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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Strong progress across proprietary portfolio and partnered revenue-generating collaborations

Cambridge, UK, 14 September 2023: 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 2023.

Sarah Howell, Chief Executive Officer of Arecor, said: *"We have made further, strong progress across the business towards our ambition to transform patient care by enhancing existing therapeutic medicines and, in doing so, building a significant self-sustaining biopharmaceutical company.*

"Our revenues increased by 141%, compared to 1H 22, and our belief in the growth potential of the business is reinforced by significant progress by our partners under license, as well as development progress across our in-house proprietary product portfolio. We have seen significant partnering traction with the first product incorporating the Arestat™ technology, AT220, progressing towards commercialisation, positive clinical and development advances from Inhibrx and Hikma, as well as the signing of new revenue-generating collaborations.

"Through the remainder of 2023 and into 2024, we expect key data from AT278, achievement of anticipated further partnering milestones and continued commercial traction for Ogluo®. We look forward, with confidence, to further material progress in the near- and medium-term towards our long-term ambitions for the Group."

Operational highlights (including post period events)

- AT278 – Second Phase I clinical trial of ultra-rapid acting, ultra-concentrated insulin in people with Type 2 diabetes ongoing, with good progress in recruitment following first patient dosing in March
- AT247 – Phase I clinical data for ultra-rapid acting insulin delivered by continuous subcutaneous infusion over three days via an insulin pump, reinforcing potential to enable a fully closed loop artificial pancreas system, presented at American Diabetes Association (ADA) 83rd Scientific Sessions meeting in June
- AT307 – the specialty hospital, ready-to-use injectable medicine, transferred to Hikma in January, and which triggered a milestone payment to the Group in the period; achieved a recent positive meeting with Food and Drug Administration confirming abbreviated 505(b)(2) regulatory pathway
- Initiation of Inhibrx' registration-enabling clinical trial of AT292 (INBRX-101)
- Regulatory approval by partner expected in coming months for first product incorporating Arestat™ technology, AT220
- Three additional revenue generating technology partnerships entered into with new and existing pharmaceutical and biotech partners, bringing the total number of new partnerships signed since IPO to 11
- Continued sales growth of Ogluo® with roll-out across additional key European territories, adding Denmark, Norway and Austria to existing markets of Germany and the UK; exclusive commercialisation agreement signed with Goodlife in the BeNeLux region
- Strengthening of robust IP portfolio with key patents granted in US, Europe, China and India protecting proprietary diabetes portfolio, enhanced monoclonal antibody platform and high value biologics formulations
- Appointment of Dr. Manjit Rahelu as Chief Business Officer

Financial highlights

- Revenue of £1.7 million increased by 141% (H1 2022: £0.7 million)

- Total income of £2.3 million, increased by 103% (H1 2022: £1.1 million)
- Investment in R&D of £2.9 million (H1 2022: £4.8 million)
- Loss after tax for the period of £4.5 million (H1 2022: £4.4 million)
- Cash, cash equivalents and short-term investments of £8.2 million at 30 June 2023 (30 June 2022: £13.7 million)
- Post period: R&D tax credit of £1.3 million received on 3 August 2023

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. Join the webcast here. 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 group transforming patient care by bringing innovative medicines to market through the enhancement of existing therapeutic products. By applying our innovative proprietary formulation technology platform, Arestat™, we are developing an internal portfolio of proprietary products in diabetes and other indications, as well as working with leading pharmaceutical and biotechnology companies to deliver enhanced formulations of their therapeutic products. The Arestat™ platform is supported by an extensive patent portfolio. For further details please see our website, www.arecor.com

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

Corporate overview

Arecor's ambition is to transform patient care by enhancing existing therapeutic medicines and, in doing so, build a significant self-sustaining biopharmaceutical company. We have continued to make significant progress towards this goal across all areas of the business during the first half of 2023. We have further built the foundations for future growth through our portfolio of proprietary and partnered programmes which is progressing strongly, and our commercial subsidiary, Tetris Pharma, with its scalable sales, marketing and distribution platform. Revenues have increased by 141% versus H1 2022. Trading for the full year remains in line with the Board's expectations subject to continued sales momentum and partnership milestones anticipated in the remainder of 2023.

We continue to deliver on our strategy for our lead proprietary diabetes product candidates AT278 and AT247, generating additional clinical data to further demonstrate their superior profiles compared with gold standard insulins available to patients today. There remains a very significant patient need for even faster acting and ultra-concentrated insulins which are key unmet needs in the pursuit of the development of a fully closed loop artificial pancreas system, as well as enabling longer wear miniaturised insulin delivery devices, and their use in high insulin users. In this field, Arecor's insulins have the potential to significantly improve healthcare outcomes for people living with diabetes. We continue to build the value of our insulin programmes through the development of clinical strategies and data packages which would best realise their future potential and maximise partnering opportunities and value in the growing diabetes market.

We have also further progressed our in-house proprietary pipeline of speciality hospital products underpinned by our extensive know-how and expertise in the delivery of novel ready-to-use ("RTU") and ready-to-administer ("RTA") formulations for highly complex point-of-care medicines. There is a growing demand for these superior RTA and RTU products to enable fast, safe and effective treatment options for patients and caregivers in the hospital setting. Our proven expertise and track record, utilising our proprietary technology platform, Arestat™, in developing these difficult to achieve stable and efficacious liquid formulation product formats allows us to bring superior products to patients and caregivers, and presents a clear opportunity for Arecor to negotiate high-value co-development and commercialisation license collaborations with pharmaceutical partners.

Our three programmes which have progressed through to license – one from our internal Specialty Hospital Products franchise and two from our technology partnership model, where we apply the platform to develop novel formulations of our partners proprietary products – are advancing well under our partners' control. 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.

The expansion of our pipeline of revenue-generating technology partnership deals with leading healthcare companies further validates the strength of our technology and its value to our partners in the development of enhanced formulations of their proprietary products which would otherwise be unachievable. These partnerships, which have continued to build steadily since Arecor's IPO, provide both near-term revenue at the pre-license stage with significant future license upside potential.

In Tetris Pharma, the speciality pharmaceutical company we acquired in August 2022, we have an opportunity to accelerate our commercially driven strategy. Its lead commercial stage diabetes product, Ogluo®, is a ready-to-use glucagon auto-injector pen to treat severe hypoglycaemia and meets a key patient need. The sales momentum seen in the UK market, and progress with its pan-European commercial roll-out, continues to support our belief in the complementary nature of the Tetris Pharma acquisition and the growth potential of this important product for people with diabetes.

Operational Review (including post period events)

Internal proprietary pipeline

The Arestat™ enabled novel formulations of insulin within our diabetes franchise 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.

Recruitment of Type 2 subjects for the second Phase I clinical study of AT278, our ultra-rapid, ultra-concentrated insulin candidate, is progressing well. We are currently considering increasing the number of subjects within the study from 32 to 42 to increase the power of the study, and in turn, to increase the value of the results for patients with high insulin needs. If implemented, this will result in a short delay in the reporting of results into early 2024 and we will provide more details in the coming weeks. The randomised, double-blind Phase I cross-over study in people with Type 2 diabetes receiving one subcutaneous dose (0.5 U/kg) of AT278, in a euglycemic clamp setting, compares the pharmacokinetic (PK) and pharmacodynamic (PD) profile with NovoRapid® and Humulin® R U-500. 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.

In June, the positive results from the second Phase I clinical trial investigating Arecor's ultra-rapid acting insulin product candidate, AT247, when delivered by continuous subcutaneous infusion, were shared in a poster presentation at the American Diabetes Association (ADA) 83rd Scientific Sessions meeting. The data clearly demonstrates faster insulin absorption than the currently available, gold standard, rapid acting insulins, NovoRapid® and Fiasp®, reinforcing AT247's potential to enable even more effective disease management for people with Type I diabetes. The availability of a truly ultra-rapid acting insulin is a critical step towards a fully closed loop artificial pancreas system, a potentially life changing treatment option for people living with diabetes that has the potential to improve health outcomes and reduce the significant burden of managing this chronic disease.

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 at the point of care by avoiding complex reconstitutions procedures and in doing so enabling fast, safe and effective treatment options for patients and caregivers. These products provide future high-value licensing opportunities to Arecor.

Partnership agreements

The Group's three licensed programmes, under milestone and royalty-based agreements or equivalent, have also advanced. Arecor continues to expect the first product incorporating its Arestat™ technology, AT220, to be commercialised by its partner under a royalty-generating license agreement in a multi-billion dollar market. Our partner has taken key regulatory steps towards commercialisation and, while timing of launch is in our partner's control, we anticipate first sales could come in late 2023 or the early months of 2024.

Hikma continues to progress AT307, a RTU injectable medicine after its milestone-triggering transfer from Arecor in January. A positive pre-investigational new drug application (pre-IND) meeting between Hikma and the FDA confirms development of AT307 in the US under the FDA's abbreviated 505(b)(2) regulatory pathway. This pathway provides companies with an abbreviated regulatory review process when evidence of safety and clinical efficacy generated for an originator product is deemed suitable to be relied upon in new marketing applications. This also further validates a fundamental assumption within our business that the abbreviated 505(b)(2) pathway can be utilised across our specialty hospital portfolio, where we are developing enhanced, RTU and RTA formulations of existing therapeutic products.

Inhibrx is advancing towards dosing of the first patient in a registration-enabling trial of AT292 (INBRX-101), an Arestat™ formulated optimized recombinant human AAT-Fc fusion protein, for treatment of patients with emphysema due to alpha-1 antitrypsin deficiency, which would trigger a milestone to Arecor under the terms of the license agreement. The initial read-out from the Inhibrx ElevAATe trial is expected to occur in late 2024, and if successful, will potentially provide the final data required for a regulatory submission for this product.

We continue to build a strong portfolio of pre-license technology partnerships in which our partners fully fund the development work with the option for each partner to acquire rights to the new proprietary formulation and associated intellectual property under a technology licensing model. This offers the potential for Arecor to generate significant future revenue through associated milestone and royalty payments, or equivalent. We have established three new revenue generating portfolio collaborations so far in 2023 bringing the total technology partnerships with the Group to 11 since IPO, including:

1. In February, 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.

2. In July, we entered into a collaboration to support the ongoing development of a biosimilar product with a leading biopharmaceutical company. This follows an earlier technology partnership with the same company.

3. In August, we signed an agreement with a top 10 pharmaceutical company to develop an enhanced antibody formulation for one of its investigational drugs.

Tetris Pharma

The European commercial roll out of key diabetes product, Ogluo®, continues to gain traction with growing sales in the UK, and additional launches in Austria, Denmark and Norway during the first half of 2023 complementing existing markets in Germany and the UK. As planned, Ogluo® sales now represent a significant proportion of total Tetris Pharma sales and, as a result of our commercial strategies and focus, we have seen continuing growth in the UK as our primary market. We anticipate this momentum in Ogluo® sales to continue through the remainder of 2023 and beyond.

The team at Tetris Pharma is focused on accelerating market adoption of Ogluo® to maximise its value in launched countries. Earlier this month, Tetris Pharma established an exclusive commercialisation agreement with Goodlife, who will act as sole partner for the import, marketing and distribution of Ogluo® in the BeNeLux region. Goodlife is expected to launch the product in The Netherlands during H1 2024.

With Ogluo®, Tetris Pharma is targeting market share within an existing c.£100 million market across the licensed territory. The momentum we are seeing, and the increasingly pan-European focus of our commercial efforts, provide the Group with continued confidence in Ogluo®. Sales of Gvoke® in the US (Ogluo® is sold by Xeris Pharmaceuticals, Inc. in the US under the registered name Gvoke®) also remain strong with latest quarter on quarter growth of 36% and, while the market dynamics clearly differ, the US experience provides further support for the Group's belief in the growth potential of the product in the UK and Europe.

Intellectual Property portfolio

Arecor's broad and robust global patent portfolio has >75 granted patents across key territories protecting both the Arestat™ technology platform as well as the enhanced versions of therapeutic medicines that we develop leveraging Arestat™. To date, during 2023, the portfolio was bolstered with the addition of five key patents:

- In February, the Indian Patent Office granted a patent (IN412485) protecting novel formulations of the Group's proprietary insulin products, AT247 and AT278, until 2038.

- In February, the United States Patent and Trademark Office granted two patents (US11534402 and US11534403) protecting the novel formulations of high-concentration adalimumab until 2038.
- In June, the European Patent Office granted a key patent (EP3518892), protecting novel formulations of AT278 and AT247.
- In June, the China National Intellectual Property Administration granted a further patent (CN110582285) protecting AT278 and AT247.

Finance

The consolidated financial results for the period ended 30 June 2023 reflect the performance of Arecor Therapeutics plc and its trading subsidiaries; Arecor Limited and Tetris Pharma Ltd.

The acquisition of Tetris Pharma Ltd occurred on 4 August 2022 and therefore its results are not included in the comparatives for the six-month period to 30 June 2022. The full year comparatives to 31 December 2022 include five months of trading by Tetris Pharma Ltd for the post-acquisition period.

Total income for the six months to 30 June 2023 of £2.3 million (H1 2022: £1.1 million) reflected increased revenue and grant income. Revenue recognised in the period of £1.7 million (H1 2022: £0.7 million), included sales of pharmaceutical products of £1.2 million (H1 2022: Nil).

Other operating income of £0.6 million (H1 2022: £0.4 million) was grant income received from a £2.8 million grant awarded by Innovate UK in March 2021.

Investment in R&D of £2.9 million (H1 2022: £4.8 million) was lower than the prior period and reflected the costs of the current clinical trial for AT278. R&D expenditure in the period ended 30th June 2022 included the US Phase I clinical trial for AT247 and the second clinical study for AT278 which was initiated in the first quarter of 2023.

Sales, General and Administrative costs of £4.4 million (H1 2022: £1.6 million) increased over the prior period and included expenditure on product sales and distribution by Tetris Pharma Ltd which was nil in the six months to 30 June 2022. On a like for like basis the SG&A costs for the period excluding Tetris Pharma Ltd were £1.9 million (H1 2022: £1.6 million)

The total loss after tax for the six-month period was £4.5 million (H1 2022: £4.4 million).

The Group ended the first half of the year with cash, cash equivalents and short-term investments of £8.2 million (30 June 2022: £13.7 million).

We continue to manage cash carefully as part of our working capital. There were two notable post period end receipts; £0.4 million grant receivable in early July (2022: £0.1 million) for costs incurred in H1 and £1.3 million R&D tax credit for the year ended 31 December 2022 (2022: £0.8 million) which was received in early August. The increased R&D tax credit was due to the level of R&D expenditure in the year ended 31 December 2022 which included costs of the US AT247 clinical study and AT278 preparatory work for the study initiated in 2023.

Contingent consideration

The acquisition of Tetris Pharma Ltd included up to a further £4.0 million contingent consideration which may become payable, consisting of three earn out payments, subject to Tetris Pharma Ltd achieving sales and EBITDA targets in each of the three years following completion.

The additional consideration is considered to be contingent on future performance which is uncertain and therefore was not included in the assessment of goodwill in the audited financial statements for the year ended 31 December 2022.

The first earn out payment was subject to Tetris Pharma Ltd achieving mid-single-digit million-pound net sales and a low single-digit million-pound EBITDA loss in the 12-month period following completion.

Earn out accounts, prepared by an independent accountant, have determined that the first earn out target was not achieved and therefore a payment of £1.0 million contingent consideration for the first earn out period was not triggered.

Summary and outlook

We have seen further substantial progress across our in-house proprietary products pipeline, partnered portfolio and commercial operations during the period as we build a broad, robust platform from which to become a significant self-sustaining biopharmaceutical company.

We are pleased to report that revenue recognised in H1 has materially increased compared to the comparative period to 30 June 2022. Trading for the full year remains in line with the Board's expectations subject to continued sales momentum and partnership milestones anticipated in the remainder of 2023.

Revenue in the period included milestone and sales of pharmaceutical products in addition to formulation development revenue reported in the comparative period to 30 June 2022. This gives a broad revenue mix without a dependency on a single product or revenue stream.

As our partnered programmes progress we will recognise further milestone revenue and with the expected commercial launch of AT220, annually recurring royalties which would bring a solid revenue foundation and more clarity to forward looking forecasts. Our partnered programmes are under the direction of our partners and the timing of revenue recognition is outside of our direct control which can result in recognition occurring in different financial periods compared to our expectations.

We anticipate a number of further milestones from these existing partnerships through the remainder of the year and beyond. Whilst we continue to actively engage with our partners to understand their plans, our focus is on delivering consistent year on year revenue growth.

With the expected commercial launch of the first product incorporating the Arestat™ technology, AT220, additional milestones from existing partnerships, and the signing of new revenue-generating agreements anticipated through the remainder of 2023 and into 2024, as well as key data from AT278 and continued commercial traction for Ogluo®, we look forward with confidence to further material progress in the near- and medium-term towards our long-term ambitions for the Group.

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Consolidated Statement of Comprehensive Income

	Notes	**Period ended 30 June 2023**	Period ended 30 June 2022	Year ended 31 December 2022
		Unaudited	Unaudited	Audited
		£000	£000	£000
Revenue	***3***	**1,669**	693	2,403
Other operating income		**609**	429	1,132
Total Income		**2,278**	1,122	3,535
Research and Development		**(2,858)**	(4,763)	(8,613)
Sales, General and Administrative	***4***	**(4,375)**	(1,587)	(5,552)
Operating loss		**(4,955)**	(5,228)	(10,630)
Finance income		**164**	3	109
Finance expense	***6***	**(10)**	(9)	(21)
Loss before tax		**(4,801)**	(5,234)	(10,542)
Taxation	**7**	**273**	867	1,282
Loss for the period		**(4,528)**	(4,367)	(9,260)
Basic and diluted loss per share (£)	***8***	**(0.15)**	(0.16)	(0.32)

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 2023

Consolidated Statement of Financial Position

	Notes	**30 June 2023**	30 June 2022	31 December 2022
		Unaudited	Unaudited	Audited
		£000	£000	£000
Assets				
Non-current assets				
Intangible Assets		**1,815**	26	1,918
Goodwill		**1,484**	-	1,484
Property, Plant and Equipment		**720**	346	838
Other receivables		**48**	48	48
		4,067	420	4,288
Current assets				
Trade and other receivables	***9***	**4,671**	1,466	2,215
Inventory		**1,564**	68	1,131
Current tax receivable		**1,598**	1,642	1,325
Cash and cash equivalents	***10***	**6,610**	13,717	4,765
Short term investments	***10***	**1,619**	-	8,041
		16,062	16,893	17,477
Current liabilities				
Trade and other payables	***11***	**(6,254)**	(2,568)	(3,526)
Lease liabilities		**(116)**	(127)	(202)
		(6,370)	(2,695)	(3,728)
Non-current liabilities				
Lease liabilities		**(51)**	(42)	(86)
Deferred tax		**(496)**	-	(496)
		(547)	(42)	(582)
Net Assets		**13,212**	14,576	17,455
Equity				
Share capital	***12***	**306**	278	306
Share premium account		**28,976**	23,348	28,976
Share-based payment reserve		**1,143**	912	893
Other reserves		**11,455**	11,455	11,455
Merger relief reserve		**2,014**	-	2,014
Foreign exchange reserve		**14**	-	(8)
Retained earnings		**(30,696)**	(21,417)	(26,181)
Shareholder's funds		**13,212**	14,576	17,455

Arecor Therapeutics plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger relief reserve £000	Other reserves £000	Foreign exchange reserve £000	Retained losses £000	Total equity £000
For the period ended 30 June 2022								
Balance at 1 January 2022	278	23,348	519	-	11,455	-	(17,051)	18,549
Loss for the period	-	-	-	-	-	-	(4,367)	(4,367)
Total comprehensive loss for the period	-	-	-	-	-	-	(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**	**912**	**-**	**11,455**	**-**	**(21,417)**	**14,576**
For the period ended 31 December 2022								
Balance at 1 July 2022	**278**	**23,348**	**912**	**-**	**11,455**	**-**	**(21,417)**	**14,576**
Loss for the period							(4,894)	(4,894)
Total comprehensive loss for the period							(4,894)	(4,894)
Transactions with owners								
Share-based compensation			111					111
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	-
Foreign Exchange movements						(8)		(8)
Total transactions with owners	**28**	**5,628**	**(19)**	**2,014**	**-**	**(8)**	**130**	**7,773**
Balance at 31 December 2022 (audited)	**306**	**28,976**	**893**	**2,014**	**11,455**	**(8)**	**(26,181)**	**17,455**

Arecor Therapeutics plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Consolidated Statement of Changes in Equity (continued)

	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger relief reserve £000	Other reserves £000	Foreign exchange reserve £000	Retained losses £000	Total equity £000
For the period ended 30 June 2023								
Balance at 1 January 2023	**306**	**28,976**	**893**	**2,014**	**11,455**	**(8)**	**(26,181)**	**17,455**
Loss for the period	-	-	-	-	-	-	(4,528)	(4,528)
Total comprehensive loss for the period	-	-	-	-	-	-	(4,528)	(4,528)
Transactions with owners:								
Share-based compensation	-	-	263	-	-	-	-	263
Reserve Transfer	-	-	(13)	-	-	-	13	-
Foreign Exchange movements	-	-	-	-	-	22	-	22
Total transactions with owners	**-**	**-**	**250**	**-**	**-**	**22**	**(4,515)**	**7,773**
Balance at 30 June 2023 (unaudited)	**306**	**28,976**	**1,143**	**2,014**	**11,455**	**14**	**(30,696)**	**13,212**

Arecor Therapeutics plc
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Consolidated Statement of Cash Flows

	Period ended 30 June 2023 Unaudited £000	Period ended 30 June 2022 Unaudited £000	Year ended 31 December 2022 Audited £000
Cash flow from operating activities			
Loss before tax	**(4,801)**	(5,234)	(10,542)
Finance income	**(164)**	(3)	(109)
Finance costs	**10**	9	21
Share-based compensation	**263**	393	503
Depreciation	**198**	85	248
Amortisation	**103**	4	93
Foreign exchange movements	**132**	76	(69)
	(4,259)	(4,670)	(9,855)
Changes in working capital			
(Increase)/ decrease in inventory	**(433)**	(68)	587
(Increase)/ decrease in trade and other receivables	**(2,456)**	(43)	(48)
Increase/(decrease) in trade and other payables	**2,728**	427	(2,198)
Tax received	**-**	-	734
	(161)	316	(925)
Net cash used in operating activities	**(4,420)**	(4,354)	(10,780)
Cash flow from investing activities			
Acquisition of subsidiary net of cash acquired	**-**	-	284
Purchase of property, plant & equipment	**(73)**	(100)	(299)
Purchase of intangible assets	**-**	-	(46)
Short term investments	**6,422**	-	(8,041)
Interest received	**164**	3	109
Net cash used in investing activities	**6,513**	(97)	(7,993)
Cash flow from financing activities			
Issue of ordinary shares	**-**	-	6,000
Share issue costs	**-**	-	(352)
Capital payments on lease liabilities	**(114)**	(63)	(165)
Interest paid on lease liabilities	**(10)**	(9)	(21)
Repayment of working capital facility	**-**	-	(295)
Other interest paid	**-**	-	(7)
Net cash (used in) / generated by financing activities	**(124)**	(72)	5,160
Net (decrease) / increase in cash and cash equivalents	**1,969**	(4,523)	(13,613)
Exchange (losses) / gains on cash and cash equivalents	**(124)**	(76)	62
Cash and cash equivalents at beginning of period or financial year	**4,765**	18,316	18,316
Cash and cash equivalents at end of period or financial year	**6,610**	13,717	4,765

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 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 4th August 2022.

1. BASIS OF PREPARATION

The financial statements for the period ended 30 June 2023 incorporate the results of Arecor Therapeutics plc and its trading subsidiaries. The consolidated interim financial statements for the period to 30 June 2023 are unaudited and were approved by the board of directors on 13 September 2023.

The consolidated interim 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 2023.

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 2023 and 30 June 2022 is unaudited.

Financial statements for year ended 31 December 2022 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.

Tetris Pharma Ltd was acquired by Arecor Therapeutics plc on 4th August 2022 and is therefore not included in the comparatives for the six-month period to 30 June 2022. The full year comparatives to 31 December 2022 contain five months of trading by Tetris Pharma Ltd for the post-acquisition period.

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 2022 and IFRS. There have been no changes to the accounting policies or the application of the accounting standards during the period of review.

a) Going Concern

The Directors have reviewed current cash and short- term investments together with forecast receivables to support forecast operating expenditure and planned investment in R&D. Sensitivities included the impact of reduced receivables and mitigating actions. The review indicated that in potential downside scenarios, cash

flow forecasts extended to a period beyond 12 months from the date of approval of the consolidated interim results.

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

Accordingly, they continue to adopt the going concern basis in preparing these unaudited interim financial statements.

3. REVENUE AND OPERATING SEGMENTS

	Period ended 30 June 2023	Period ended 30 June 2022	Year ended 31 December 2022
UK	1,190	101	1,136
Switzerland	77	33	240
Rest of Europe	124	22	108
USA	248	492	784
India	30		135
Rest of World	-	45	-
Total revenue	**1,669**	**693**	**2,403**

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. Accordingly, the Directors consider there to be a single operating segment.

	Period ended 30 June 2023	Period ended 30 June 2022	Year ended 31 December 2022
Formulation development projects	342	693	1,352
Milestones from licence agreements	108	-	-
Sale of pharmaceuticals	1,219	-	1,051
Total revenue	**1,669**	**693**	**2,403**

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

Revenue from Milestones defined in license agreements has been recognised when a milestone is achieved.

Sales of pharmaceuticals are product sales which have been recognised as the rights and obligations pertaining to those items are transferred to the buyer.

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 sales and marketing and Business Development teams, building facilities, sale of pharmaceutical products and costs relating to the Board of Directors.

5. SHARE BASED COMPENSATION

The Company operates an All-Employee Share Option Plan (AESOP) and grants 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 LTIP options vest after three years subject to meeting performance criteria as defined in the option agreement. These can be a combination of both operational objectives and share price performance compared to a benchmark. These performance conditions are approved by the Board on each occasion prior to the grant of the options. 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 2021	**1,414,944**
Options lapsed	(13,497)
Balance at 30 June 2022	**1,401,447**
AESOP options granted	312,750
LTIP options granted	270,000
AESOP options exercised	(131,433)
Options lapsed	(224,961)
Balance at 31 December 2022	**1,627,803**
AESOP options granted	86,250
LTIP options granted	190,000
AESOP options exercised	(7,471)
Options lapsed	(235,167)
Balance at 30 June 2023	**1,661,415**

Shared Based Payment charges to the Statement of Comprehensive Income	**£000**
Period to June 2023	263
Period to June 2022	393
Year to December 2022	504

6. FINANCE EXPENSES

In the period ended 30 June 2023, the finance expenses of £10,000 were interest costs on finance leases (period ended 30 June 2022: £9,000).

7. TAXATION

	Period ended 30 June 2023	**Period ended 30 June 2022**	**Year ended 31 December 2022**
R&D Tax credit receivable	273	867	1,282
Total taxation	**273**	**867**	**1,282**

On 1 April 2023 the UK Governments rates of tax relief for loss making SME R&D tax credits decreased from 14.5% to 10%. On the same date, the tax relief for the RDEC scheme increased from 13% to 20%. The Group

utilises both schemes and has calculated the balance receivable based on the applicable rates for expenditure incurred before and after the date of transition.

8. 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 2023	Period ended 30 June 2022	Year ended 31 December 2023
Loss for the period (£000)	**(4,528)**	(4,367)	(9,260)
Weighted average number of ordinary shares (number)	**30,619,091**	27,835,024	28,936,088
Loss per share from continuing operations (£ per share)	**(0.15)**	(0.16)	(0.32)

9. TRADE AND OTHER RECEIVABLES

	Period ended 30 June 2023	**Period ended 30 June 2022**	**Year ended 31 December 2022**
Trade receivables	3,688	157	664
Other receivables	175	273	273
Grant receivables	423	83	562
Prepayments	385	953	716
Total Trade and other receivables	**4,671**	**1,466**	**2,215**

The growth in Trade receivables of £3.7 million reflects the gross sales of pharmaceutical products by Tetris Pharma Ltd, which were nil in the period ended 30 June 2022.

Trade receivables for pharmaceutical products are gross of rebates payable to wholesalers. Rebates are reported in Trade payables and accruals.

Grant receivables of £0.4 million reflect the timing of reimbursement of expenditure incurred in the first half of the year and an increase over the prior period grant receivable of £0.1 million.

10. CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

	Period ended 30 June 2023	Period ended 30 June 2022	Year ended 31 December 2022
Cash and cash equivalents	6,610	13,717	4,765
Short term investments	1,619	-	8,041
Total cash, cash equivalents and short term investments	**8,229**	**13,717**	**12,806**

Short term investments relate to balances held in either fixed term accounts with a six-month maturity or notice accounts with a 95 day notice period.
All significant cash, cash equivalents and short-term investments are deposited in the UK with large international banks.

11. TRADE AND OTHER PAYABLES

	Period ended 30 June 2023	Period ended 30 June 2022	Year ended 31 December 2022
Trade payables	2,779	1,508	1,709
Other tax and social security	123	97	120
Other creditors	1,172	-	217
Contract liabilities	682	188	206
Accruals	1,498	775	1,274
Total Trade and other payables	**6,254**	**2,568**	**3,526**

The growth in Trade payables and Accruals include rebate amounts due to wholesalers on the sales of pharmaceutical products by Tetris Pharma Ltd, which were nil in the prior period ended 30 June 2022.
Other creditors of £1.2 million includes VAT payable and stock provisions which were nil in the prior period.

12. EQUITY

Share Capital

	At 30 June 2023 Number	At 30 June 2022 Number	At 31 December 2022 Number
Allotted, called up and fully paid			
Ordinary shares of £0.01	30,625,654	27,835,024	30,618,183
Total share capital	**30,625,654**	**27,835,024**	**30,618,183**

	At 30 June 2023 £'000	At 30 June 2022 £'000	At 31 December 2022 £'000
Allotted, called up and fully paid			
Ordinary shares of £0.01	306	278	306
Total share capital	**306**	**278**	**306**

13. EVENTS AFTER THE BALANCE SHEET DATE

In accordance with a Sale and Purchase Agreement dated 1st August 2022, the acquisition of Tetris Pharma Ltd included contingent consideration of three earn out payments, which may become payable on the first, second and third anniversary following completion.

The first earn out payment was subject to Tetris Pharma Ltd achieving mid-single-digit million-pound net sales and a low single-digit million-pound EBITDA loss in the 12-month period following completion.

Earn out accounts were prepared by an independent accountant and have been provided to the previous shareholders of Tetris Pharma Ltd. The earn out accounts determined that the first earn out target was not achieved and therefore contingent consideration of £1,000,000 for the first earn out period was not triggered.

14. COPIES OF THE INTERIM REPORT

Copies of the consolidated interim financial statements 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.