29 September 2022

Avacta Group plc
("Avacta", the "Company" or the "Group")

Interim Results for the Period Ended 30 June 2022

Strong momentum in Therapeutics; Diagnostics continues to focus on developing a pipeline of IVD products for professional and consumer use

Avacta Group plc (AIM: AVCT), a clinical stage oncology drug company and developer of powerful diagnostics based on its innovative Affimer® and pre|CISION™ platforms, announces its interim results for the period ended 30 June 2022.

Operating Highlights

Therapeutics – Strong progress as a clinical-stage business

- The first-in-human Phase I clinical trial (ALS-6000-101) of AVA6000, a FAPα-activated doxorubicin, progressed through the first and second cohorts (80 mg/m^2 to 120 mg/m^2 respectively) and initiated the third cohort at 160mg/m^2.
- The next pre|CISION™ drug candidate, AVA3996, was selected for pre-clinical development with potential for an Investigational New Drug Application in 2023.
- Pre-clinical data regarding AVA6000 was presented at the American Association for Cancer Research (AACR) 2022 Annual Meeting as a poster entitled '*AVA6000, a novel precision medicine, targeted to the tumor microenvironment via Fibroblast Activation Protein (FAP) mediated cleavage*'.
- AffyXell Therapeutics ("AffyXell"), the joint venture between Avacta and Daewoong Pharmaceutical ("Daewoong"), entered into collaborations with Biocytogen, a Chinese company specialising in developing new biological drugs, and with the Korea Non-Clinical Technology Solution Center ("KNTSC"). It also expanded its strategic partnership with GenScript ProBio, a leading biopharmaceutical manufacturer.
- Avacta's shareholding in AffyXell Therapeutics ("AffyXell") increased to 21% following the triggering of a milestone equity payment.
- LG Chem Life Sciences (LG Chem), the life sciences division of the South Korean LG Group, exercised its renewal option as part of the ongoing collaboration with Avacta, triggering a license renewal fee payment to Avacta of $2 million.
- The Therapeutics Division relocated to new facilities at Scale Space, in Imperial College's White City Campus in London, bringing together the research and the development teams in a single site.

Post-period Highlights

- ALS-6000-101 study advanced to dosing the fourth dose cohort of patients following a positive review in August of the safety and tolerability data from the dosing of the third cohort.
- The US Food and Drug Administration (FDA) granted Orphan Drug Designation (ODD) to AVA6000 for treatment of soft tissue sarcoma.
- AffyXell successfully completed a funding round to advance its lead mesenchymal stem cell (MSC) programme towards the clinic, and to develop its wider pre-clinical pipeline of cell therapies.

Diagnostics – Building a portfolio of products in an ISO13485 accredited in-vitro diagnostic products business

- The Company continues to execute on its strategy of building an *in-vitro* diagnostics (IVD) product portfolio for professional and consumer use including those against infectious respiratory diseases.
- In January, the Company announced that it had independently taken the decision to pause sales of the AffiDX® SARS COV-2 antigen lateral flow test whilst it sought to replace the antibody in the product to ensure that its performance with the Omicron variant matched the high performance of the product with previous mutations. Work to ensure the high performance of this test against emerging mutants of the virus continues.

Financial and Corporate Highlights

- Revenues increased to £5.5 million (6 months to 30 June 2021: £1.5 million; year ended 31 December 2021: £2.9 million).
- Operating loss from continuing operations reduced to £9.0 million (6 months to 30 June 2021: £10.2 million; year ended 31 December 2021: £26.4 million).
- Reported losses reduced to £7.9 million (6 months to 30 June 2021: £10.2 million, year ended 31 December 2021: £26.4 million).
- Cash and short-term deposits of £17.0 million (30 June 2021: £37.0 million; 31 December 2021: £26.2 million).
- Animal Health Division sold to Vimian Group AB in March 2022 for an upfront payment of £0.9 million and additional deferred contingent consideration of up to £1.4 million dependent on the combined performance of the consolidated business.
- Dr Christina Coughlin, a medical oncologist and immunologist and Chief Executive Officer of CytoImmune Therapeutics, Inc., appointed as Non-executive Director to the Board of Directors of Avacta.

Dr Alastair Smith, Chief Executive of Avacta Group plc, commented:
"The strong momentum in the Group seen during the first half of 2022 has continued post-period end. Most notably the Phase I clinical trial evaluating the safety and tolerability of AVA6000 is making excellent progress and is now recruiting patients into the fourth dose escalation cohort, at a dose of 200 mg/m^2, equivalent to more than double the normal dose of doxorubicin.

"I believe success in the ongoing Phase Ia study will be a major value inflection point for the Group as, not only is it important for the continued development of AVA6000, but it will also provide validation of the pre|CISION mechanism of action, and therefore the platform as a whole. If then applied more broadly, the validated platform would create a promising pipeline of chemotherapies with the potential to significantly improve patients' lives. It is also exciting to see AVA3996, the next pre|CISION drug candidate, selected for pre-clinical development. We look forward to providing future updates on this."

"We continue to progress our Diagnostic Division, as an ISO13485 certified business, with all the necessary product development functions established in-house, removing the need to rely on multiple external partners. It is now focused on developing a pipeline of IVD products that will underpin a future profitable IVD business."

-Ends-

This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

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About Avacta Group plc - https://www.avacta.com

Avacta Group is developing novel cancer immunotherapies and powerful diagnostics based on its two proprietary platforms - Affimer® biologics and pre|CISION™ tumour targeted chemotherapies.

The Affimer® platform is an alternative to antibodies and is derived from a small human protein. Affimer® technology has been designed to address many of the negative issues of antibodies, principally: the time taken to generate new antibodies, the reliance on an animal's immune response; poor specificity in many cases; in addition to, the complexity and high cost of manufacture. Despite these shortcomings, antibodies currently dominate markets, such as diagnostics and therapeutics, which are worth in excess of $100bn.

Avacta's pre|CISION™ targeted chemotherapy platform is designed to selectively release active chemotherapy in FAP rich tumour tissue to limit the systemic exposure that causes damage to healthy tissues, and thereby aims to improve the overall safety and therapeutic potential of these powerful anti-cancer treatments.

The Avacta Group comprises two divisions: The therapeutics development activities are based in London and Cambridge, UK and a separate diagnostics business unit is based in Wetherby, UK. The Group is generating near-term revenues from Affimer® reagents for diagnostics, bioprocessing and research.

Avacta's Diagnostics Division is developing an in-house pipeline of Affimer-based diagnostic assays, including the AffiDX® SARS-CoV-2 Lateral Flow Rapid Antigen Test, and works with partners world-wide to develop bespoke Affimer® reagents for third party products.

Avacta's Therapeutics Division is working to generate more tolerable and durable treatments for oncology patients who do not respond to existing therapies. By combining its two proprietary platforms the Group is building a wholly owned pipeline of clinically differentiated cancer therapies. In 2021 Avacta transitioned to become a clinical stage biopharmaceutical company, when it commenced a phase I trial in patients with locally advanced or metastatic selected solid tumours. The study was a first-in-human, open label, dose-escalation and expansion study of the Group's lead pre|CISION™ prodrug, AVA6000 (a pro-doxorubicin).

Avacta has established drug development partnerships with pharma and biotech, including a multi-target deal with LG Chem worth up to $400m, a joint venture in South Korea with Daewoong Pharmaceutical focused on cell and gene therapies incorporating Affimer® immune-modulators and a recent license agreement with Point Biopharma for them to develop radiopharmaceuticals based on the pre|CISION™ platform.

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Chairman and Chief Executive Officer's Statement

Avacta Therapeutics Division

In April 2022, the Avacta Therapeutics Division relocated its research activities from Cambridge to White City in London which has brought together both the research and drug development teams into a single site. The relocation was completed on schedule with almost no down-time and the Therapeutics Division has rapidly settled in to its new, world-class facilities.

AVA6000 FAPα-activated *Doxorubicin*
Anthracyclines such as Doxorubicin, a generic chemotherapy for which the broader market is expected to grow to $1.38 billion by 2024, are widely used as part of standard of care in several tumour types, but their use is limited by cumulative toxicity, and, in particular, cardiotoxicity. Avacta's pre|CISION™ FAPα-activated approach is designed to reduce the systemic exposure of healthy tissues to the active chemotherapy, leading to improved dosing regimens, and potentially improved safety and therapeutic profiles.

The ALS-6000-101 Phase I clinical trial involves a dose-escalation Phase I study in patients with locally advanced or metastatic selected solid tumours, known to be FAPα-positive, in which cohorts of patients receive ascending doses of AVA6000 to determine the maximum tolerated dose and establish a recommended Phase II dose. The second part of the study is an expansion phase where patients receive AVA6000 to further evaluate the safety, tolerability and clinical activity at this recommended Phase II dose across selected tumour types. For more information visit www.clinicaltrials.gov (NCT04969835).

Having seen the first dose of AVA6000 administered at The Royal Marsden NHS Foundation Trust in August 2021, clinical trial sites have been added at the Christie NHS Foundation Trust in Manchester, St James' Hospital in Leeds, The Beatson in Glasgow and The Freeman in Newcastle and continue to recruit.

The starting dose with cohort 1 was 80 mg/m^2 of AVA6000 which is equivalent to 54 mg/m^2 of Doxorubicin. The Safety Data Monitoring Committee (SDMC) reviewed the data from cohort 1 in February 2022 and recommended that the dose was escalated to 120 mg/m^2, and subsequently recommended that the trial progress to the third cohort in June 2022 at a dose of 160 mg/m^2. Post-period end, in August 2022, the third cohort was completed and the SDMC approved dose escalation to 200mg/m^2 in the fourth cohort which is now recruiting patients in the UK. The fourth cohort is expected to be completed during Q4 2022.

The ALS-6000-101 protocol has been designed as a data-rich clinical study that will provide the Company with detailed insights into the safety and pharmacokinetics of AVA6000. The presence of Doxorubicin in the tumour tissue is also a key indicator that the proposed mechanism of FAPα-activated release of Doxorubicin is working. This information can only be obtained from tumour biopsies, which are not mandatory in the Phase I study, but the Company remains confident of gathering some biopsy data from the Phase Ia dose escalation study. The Company has worked with partners at a UK based, world-leading pathology laboratory to put in place the validated assays to analyse biopsy samples.

Following approval by the US Food and Drug Administration (FDA) of an Investigational New Drug (IND) application, two clinical trial sites in the US are currently being prepared to join the ALS-6000-101 study. Post-period end the FDA also granted Orphan Drug Designation (ODD) to the company's lead pre|CISION™ drug candidate, AVA6000, for treatment of soft tissue sarcoma. The FDA can grant ODD based on a review of preclinical data from investigational treatments for rare diseases, such as soft tissue sarcoma, which are defined as conditions affecting fewer than 200,000 people in the US. This designation qualifies the developer of the drug for certain incentives, including, seven years of market exclusivity upon drug approval from the FDA.

Soft-tissue sarcoma is a rare mesenchymal malignancy which accounts for less than 1% of all adult tumours. Despite the successful advancement of localised therapies, such as surgery and radiotherapy, these tumours can recur, often with metastatic disease. The American Cancer Society estimates that, in 2022 approximately

13,190 new soft tissue sarcomas will be diagnosed and about 5,130 people are expected to die of the disease in the US.

Pipeline of pre|CISION™ *chemotherapies*

Avacta's pre|CISION™ platform is a proprietary chemical modification that renders the modified chemotherapeutic drug inactive in the circulation until it enters the tumour micro-environment where it is activated by an enzyme called FAPα. FAPα is in high abundance in most solid tumours but not in healthy tissues such as the heart. This is expected to lead to a significantly greater amount of active drug in the tumour tissue compared with healthy tissues and a concomitant improvement in tolerability for patients and better clinical outcomes.

If the AVA6000 Phase Ia study shows that the pre|CISION ™ chemistry is effective in reducing systemic toxicity of doxorubicin in humans, then it can be applied to a wide range of other established chemotherapies to potentially improve their safety and efficacy. This would be a significant value inflection point since it would open up a pipeline of proprietary, potentially safer, next generation chemotherapies with significant clinical and commercial potential in a chemotherapy market that is expected to grow to $56 billion by 2024.

The next most advanced pre|CISION™ pro-drug candidate is AVA3996, a FAPα-activated analogue of Velcade, Takeda's proteasome inhibitor. In January, the Company announced that, following a review of efficacy studies in several liquid and solid tumour models, safety studies and of manufacturability, AVA3996 has been selected as a candidate for pre-clinical development with the aim of a Clinical Trial Authorisation ('CTA') and/or Investigational New Drug ('IND') filing in 2023 and dosing of the first patient as soon thereafter as possible.

The global proteasome inhibitors' market size is expected to be worth $2.3 billion by 2026[1], and Velcade represents just over half of that market. As with all chemotherapies, the benefit of these drugs is limited by toxicities and tolerability for patients. In the case of Velcade, there are significant side effects such as peripheral neuropathy which has limited its approval, principally in treating multiple myeloma. A potentially safer proteasome inhibitor, such as AVA3996, could win significant market share for the treatment not only of multiple myeloma but also could be used to treat solid tumours, such as pancreatic cancer. Pancreatic cancer exhibits the highest level of FAP activity of any solid tumour and therefore a FAPα-activated drug could have significant potential in this area of high unmet need.

Affimer® Immunotherapy Programmes

Translation of the Affimer® platform into the clinic to demonstrate the safety and tolerability of this novel therapeutic protein platform is an important objective for the Company and represents a key value inflection point for the Affimer technology.

In the oncology field recent studies have shown that single cancer immunotherapies ,or 'monotherapies', have potentially limited overall response rates. The Company's Affimer® immunotherapy strategy aims to harness the benefits of the Affimer® platform to build bispecific drug molecules which can address two drug targets simultaneously, and to use Affimer® molecules to target toxic payloads using conventional and pre|CISION™ linkers.

Good progress continues to be made in the in-house Affimer® bispecific and TMAC® pre-clinical programmes which, along with the Company's commercial collaborations, are a key part of in-house research activities.

The Company looks forward to providing a full technical update to shareholders on the Affimer immunotherapy and pre|CISION chemotherapy programmes as part of a Science Day event when the data sets from the pre-clinical and clinical programmes are in hand, so that the data can be presented and the development path and associated risks for the programmes can be described in detail.

[1] https://www.expertmarketresearch.com/reports/proteasome-inhibitors-market

Drug Development Collaborations

The Company has several important commercial collaborations covering both the Affimer and pre|CISION platforms, and is active in pursuing future opportunities for licensing and partnership.

LG Chem Life Sciences: Avacta has a strategic partnership with LG Chem Life Sciences focused on the development of a novel PD-L1 checkpoint inhibitor utilising the Affimer® platform incorporating Affimer XT® half-life extension. The partnership also provides LG Chem with rights to develop and commercialise other Affimer® and non-Affimer biotherapeutics combined with Affimer XT® half-life extension for a range of indications and Avacta could earn up to $55 million in milestone payments for each of these new products. In addition, under the agreement Avacta will earn royalties on all future Affimer XT® product sales by LG Chem.

At the end of June 2022, LG Chem exercised its option to renew its rights under the ongoing collaboration with Avacta, triggering a license renewal fee payment to Avacta of $2 million. LG Chem is now focused on progressing the PD-L1/XT oncology drug candidate towards the clinic and has commenced pre-clinical studies which are intended to form the basis of an Investigational New Drug (IND) submission.

AffyXell Therapeutics: AffyXell is a joint venture company with Daewoong Pharmaceuticals in South Korea that is developing mesenchymal stem cell therapies which have been modified to produce Affimer® immunotherapies *in-vivo* at the site of action of the stem cells.

AffyXell has made good progress, advancing both its GMP-compliant human mesenchymal stem cell technology and its Affimer® discovery programmes against two of the three initial targets. During the reporting period the company entered into collaboration agreements with Biocytogen, a Chinese company specializing in developing new biological drugs, and with the Korea Non-Clinical Technology Solution Center ("KNTSC"). The company also expanded its strategic partnership with GenScript ProBio, a leading biopharmaceutical manufacturer.

In April 2022, a milestone equity payment was made by AffyXell to Avacta resulting in an increase in Avacta's shareholding in joint venture. This payment was triggered by Avacta successfully developing and characterising Affimer® proteins against the first target for AffyXell and transferring the associated intellectual property into AffyXell. In exchange for this, Avacta has received an increase in its equity stake in AffyXell, which was diluted from its founding equity stake in February 2021 when AffyXell completed a Series A financing of $7.3 million from a group of venture funds in February 2021. Avacta's shareholding in the joint venture now stands at 21%.

Post-period end AffyXell successfully completed a funding round, raising an undisclosed amount of capital, to advance its lead mesenchymal stem cell programme towards the clinic, and to develop its wider pre-clinical pipeline of cell therapies.

POINT Biopharma Inc.: Early in 2021, Avacta signed a license agreement with POINT Biopharma Inc., to provide access to Avacta's pre|CISION™ technology for the development of tumour-activated radiopharmaceuticals.

Under the terms of the agreement, Avacta received an upfront fee and will receive development milestone payments for the first radiopharmaceutical FAPα-activated drug totalling $9.5 million. Avacta will also receive milestone payments for subsequent radiopharmaceutical FAPα-activated drugs of up to $8 million each, a royalty on sales of FAP-activated radiopharmaceuticals by POINT and a percentage of any sublicensing income received by POINT.

Avacta Diagnostics Division

Avacta Diagnostics shifted its focus to the in-house development of IVD products at the beginning of 2020. This change of strategy coincided with the appearance of the SARS-CoV-2 coronavirus and the beginning of

the COVID-19 pandemic. During that period, Avacta Diagnostics Division was able to put in place the infrastructure and regulatory procedures to become an ISO13485 accredited IVD product business whilst also developing, with partners, the AffiDX ® SARS-CoV-2 antigen lateral flow test which was the first ever CE marked Affimer ®-based diagnostic product to be brought to market.

The AffiDX ® SARS-CoV-2 antigen lateral flow test, which combined the use of an antibody and an Affimer ® reagent in the test strip, had excellent performance in terms of sensitivity and specificity with the emerging variants of the virus until the Omicron variant appeared in late 2021. The AffiDX ® SARS CoV-2 antigen lateral flow test contained both a proprietary Affimer ® reagent and a commercially available antibody. Our data showed that the Affimer ® reagent in the AffiDX ® test continued to detect the Omicron variant with the same sensitivity as the Delta variant, but the antibody, with which the Affimer ® is paired, had been affected by the additional Omicron mutations.

Early in 2022, the Company independently took the decision to pause sales of the AffiDX ® antigen test whilst it replaces the antibody in the product to ensure that its performance with the Omicron variant matches the high performance with previous mutations.

This re-development is ongoing, and the Company will update the market as soon as it is able to provide a reliable timeline to product re-launch.

The Diagnostics Division is now focused on developing a broader pipeline of new IVD products outside of COVID-19 to drive future revenues and the profitability of the Division. This pipeline is designed to deliver, over the longer term, a full portfolio of IVD products with a focus on decentralised testing for professionals and consumers. The Company is addressing four key areas of respiratory, infectious and cardiovascular disease, cancer and general health and well-being (e.g. hormones, vitamins). The Company is exploring multiple pathways to develop this portfolio of IVD products and revenue as rapidly as possible.

Avacta Animal Health Division

In March 2022, the Group sold its entire Animal Health division to Vimian Group AB for an upfront payment of £0.86 million and additional deferred contingent consideration of up to £1.43 million dependent on the combined performance of the consolidated business. The sale of the Avacta Animal Health business will allow the Group to focus entirely on its core businesses; diagnostics and therapeutics.

Financial Review

Revenue for the 6 months ended 30 June 2022 increased to £5.52 million compared to the same period in 2021 (6 months to 30 June 2021: £1.52 million; year ended 31 December 2021: £2.94 million).

Revenue contribution from the Therapeutics Division increased to £5.44 million (6 months to 30 June 2021: £1.43 million; year ended 31 December 2021: £2.16 million) due to funded FTE reimbursement together with achieving certain milestones in our collaborations with LG Chem (£1.48 million in cash) and AffyXell (£3.70 million in additional equity in the joint venture). Revenue from the Diagnostics Division was £0.07 million (6 months to 30 June 2021: £0.09 million; year ended 31 December 2021: £0.78 million) as resources were focused on the development of future diagnostic tests combined with a reduced number of custom projects during the period.

Research costs from the development of new diagnostic tests in the Diagnostics Division and the clinical and pre-clinical development work of the Affimer ® and pre|CISION™ therapeutics programmes in the Therapeutics Division were £6.00 million (6 months to 30 June 2021: £6.26 million; year ended 31 December 2021: £13.48 million). The share of the costs from the AffyXell associate in the period was £0.65 million (6 months to 30 June 2021: £nil; year ended 31 December 2021: £nil).

Selling, general and administrative costs have increased to £4.69 million (6 months to 30 June 2021: £3.58 million; year ended 31 December 2021: £8.14 million). Depreciation has also increased to £0.88 million (6 months to 30 June 2021: £0.63 million; year ended 31 December 2021: £1.46 million). Share-based payment charges have also increased to £2.29 million (6 months to 30 June 2021: £1.42 million; year ended 31 December 2021: £5.06 million).

Amortisation of development costs has remained constant at £0.41 million (6 months to 30 June 2021: £0.41 million; year ended 31 December 2021: £0.82 million) as all the research costs incurred have been expensed during the period with no further amounts capitalised. The value of intangible assets on the balance sheet, which includes capitalised development costs and goodwill has reduced from the prior year end as a result of the amortisation to £7.50 million (30 June 2021: £9.01 million; 31 December 2021: £7.93 million).

The Group's operating loss reduced to £9.65 million (6 months to 30 June 2021: £11.33 million; year ended 31 December 2021: £29.08 million) and the reported loss from continuing operations after taxation reduced to £8.99 million (6 months to 30 June 2021: £10.18 million; year ended 31 December 2021: £26.37 million).

The resultant profit on disposal from the sale of Avacta Animal Health to Vimian Group AB after selling costs was £1.06 million, with the results of the division having been shown as a discontinued operation and treated as an asset held for sale as at 31 December 2021.

The basic loss per share reduced to 3.16p (6 months to 30 June 2021: 4.09p; year ended 31 December 2021: 10.55p) due to the reduction in reported losses.

There was a cash outflow from operations and working capital movements of £5.50 million (6 months to 30 June 2021: £10.25 million; year ended 31 December 2021: £20.51 million) and an outflow from investing activities (excluding movements on short-term deposits) of £4.04 million on the increased investment in the AffyXell associate and capital expenditure (6 months to 30 June 2021: £0.80 million; year ended 31 December 2021: £1.31 million). Cash inflow from financing activities, being amounts received from the issue of shares and exercise of share options net of lease payments amounted to £0.37 million (6 months to 30 June 2021: £0.11 million; year ended 31 December 2021: £0.23 million). The Group ended the period with £17.02 million net cash and short-term deposits (30 June 2021: £36.97 million; 31 December 2021: £26.19 million).

Outlook

The Board believe that a significant near-term value driver for the Group is the clinical data from the phase I study of AVA6000. The pre|CISION™ FAPα-activation approach has the potential to reduce the systemic toxicities associated with many chemotherapies and as such has the potential to create safer and more effective oncology treatments that are affordable for all.

If the pre|CISION™ platform is shown to improve the safety of Doxorubicin in the AVA6000 phase I study then it not only creates a significant commercial opportunity for the Group with a proprietary safer form of Doxorubicin, but also potentially opens up a large, and valuable, pipeline of future pre|CISION™ chemotherapy prodrugs.

The Diagnostics Division continues to be focused on building a portfolio of IVD products, addressing infectious respiratory diseases and a broader range of tests for use by professionals and consumers to build a profitable diagnostics business.

Dr Eliot Forster
Chairman
29 September 2022

Dr Alastair Smith
Chief Executive Officer
29 September 2022

Condensed Consolidated Statement of Profit or Loss
for the 6 months ended 30 June 2022

	Unaudited 6 months ended 30 June 2022 £000	Unaudited 6 months ended 30 June 2021 £000	Audited Year ended 31 December 2021 £000
Revenue	**5,517**	1,516	2,941
Cost of sales	**(244)**	(547)	(924)
Gross profit	**5,273**	**969**	**2,017**
Research costs	**(5,999)**	(6,259)	(13,480)
Manufacturing costs	**-**	-	(2,143)
Share of loss of associate	**(646)**	-	-
Amortisation of development costs	**(410)**	(410)	(821)
Selling, general and administrative expenses	**(4,692)**	(3,579)	(8,136)
Depreciation expense	**(879)**	(626)	(1,462)
Share-based payment charge	**(2,292)**	(1,421)	(5,058)
Operating loss	**(9,645)**	**(11,326)**	**(29,083)**
Finance income	**120**	13	17
Finance costs	**(125)**	(66)	(128)
Net finance costs	**(5)**	**(53)**	**(111)**
Loss before tax	**(9,650)**	**(11,379)**	**(29,194)**
Taxation	**660**	1,199	2,820
Loss from continuing operations	**(8,990)**	**(10,180)**	**(26,374)**
Discontinued operation			
Profit / (loss) from discontinued operation	**1,055**	(17)	58
Loss for the period	**(7,935)**	**(10,197)**	**(26,316)**
Foreign operations – foreign currency translation differences	**(2)**	**-**	4
Other comprehensive income	**(2)**	-	**4**
Total comprehensive loss for the period	**(7,937)**	**(10,197)**	**(26,312)**
Loss per share:			
Basic and diluted	**(3.16p)**	(4.09p)	(10.55p)
Loss per share – continuing operations			
Basic and diluted	**(3.58p)**	(4.09p)	(10.57p)

Condensed Consolidated Statement of Financial Position
as at 30 June 2022

	Unaudited As at 30 June 2022 £000	**Unaudited As at 30 June 2021 £000**	Audited As at 31 December 2021 £000
Assets			
Property, plant and equipment	**2,306**	2,920	2,612
Right-of-use assets	**4,650**	1,937	1,729
Investment in associate	**3,481**	-	-
Intangible assets	**7,504**	9,069	7,925
Non-current assets	**17,941**	**13,926**	**12,266**
Inventories	**193**	222	189
Trade and other receivables	**6,715**	5,786	4,327
Income tax receivable	**3,595**	3,400	2,750
Short-term deposits	**-**	5,023	-
Cash and cash equivalents	**17,017**	31,951	26,191
	27,520	**46,382**	**33,457**
Assets held for sale	**-**	-	1,279
Current assets	**27,520**	**46,382**	**34,736**
Total assets	**45,461**	**60,308**	**47,002**
Liabilities			
Lease liabilities	**(3,973)**	(1,599)	(1,412)
Non-current liabilities	**(3,973)**	**(1,599)**	**(1,412)**
Trade and other payables	**(4,648)**	(4,979)	(3,731)
Lease liabilities	**(857)**	(300)	(291)
	(5,505)	**(5,279)**	**(4,022)**
Liabilities directly associated with assets held for sale	**-**	-	(346)
Current liabilities	**(5,505)**	**(5,279)**	**(4,368)**
Total liabilities	**(9,478)**	**(6,878)**	**(5,780)**
Net assets	**35,983**	**53,430**	**41,222**
Equity attributable to equity holders of the Company			
Share capital	**25,710**	25,443	25,472
Share premium	**54,699**	54,297	54,530
Reserves	**(4,689)**	4,690	(4,687)
Retained earnings	**(39,737)**	(21,620)	(34,093)
Total equity	**35,983**	**53,430**	**41,222**

Total equity is wholly attributable to equity holders of the parent Company.
Approved by the Board and authorised for issue on 29 September 2022.

Dr Alastair Smith
Chief Executive Officer

Tony Gardiner
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2022

	Unaudited Share Capital £000	Unaudited Share premium £000	Unaudited Other reserve £000	Unaudited Translation reserve £000	Unaudited Reserve for own shares £000	Unaudited Retained earnings £000	**Unaudited Total Equity £000**
At 1 January 2021	**25,343**	**54,137**	**(1,729)**	-	**(2,961)**	**(12,861)**	**61,929**
Total comprehensive loss for the period	-	-	-		-	(10,197)	**(10,197)**
Total transactions with owners of the company:							
Exercise of options	100	160	-		-	-	**260**
Equity-settled share based payment	-	-	-		-	1,438	**1,438**
At 30 June 2021	**25,443**	**54,297**	**(1,729)**	-	**(2,961)**	**(21,620)**	**53,430**
Loss for the period	-	-	-	-	-	(16,119)	**(16,119)**
Other comprehensive income for the period				4			**4**
Total comprehensive loss for the period				4		(16,119)	**(16,115)**
Transactions with owners of the company:							
Exercise of options	29	233	-		-	-	**262**
Equity-settled share based payment	-	-	-		-	3,645	**3,645**
At 31 December 2021	**25,472**	**54,530**	**(1,729)**	**4**	**(2,961)**	**(34,094)**	**41,222**
Loss for the period	-	-	-	-	-	(7,935)	**(7,935)**
Other comprehensive income for the period				(2)	-	-	**(2)**
Total comprehensive loss for the period				(2)		(7,935)	**(7,937)**
Total transactions with owners of the company:							
Exercise of options	237	169	-		-	-	**406**
Equity-settled share based payment	-	-	-		-	2,291	**2,291**
At 30 June 2022	**25,710**	**54,699**	**(1,729)**	**2**	**(2,961)**	**(38,737)**	**35,983**

Condensed Consolidated Statement of Cash Flows
for the 6 months ended 30 June 2022

	Unaudited 6 months ended 30 June 2022 £000	Unaudited 6 months ended 30 June 2021 £000	Audited Year ended 31 December 2021 £000
Cash flow from operating activities			
Loss for the period	**(7,935)**	(10,197)	(26,316)
Adjustments for:			
Amortisation	**435**	428	865
Depreciation	**888**	652	1,511
Net (gain) / loss on disposal of property, plant and equipment	**(41)**	-	30
Share of loss of associate	**646**	-	-
Equity-settled share-based payment charges	**2,292**	1,438	5,083
Gain on sale of discontinued operation	**(1,004)**	-	-
Net finance costs	**119**	58	121
Taxation	**(660)**	(1,199)	(2,820)
Operating cash outflow before changes in working capital	**(5,260)**	**(8,820)**	**(21,526)**
Decrease / (increase) in inventories	**(4)**	26	13
Increase in trade and other receivables	**(953)**	(2,888)	(1,599)
Increase in trade and other payables	**916**	1,486	456
Operating cash outflow from operations	**(5,303)**	**(10,196)**	**(22,656)**
Interest received	**5**	13	17
Interest elements of lease payments	**(17)**	(66)	(139)
Tax credit received	**-**	-	2,291
Withholding tax paid	**(187)**	-	(19)
Net cash used in operating activities	**(5,502)**	**(10,249)**	**(20,506)**
Cash flows from investing activities			
Purchase of plant and equipment	**(287)**	(718)	(1,162)
Proceeds from sale of plant and equipment	**49**	-	-
Acquisition of right of use asset	**(165)**	-	-
Purchase of intangible assets	**(14)**	(81)	(152)
Disposal of discontinued operation, net of cash disposed of	**666**	-	-
Transaction costs paid, relating to disposal of discontinued operation	**(160)**	-	-
Investment in associate	**(4,127)**	-	-
Decrease/(Increase) in balances on short-term deposit	**-**	14,994	20,017
Net cash used in investing activities	**(4,038)**	**14,195**	**18,703**
Cash flows from financing activities			
Proceeds from exercise of share options	**406**	259	522
Principal elements of lease payments	**(38)**	(148)	(290)
Net cash flow from financing activities	**368**	**111**	**232**
Net increase/(decrease) in cash and cash equivalents	**9,171**	4,057	(1,571)
Cash and cash equivalents at the beginning of the period	**26,191**	27,894	27,894
Effect of movements in exchange rates on cash held	**2**		4
	17,017	**31,951**	**26,327**
Cash and cash equivalents within assets held for sale	**-**	-	(136)
Cash and cash equivalents at the end of the period	**17,017**	**31,951**	**26,191**

Notes to the unaudited condensed consolidated financial statements for the 6 months ended 30 June 2022

1) Basis of preparation

Avacta Group plc ('the Company') is a company incorporated in England and Wales under the Companies Act 2006. These condensed consolidated interim financial statements ('interim financial statements') as at and for the 6 months ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as 'the Group').

The interim financial statements for the 6 months ended 30 June 2022 are unaudited. This information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial figures for the year ended 31 December 2021, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year. The statutory accounts for the year ended 31 December 2021 were prepared under IFRS and have been delivered to the Registrar of Companies. The auditors reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498 of the Companies Act 2006.

The Board confirms that, to the best of its knowledge, these condensed financial statements have been prepared in accordance with IAS34 *Interim Financial Reporting* and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ('last annual financial statements'). They do not include all of the financial information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The Board approved these interim financial statements for issue on 29 September 2022.

2) Use of judgements and estimates and significant accounting policies

The preparation of the interim financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Although these estimates are based on management's best knowledge of the amount, events or actions, actual events ultimately may differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021. A number of new standards are effective from 1 January 2022, but they do not have a material effect on the Group's financial statements.

3) Segmental reporting

The Group has three distinct operating segments: Diagnostics, Therapeutics and Animal Health. These are the reportable operating segments in accordance with IFRS 8 *Operating Segments*. The Directors recognize that the operations of the Group are dynamic and therefore this position will be monitored as the Group develops.

The Animal Health operating segment was sold in March 2022, and has been classified as a discontinued operation in the current period, comparative financial periods have also been restated to reflect the results of the Animal Health segment as a discontinued operation. Further information on the results of the discontinued operation in the current and comparative periods can be found in note 8.

Segment revenue represents revenue from external customers arising from sale of goods and services, plus inter-segment revenues. Inter-segment transactions are priced on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's revenue from continuing operations to destinations outside the UK amounted to 100% (6 months to 30 June 2021: 100%; year to 31 December 2021: 82%). The revenue analysis below is based on the country of registration of the customer:

£000	**6 months ended 30 June 2022**	6 months ended 30 June 2021	Year ended 31 December 2021
UK	**14**	1	540
Rest of Europe	**1**	35	111
North America	**50**	804	815
South Korea	**5,444**	664	1,400
Rest of Asia	**7**	12	74
	5,516	**1,516**	**2,941**

During the six month period ended 30 June 2022, transactions with two external customers, both in the Therapeutics segment, amounted individually to 10% or more of the Group's revenues from continuing operations, being £3,788,000 and £1,656,000 respectively.

During the six month period ended 30 June 2021, transactions with two external customers, both in the Therapeutics segment, amounted individually to 10% or more of the Group's revenues from continuing operations, being £736,000 and £629,000 respectively.

During the year 31 December 2020, transactions with three external customers, two in the Therapeutics segment and one in the Diagnostics segment, amounted individually to 10% or more of the Group's revenues from continuing operations, being £966,000, £736,000 and £523,000 respectively.

Operating segment analysis for the six months ended 30 June 2022

	Diagnostics	Therapeutics	**Total**
	£000	£000	**£000**
Revenue	73	5,444	**5,517**
Cost of goods sold	(38)	(206)	**(244)**
Gross profit	**35**	**5,238**	**5,273**
Research costs	(1,136)	(4,863)	**(5,999)**
Amortisation of development costs	(410)	-	**(410)**
Share of loss of associate	-	(646)	**(646)**
Selling, general and administrative expenses	(1,466)	(1,354)	**(2,820)**
Depreciation expense	(260)	(614)	**(874)**
Share-based payment expense	(492)	(1,250)	**(1,742)**
Segment operating loss	**(3,729)**	**(3,489)**	**(7,218)**
Central overheads			**(2,427)**
Operating loss			**(9,645)**
Finance income			**120**
Finance expense			**(125)**
Loss before taxation			**(9,650)**
Taxation			**660**
Loss for the period from continuing operations			**(8,990)**
Profit from discontinued operations			**1,055**
Loss for the period			**(7,935)**

Operating segment analysis for the six months ended 30 June 2021

	Diagnostics	Therapeutics	**Total**
	£000	£000	**£000**
Revenue	91	1,425	**1,516**
Cost of goods sold	(50)	(497)	**(547)**
Gross profit	**41**	**928**	**969**
Research costs	(2,068)	(4,190)	**(6,258)**
Amortisation of development costs	(410)	-	**(410)**
Selling, general and administrative expenses	(1,232)	(869)	**(2,101)**
Depreciation expense	(248)	(376)	**(624)**
Share-based payment expense	(371)	(390)	**(761)**
Segment operating loss	**(4,288)**	**(4,897)**	**(9,185)**
Central overheads			**(2,141)**
Operating loss			**(11,326)**
Finance income			**13**
Finance expense			**(66)**
Loss before taxation			**(11,379)**
Taxation			**1,199**
Loss for the period from continuing operations			**(10,180)**
Loss from discontinued operations			**(17)**
Loss for the period			**(10,197)**

Operating segment analysis for the year ended 31 December 2021

	Diagnostics	Therapeutics	**Total**
	£000	£000	**£000**
Revenue	779	2,162	**2,941**
Cost of goods sold	(223)	(700)	**(923)**
Gross profit	**556**	**1,462**	**2,017**
Research costs	(3,665)	(9,815)	**(13,480)**
Manufacturing costs	(2,143)	-	**(2,143)**
Amortisation of development costs	(821)	-	**(821)**
Selling, general and administrative expenses	(2,893)	(1,899)	**(4,792)**
Depreciation expense	(505)	(950)	**(1,455)**
Share-based payment expense	(984)	(2,981)	**(3,965)**
Segment operating loss	**(10,456)**	**(14,183)**	**(24,639)**
Central overheads			**(4,443)**
Operating loss			**(29,082)**
Finance income			**17**
Finance expense			**(129)**
Loss before taxation			**(29,194)**
Taxation			**2,820**
Loss for the period from continuing operations			**(26,374)**
Profit from discontinued operation			**58**
Loss for the year			**(26,316)**

4) Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is all derived from contracts with customers.

Disaggregation of revenue

In the following table, revenue is disaggregated by its nature. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 3).

Six months ended 30 June 2022

£'000	**Diagnostics**	**Therapeutics**	**Continuing operations**	**Animal Health (discontinued)**
Nature of revenue				
Sale of goods	(2)	-	**(2)**	258
Provision of services	75	192	**267**	153
Licence-related income	-	5,252	**5,252**	**-**
	73	**5,444**	**5,517**	**411**

Six months ended 30 June 2021

£'000	**Diagnostics**	**Therapeutics**	**Continuing operations**	**Animal Health (discontinued)**
Nature of revenue				
Sale of goods	-	-	**-**	392
Provision of services	337	795	**1,132**	285
Licence-related income	-	-	**-**	**-**
	337	**795**	**1,132**	**677**

Year ended 31 December 2021

£'000	Diagnostics	Therapeutics	Continuing operations	Animal Health (discontinued)
Nature of revenue				
Sale of goods	19	-	**19**	864
Provision of services	260	1,058	**1,318**	740
Licence-related income	500	1,104	**1,604**	**-**
	779	**2,162**	**2,941**	**1,604**

5) Earnings per share

£'000	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited Year ended 31 December 2021
Loss from continuing operations	**(8,990)**	(10,180)	(26,374)
Profit/(loss) from discontinued operations	**1,055**	(17)	58
Loss for the period	**(7,935)**	(10,197)	(26,316)
Weighted average number of shares (number)	**251,096,503**	249,127,610	249,478,070
Basic and diluted loss per ordinary share from continuing operations (p)	**(3.58)**	(4.09)	(10.57)
Basic and diluted earnings / (loss) per ordinary share from discontinued operations (p)	**0.42**	-	0.02
Basic and diluted loss per ordinary share for the period (p)	**(3.16)**	(4.09)	(10.55)

6) Leases

The Group leases a small number of properties for office and laboratory use, as well as some laboratory equipment. Information about leases for which the Group is a lessee is presented below.

a) Amounts recognised in the balance sheet

Right-of-use assets £'000	Property	Laboratory equipment	Total
As at 1 January 2021	1,926	170	2,096
Additions	-	-	**-**
Depreciation charge	(150)	(9)	**(159)**
As at 30 June 2021	**1,406**	**161**	**1,937**
Remeasurement of lease liability	80	-	**80**
Depreciation charge	(148)	(9)	**(157)**
Reclassification to assets held for sale	(129)	-	**(129)**
As at 31 December 2021	**1,577**	**152**	**1,729**
Additions	4,195	-	**4,195**
Depreciation charge	(327)	(9)	**(336)**
Disposals	(938)	-	**(938)**
As at 30 June 2022	**4,507**	**143**	**4,650**

Presentation of lease liability

	30 June 2022			30 June 2021			31 December 2021		
£000	**Property**	**Laboratory equipment**	**Total**	Property	Laboratory equipment	Total	Property	Laboratory equipment	Total
Lease liabilities									
Current	**795**	**62**	**857**	241	59	300	230	61	291
Non-current	**3,973**	**-**	**3,973**	1,537	62	1,599	1,380	32	1,412
	4,768	**62**	**4,830**	1,778	121	1,899	1,610	93	1,703

Reconciliation of change in lease liability	**£000**
As at 1 January 2021	2,042
Payment of lease liability – principal	(144)
Payment of lease liability – interest	(66)
Interest expense	68
As at 30 June 2021	**1,900**
Remeasurement of lease liability	80
Payment of lease liability – principal	(146)
Payment of lease liability – interest	(72)
Interest expense	70
Reclassification to assets held for sale	(129)
As at 31 December 2021	**1,703**
Payment of lease liability - principal	(216)
Payment of lease liability – interest	(101)
Interest expense	125
Additions	4,028
Disposals	(969)
As at 30 June 2022	**4,570**

7) Equity-accounted investees

The Group holds a 21% equity interest in its associate AffyXell Therapeutics Co., Ltd ('AffyXell') based in South Korea. AffyXell has been established to develop Affimer® proteins which will be used for the generation of new cell and gene therapies.

The associate is measured using the equity method and the Group has recognised an investment in associate of £3,482,000 as at 30 June 2022 (30 June 2021: £nil; 31 December 2021: £nil). The increase in investment in associate arose due to the achievement of a milestone under the collaboration agreement between the two entities, resulting in a £3,666,000 increase in investment.

A share of loss of the associate has been recognized in the period of £646,000 (6 months ended 30 June 2021: £nil; Year ended 31 December 2021: £nil). Due to the increase in carrying amount of the investment during the period, previously unrecognised share of losses have been recognized, such that the unrecognised share of losses as at 30 June 2021 is £nil (30 June 2021: £186,000; 31 December 2021: £253,000). At previous reporting dates, the share of losses exceeding the initial contribution were unrecognised due to the Group having no legal or constructive liability to make further payments to the associate.

8) Discontinued operation

On 15 March 2022, the Group sold its entire Animal Health segment. An up-front payment of £860,000 was received with deferred contingent consideration of up to £1,430,000 dependent on the combined performance of the consolidated business. There were associated costs to sell of £202,000. Management committed to a plan to sell the segment in late 2021 following a strategic decision to place focus on the Group's key competencies – the development of diagnostic products and cancer therapies.

The Animal Health segment was classified for held for sale in the consolidated financial statements for the year ended 31 December 2021. The comparative results for the 6 month period ended 30 June 2021 have been re-presented to show the discontinued operation separately from continuing operations.

Effect of the disposal on the financial position of the Group
The carrying amounts of assets and liabilities in the disposal group are summarized as follows:

	£000
Property, plant and equipment	**(20)**
Right of use asset	**(122)**
Intangible asset	**(778)**

Inventories	**(81)**
Trade and other receivables	**(192)**
Cash and cash equivalents	**(194)**
Trade and other payables	**175**
Lease liabilities	**124**
Net assets and liabilities	**(1,087)**
Consideration received in cash	**860**
Contingent consideration	**1,433**
Transactions costs directly relating to disposal	**(202)**
Gain on disposal	**1,004**

A. Results of discontinued operation

	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited Year ended 31 December 2021
	£000	£000	£000
Revenue	**411**	805	1,604
Cost of sales	**(117)**	(264)	(506)
Gross profit	**294**	541	1,098
Research costs	**(6)**	(27)	(39)
Selling, general and administrative expenses	**(233)**	(483)	(915)
Depreciation expense	**(10)**	(25)	(50)
Share-based payment charge	**-**	(17)	(25)
Operating loss	**(45)**	(11)	69
Finance costs	**(2)**	(6)	(11)
Profit / (loss) before tax	**43**	(17)	58
Taxation	**-**	-	-
Profit / (loss) from operating activities	**43**	(17)	58
Gain on sale of discontinued operation	**1,004**	-	-
Profit / (loss) for the period	**1,055**	(17)	58

Cash flows from (used in) discontinued operations

Cash flows generated by the Animal Health segment for the reporting periods under review until its disposal are as follows:

	Unaudited 6 months ended 30 June 2022	Unaudited 6 months ended 30 June 2021	Audited Year ended 31 December 2021
	£000	£000	£000
Net cash (used in) / from operating activities	**(47)**	109	225
Net cash from / (used in) investing activities	**699**	(28)	(19)
Net cash used in financing activities	**(6)**	(14)	30
Net cash flows for the period	**646**	**66**	**176**

- Ends -