statements have been prepared on a going concern basis.

Key financial performance indicators

A summary of the financial KPIs is set out below:

	2022	**2021**
	£'000s	£'000s
Total Income	**3,537**	**1,798**
Formulation development projects	1,352	1,158
Product sales	1,051	-
Other operating income	1,132	640
Loss after tax	**(9,260)**	**(6,169)**
Cash and short-term investments	**12,806**	**18,316**
Net Assets	**17,455**	**18,549**

Total Income increased to £3.5 million in the year (2021: £1.8 million), including revenue of £2.4 million (2021: £1.2 million) and other operating income of £1.1 million (2021: £0.6 million).

Revenue recognised in the year increased to £2.4m million (2021: £1.2 million). On a like-for-like basis, revenue from formulation development projects increased to £1.4 million (2021: £1.2 million) including two new agreements signed in the year. Net Product sales of £1.0 million (2021: Nil) from Tetris Pharma Ltd were generated in the five-month period from August to December 2022.

Other operating income of £1.1 million (2021: £0.6 million) was derived from a full project year of the Innovate UK grant awarded in March 2021.

The loss after tax of £9.3 million (2021: £6.2 million) included R&D expenditure which increased to £8.6 million (2021: £5.4 million). This was focused investment in our proprietary products including the US Phase I clinical trial of AT247, with headline results announced in October, and the EU Phase I clinical trial of AT278 which was initiated in December 2022.

Sales, General and Administrative expenses increased to £5.6 million (2021: £2.9 million) and included expenditure by Tetris Pharma Ltd from August onwards. Including non-recurring costs of £0.2 million in respect of the acquisition and placing. The prior year non-recurring expenditure of £0.5 million was placing and AIM admission costs.

Net assets of £17.2 million (2021: £18.5 million) included cash and short-term investments of £12.8 million (2021: £18.3 million). Trade and other receivables increased to £2.2 million (2021: £1.4 million) and included trade receivables and grant project debtors. Current liabilities increased to £4.0 million (2021: £2.3 million) and included final amounts due for the US Phase I clinical trial of AT247.

Susan Lowther
Chief Financial Officer

Consolidated income statement
for the year ended 31 December 2022

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Revenue	**2,403**	1,158
Other operating income	**1,132**	640
Research and Development	**(8,613)**	(5,386)
Sales, General & Administrative	**(5,552)**	(2,851)
Operating loss	**(10,630)**	(6,439)
Finance income	**109**	1
Finance expense	**(21)**	(507)
Loss before tax	**(10,542)**	(6,945)
Taxation	**1,282**	776
Loss for the financial year	**(9,260)**	(6,169)
Basic and diluted loss per share (£)	**(0.32)**	(0.27)

In the year ended 31 December 2022, Sales, General & Administrative costs included £0.2 million of non-recurring expenses incurred in the acquisition of Tetris Pharma Ltd. The prior year included £0.5 million of non-recurring IPO and placing costs.

All results presented above are derived from continuing operations and are attributable to owners of the company.

Consolidated statement of financial position
At 31 December 2022

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Non-Current assets		
Intangible assets	**1,918**	30
Goodwill	**1,484**	-
Property, plant and equipment	**838**	328
Other receivables	**48**	48
Total non-current assets	**4,288**	406
Current assets		
Trade and other receivables	**2,215**	1,423
Current tax receivable	**1,325**	776
Cash and cash equivalents	**4,765**	18,316
Short term investments	**8,041**	-
Inventory	**1,131**	-
Total current assets	**17,477**	20,515
Current liabilities		
Trade and other payables	**(3,526)**	(2,141)
Lease liabilities	**(202)**	(126)
Total current liabilities	**(3,728)**	(2,267)
Non-current liabilities		
Lease liabilities	**(86)**	(105)
Deferred tax	**(496)**	-
Total non-current liabilities	**(582)**	(105)
Net Assets	**17,455**	18,549
Equity attributable to equity holders of the company		
Share capital	**306**	278
Share premium account	**28,976**	23,348
Share-based payments reserve	**893**	519
Other reserves	**11,455**	11,455
Merger relief reserve	**2,014**	-
Foreign exchange reserve	**(8)**	-
Retained losses	**(26,181)**	(17,051)
Total equity attributable to equity holders of the company	**17,455**	18,549

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital £000	Share premium £000	Other reserves £000	Merger relief reserve £000	Share-based payments reserve £000	Foreign exchange reserve £000	Retained losses £000	Total equity £000
At 1 January 2021	27	11,594	-	-	1,045	-	(11,892)	774
Comprehensive income for the year								
Loss for the year	-	-	-	-	-	-	(6,169)	(6,169)
Transactions with owners								
Shares issued by Arecor Limited	1	-	-	-	-	-	-	1
Reserve transfer	-	-	-	-	(1,010)	-	1,010	-
Share bonus issue	139	(139)	-	-	-	-	-	-
Incorporation of Arecor Therapeutics Limited	-	(11,455)	11,455	-	-	-	-	-
Shares issued by Arecor Therapeutics plc	110	24,785	-	-	-	-	-	24,895
Share issue expense	-	(1,437)	-	-	-	-	-	(1,437)
Share based compensation	-	-	-	-	484	-	-	484
Issue of shares on exercise of share options	1	-	-	-	-	-	-	1
Total transactions with owners	251	11,754	11,455	-	(526)	-	1,010	23,944
Equity as at 31 December 2021 (Audited)	**278**	**23,348**	**11,455**		**519**	**-**	**(17,051)**	**18,549**
Loss for the year	-	-	-	-	-	-	(9,260)	(9,260)
Transactions with owners								
Issue of shares on acquisition of Tetris Pharma Ltd	7	-	-	2,014	-	-	-	2,021
Issue of shares for working capital purposes	20	5,980	-	-	-	-	-	6,000
Share issue expense		(352)	-	-	-	-	-	(352)
Issue of shares on exercise of share options	1	-	-	-	-	-	-	1
Reserve transfer	-	-	-	-	(130)	-	130	-

Share based compensation	-	-	-	-	503	-	-	503
Foreign exchange movements	-	-	-	-	-	(8)	-	(8)
Total transactions with owners	28	5,628	-	2,014	374	(8)	130	8,165
Equity as at 31 December 2022 (Unaudited)	**306**	**28,976**	**11,455**	**2,014**	**893**	**(8)**	**(26,181)**	**17,455**

Consolidated statement of cash flows
for the year ended 31 December 2022

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Cash flow from operating activities		
Loss for the financial year before tax	**(10,542)**	(6,945)
Finance income	**(109)**	(1)
Finance costs	**21**	507
Share-based payment expense	**503**	484
Depreciation	**248**	163
Amortisation	**93**	8
Foreign exchange movements	**(69)**	(5)
	(9,855)	(5,789)
Changes in working capital		
Decrease / (increase) in Inventories	**587**	-
Decrease / (increase) in trade and other receivables	**(48)**	(1,257)
Increase / (decrease) in trade and other payables	**(2,198)**	838
Tax received	**734**	758
Net cash from operating activities	**(10,780)**	(5,450)
Cash flow from investing activities		
Acquisition of subsidiary net of cash acquired	**284**	-
Purchase of property, plant and equipment	**(299)**	(69)
Purchase of intangible assets	**(46)**	-
Short term investments	**(8,041)**	
Interest received	**109**	1
Net cash used in investing activities	**(7,993)**	(68)
Cash flow from financing activities		
Issue of ordinary shares	**6,000**	20,002
Share issue costs	**(352)**	(1,437)
New loans received	**-**	2,500
Capital payments on lease liabilities	**(165)**	(112)
Repayment of working capital facility	**(295)**	-
Interest paid on lease liabilities	**(21)**	(22)
Other interest paid	**(7)**	-
Net cash generated from financing activities	**5,160**	20,931
Net (decrease) / increase in cash and cash equivalents	**(13,613)**	15,413
Exchange losses on cash and cash equivalents	**62**	5
Cash and cash equivalents at beginning of financial year	**18,316**	2,898
Cash and cash equivalents at end of financial year	**4,765**	18,316

Notes to the consolidated financial statements

1. General information

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

The principal activity of the Company is to act as a holding company. The Group has two wholly owned trading subsidiaries; Arecor Limited and Tetris Pharma Ltd.

Tetris Pharma Ltd and its wholly owned subsidiary Tetris Pharma B.V were acquired on 4 August 2022.

Basis of preparation
Whilst the financial information included in this preliminary announcement has been prepared in accordance with international accounting standards, this announcement does not itself contain sufficient information to comply with all IFRS disclosure requirements. The Company's 2022 Annual Report and Accounts will be prepared in compliance with UK-adopted International Accounting Standards (IFRS).

The unaudited preliminary announcement does not constitute a dissemination of the annual financial report and does not therefore need to meet the dissemination requirements for annual financial reports. A separate dissemination announcement in accordance with Disclosure and Transparency Rules (DTR) 6.3 will be made when the annual report and audited financial statements are available on the Company's website.

Statutory Information
The financial information included in this preliminary announcement does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies and received an unqualified auditors' report, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2022 will be finalised on the basis of the financial information presented by the directors in this unaudited preliminary announcement and will be delivered to the Registrar of Companies following the Company's General Meeting. The announcement of the preliminary results was approved on behalf of the Board of directors on 19 April 2023.

Operating segments
The Directors have considered the reporting of operating segments in line with IFRS 8 and believe that there is only one reporting unit within the Group. The chief operating decision maker reviews the operating results at a group consolidated level.

Business Combinations
Business combinations are accounted for using the acquisition method as at the acquisition date. This is considered to be the date at which control is transferred to the Group. The consideration transferred for the acquisition is the fair value of any equity interests issued by the Group. Identifiable assets and liabilities assumed in the business combination are measured at their fair value at the date of acquisition. This includes the value of any intangible assets generated that could not previously be recognised by the entity pre-acquisition.

The Group measures goodwill at the date of acquisition as the fair value of the consideration less the recognised net amount of the identifiable assets and liabilities acquired. Costs related to the acquisition other than those associated with the issue of equity in the Group are expensed as they are incurred.

On 4 August 2022, the Group acquired the entire share capital of Tetris Pharma Ltd. The company has been consolidated in its entirety with the income and expenditure post-acquisition included in the consolidated income statement.

Investments in subsidiaries
Investments in subsidiaries owned by the company are included at cost less any accumulated impairment charges.

Going Concern
The Directors have considered the Company's cashflow forecasts to the period ending 12 months from the date of authorisation of the financial statements. They have no grounds for concern regarding the Company's ability to meet its obligations as they fall due and continue to operate within the existing cash balance and working capital facilities, thus requiring no additional funding to maintain liquidity.

Cash flow forecasts model sensitivities, controls and levers in the management of working capital. The potential impact of the COVID-19 pandemic on the Group's ability to execute its strategy has reduced however the business risk from macroeconomic factors has increased. The potential impact on the Group has been considered in the review of cashflow forecasts.

In reaching their decision to prepare financial statements on a going concern basis, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Revenue
Revenue is measured based on the consideration that the Group expects to be entitled to in exchange for transferring promised goods and services. Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. In accordance with IFRS 15 Revenue from contracts with customers, the following five-steps are applied:

- identify contracts with customers;
- determine performance obligations arising under those contracts;
- set an expected transaction price;
- allocate that price to the performance obligations; and then
- recognise revenues as and when those obligations are satisfied.

2. Revenue and operating segments

The geographic analysis of the Group's revenue is as follows:

	31 December 2022 Unaudited £000	**31 December 2021 Audited £000**
UK	**1,136**	71
Switzerland	**240**	-
Rest of Europe	**108**	76
USA	**784**	940
India	**135**	40
Rest of world	**-**	31
	2,403	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, expenditure by type and department, cashflows and EBITDA for the Group.

The Board of Directors has been identified as the chief operating decision makers and is responsible for allocating resources, assessing the performance of the operating segment and making strategic decisions. Accordingly, the Directors consider there to be a single operating segment.

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Formulation development projects	**1,352**	1,014
Sales of pharmaceuticals	**1,051**	-
Non-Government grants	**-**	144
	2,403	1,158

3. Other operating income

Other operating income in the year was grant income received in respect of a £2.8m grant awarded by Innovate UK in March 2021.

4. Operating loss

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Operating loss is stated after charging:		
Audit fees	**148**	60
Other audit services	**10**	8
Audit of grant claims – Other professional services	**4**	40
Depreciation of property, plant and equipment:		
- Owned assets	**122**	68
- Right of use assets under leases	**126**	95
Amortisation of intangible assets	**93**	8
Research and Development costs not disclosed elsewhere in this note	**5,958**	3,570
Sales, General and Admin costs not disclosed elsewhere in this note	**2,934**	395
Non-recurring expenses	**171**	462
Foreign exchange gains	**(69)**	(5)
Directors and employee costs	**4,668**	3,536

Non-recurring expenses in the year were costs incurred in the acquisition of Tetris Pharma Ltd. Prior year costs were expenses incurred in the admission to AIM on 3rd June 2021.

5. Finance income

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Bank interest received	**102**	1
Other interest received	**7**	-
	109	1

6. Finance expense

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Loan note conversion	**-**	485
Lease interest	**18**	22
Other interest expenses	**8**	-
	26	507

The prior year comparatives include a charge of £485,000 arising from the conversion of loan notes into ordinary shares at Admission.

7. Taxation

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Research & development tax credit receivable	**(1,325)**	(776)
Total tax	**(1,325)**	(776)

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Loss before tax	**(10,542)**	(6,945)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**(2,003)**	(1,320)
Tax effects of:		
Expenses not deductible for tax purposes	**248**	180
Enhanced R&D relief	**(560)**	(523)
Unrecognised deferred tax	**1,073**	887
Additional relief on capital expenditure	**(20)**	-
Origination and reversal of timing differences	**(63)**	-
Total tax (credit)	**(1,325)**	(776)

At 31 December 2022, the Group has accumulated tax losses of £20,164,670 (2021: £11,361,635). No deferred tax asset was recognised in respect of these accumulated tax losses due to uncertainty regarding the timing of recoverability in future years. Under UK tax law currently enacted, the accumulated tax losses are not limited by an expiry date.

As confirmed in the UK Government budget in March 2023, the level of UK Corporation tax will increase from 19% to 25% on 6 April 2023

8. Basic and diluted loss per share

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

The diluted loss per share is considered to be the same as the basic loss per share. Potential dilutive shares are not treated as dilutive where they would result in a loss per share.

	31 December 2022 Unaudited £	31 December 2021 Audited £
Loss per share from continuing operations	**(0.32)**	(0.27)

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	31 December 2022 Unaudited £000	31 December 2021 Audited £000
Loss used in the calculation of total basic and diluted loss per share	**(9,260)**	(6,169)

Number of shares	31 December 2022 Number	31 December 2021 Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**28,936,088**	23,033,420

9. Intangible assets

GROUP	**Patents £000**	**Licenses £000**	**Software £000**	**Total £000**
Cost				
At 1 January 2021	150	-	-	150
Additions	-	-	-	-
At 31 December 2021	150	-	-	150
Additions	-	1,933	48	1,981
At 31 December 2022	**150**	**1,933**	**48**	**2,131**
Amortisation				
At 1 January 2021	112	-	-	112
Charge for the year	8	-	-	8
At 31 December 2021	120	-	-	120
Charge for the year	8	83	2	93
At 31 December 2022	**128**	**83**	2	213
Net book value				
At 31 December 2021	30	-	-	30
At 31 December 2022	**22**	**1,850**	**46**	**1,918**

Amortisation is recognised within administrative expenses.

10. Acquisition of Tetris Pharma Ltd

On 4 August 2022, the Group acquired 100% of the share capital of Tetris Pharma Ltd and gained control of the company and its wholly owned subsidiary, Tetris Pharma BV. The fair value of the assets acquired and the resulting goodwill arising on acquisition is shown below. The fair value of the consideration paid for the acquisition was £2,020,351.

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Ogluo license and distribution agreement, UK and Europe (Intangible asset)	-	1,781	1,781
UK Distribution agreements – Other products (intangible asset)		152	152
Property, plant and equipment	232	-	232
Inventory	1,719	-	1,719
Trade and other receivables	738	-	738
Cash at bank	284	-	284
Trade and other payables	(3,579)	505	(3,074)
Trade facility	(295)	-	(295)
Historic liabilities	-	(505)	(505)
Deferred tax on intangibles	-	(496)	(496)
Total	**(901)**	**1,437**	**536**
Goodwill			**1,484**
Total Consideration			**2,020**

The acquisition of Tetris Pharma Ltd was settled by the issue of 651,726 ordinary shares in Arecor Therapeutics plc. On the date of the transaction, the market value was 310p per share. Further consideration may fall due if specific sales and EBITDA targets are met in each of the three years following the date of acquisition.

Historic liabilities were costs incurred prior to the acquisition which were non-recurring therefore were considered separately to trade and other payables in the fair value analysis.

Goodwill reflects expectations of future sales growth attributable to Tetris Pharma Ltd.

From the date of acquisition to the financial year end, Tetris Pharma Ltd contributed £1.0 million to Group revenue and incurred a loss for the period of £1.2 million.

11. Share capital

	31 December 2022 Number	31 December 2022 Nominal value £000
Ordinary shares – par value £0.01		
Allotted, called up and fully paid		
Ordinary shares of £0.01	30,618,183	306
At 31 December 2022	**30,618,183**	306

	31 December 2021 Number	31 December 2021 Nominal value £000
Ordinary shares – par value £0.01		
Allotted, called up and fully paid		
Ordinary shares of £0.01	27,835,024	278
At 31 December 2021	**27,835,024**	**278**

The Company has a single class of Ordinary share that bear no rights to fixed income

The following shares were issued in the periods presented:

	Number	Share Capital £000	Share Premium £000
At 1 January 2022	27,835,024	278	23,348
Issue of Ordinary shares of £0.01	2,000,000	20	5,980
Share issue expense	-	-	(352)
Issue of ordinary shares of £0.01 as consideration for the acquisition of Tetris Pharma Ltd	651,726	7	-
Issue of Ordinary shares of £0.01 on exercise of share options	131,433	1	-
At 31 December 2022 (Unaudited)	**30,618,183**	**306**	**28,976**

	Number	Share Capital £000	Share Premium £000
At 1 January 2021 – Arecor Limited	2,715,518	27	11,594
Issue of Ordinary shares of £0.01	62,493	1	-
Five to one bonus issue on all shares	13,890,055	139	(139)
Total Ordinary shares allotted, called up and fully paid in Arecor Limited at 24 May 2021	**16,668,066**	**167**	**11,455**
One to one share swap with Arecor Therapeutics ordinary shares at par	16,668,066	167	-
Conversion of loan notes	2,165,908	21	4,873
Issue of ordinary shares of £0.01 during listing	8,849,558	88	19,912
Costs associated with issue of ordinary shares of £0.01			(1,437)
Issue of Ordinary shares of £0.01	151,492	2	-
At 31 December 2021 (Audited)	**27,835,024**	**278**	**23,348**

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.

Share premium increases in the year arose from a placing of £6 million to provide working capital and an issue of shares as consideration for the acquisition of Tetris Pharma Ltd.

12. Financial commitments

In August 2022, the Group signed agreements with The Medical University of Graz and Joanneum Research Forschungsgesellschaft GmbH, both based in Graz, Austria to provide specialised clinical research services relating to a European based clinical study of AT278, due to start in early 2023. Total payments agreed to be paid to these parties for undertaking the study are €1.6m.

13. Post balance sheet events

There were no adjusting or significant non-adjusting events post the balance sheet date of 31 December 2022.