30 September 2024

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

Interim Results

pre|CISION™ enabled peptide drug conjugate AVA6000 continues to demonstrate a highly encouraging tolerability profile with robust preliminary efficacy signals in both dose escalation arms of Phase 1a trial

Continued strong clinical performance supports broader confidence in the pre|CISION™ platform

Avacta Group plc (AIM: AVCT), a life sciences company developing innovative, targeted oncology drugs and powerful diagnostics, announces its unaudited interim results for the six months ending 30 June 2024 ("H1 2024") with recent progress against the Company's 2024 stated goals.

Operational developments

- Enrollment in the AVA6000 Phase 1a dose escalation trial of AVA6000, a peptide drug conjugate enabled by the pre|CISION™ platform, has completed with no maximum tolerated dose ("MTD") identified. A favorable safety profile was reported
- Multiple durable RECIST responses were observed in patients with high-grade sarcoma and salivary gland cancers, indicating that tumor cell expression of FAP is not required for the release of doxorubicin, with even lower levels of stroma-only expression being sufficient
- Enrollment in the recommended dose for expansion (RDE) cohort is ongoing, focusing on patients with high-grade sarcomas and a subset of head and neck cancer (salivary gland cancer)
- Formation of Scientific Advisory Board ("SAB") chaired by William D. Tap MD, Chief of the Sarcoma Oncology Service at the Memorial Sloan Kettering Cancer Center in New York City to guide the ongoing clinical development of AVA6000 and the pre|CISION™ platform

Financial highlights

- Financial performance of the Group in line with the Board's expectations
- Revenues of £11.3 million (H1 2023: £11.9 million; FY 2023: £23.3 million)
- R&D expenditure of £6.7 million (H1 2023: £6.0 million; FY 2023: £14.5 million)
- Adjusted EBITDA loss (before non-cash and non-recurring items) of £11.1 million (H1 2023: £7.9 million; FY 2023: £20.1 million)
- Reported loss of £12.5 million (H1 2023: £11.5 million; FY 2023: £25.0 million)
- Loss per ordinary share of 3.8p (H1 2023: loss 4.3p; FY 2023: loss 9.2p)
- Fundraise completed in March 2024 raising £31.1 million (gross)
- Cash and cash equivalents of £32.5 million (30 June 2023: £26.0 million; 31 December 2023: £16.6 million)
- Events after the reporting period:

- In July 2024, settlement in cash of the quarterly amortization payment of £3.08 million in connection with the Group's convertible bond
- Diagnostics division revenue grew to £11.2 million (H1 2023: £9.9 million; year ended 31 December 2023, FY 2023: £21.2 million). Adjusted EBITDA improved to a profit of £0.1 million (H1 2023: loss of £0.4 million; FY 2023: loss of £1.2 million)

Outlook

- At the half year stage, the data from the ongoing Phase 1a clinical study of AVA6000 continues to support Avacta's growing confidence in AVA6000 and the wider potential of the pre|CISION™ platform
- A process to divest the Group's Diagnostics division has commenced in order to maximize value for shareholders, ensure our focus as a therapeutics-focused Company and support our appeal to specialist international investors
- The Board of Directors is also exploring opportunities for a dual listing on NASDAQ and an update on this aspect of the Group's longer-term financing strategy will be provided in due course

Shaun Chilton, Chairman of Avacta Group plc commented:

"Over the four months since Chris Coughlin's and my appointments, we have made significant progress on key strategic priorities. Alongside the Board and wider team, we have carried out a detailed review of all the Group's operations and financials with a focus on prioritizing further investments in therapeutics, including the acceleration of the AVA6000 clinical trial enrollment.

"We are very encouraged by the potential of the innovative medicines in the Avacta pipeline which we plan to present at our live R&D Spotlight in October focusing on the Next Generation of the pre|CISION™ platform.

"We have commenced a process to divest the Diagnostics Division and have started to receive indicative offers. Our longer-term financing strategy is being formulated and includes a potential dual listing of the Company on NASDAQ, which the Board sees as a key strategic option for the Company."

Christina Coughlin, MD, PhD, Chief Executive Officer of Avacta Group plc, commented:

"We are seeing notably positive progress on our drug development candidate AVA6000 with the completion of the Phase 1a trial with no maximum tolerated dose and opening of the RDE expansion. This novel peptide drug conjugate continues to demonstrate a highly favorable tolerability profile and robust preliminary signs of efficacy, with several durable responses, as it moves through clinical development.

"The AVA6000 data in the clinic has led to a growing confidence in the pre|CISION™platform and its potential for patients. Our next generation programs will leverage the pre|CISION™platform as a foundation for other tumor-specific warhead delivery systems.

"This platform will underpin our wider clinical strategy and our ambition of bringing these novel cancer medicines closer to patients and delivering value for shareholders. Along with the rest of the team, I'm excited about the opportunity and look forward to expanding the opportunity that pre|CISION offers."

Avacta will be hosting a live R&D Spotlight: Next Generation of pre|CISION™ Medicines in London on 30 October 2024. This event is open to both analysts and investors, further details are provided on

the Company website at https://avacta.com/2024-rd-spotlight-live-event/.

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About Avacta Group plc - www.avacta.com

Avacta Group is a UK-based life sciences company focused on improving healthcare outcomes through targeted cancer treatments and diagnostics.

Avacta Therapeutics: a clinical stage oncology biotech division that is harnessing the proprietary pre|CISION platform technology to develop novel, highly targeted cancer drugs.

The pre|CISION™ platform is a highly specific substrate for fibroblast activation protein (FAP) which is upregulated in most solid tumors compared with healthy tissues. The pre|CISION™ platform harnesses this tumor specific protease to cleave pre|CISION™ peptide drug conjugates and pre|CISION™ antibody/Affimer® drug conjugates in the tumor microenvironment, thus releasing active payload in the tumor and reducing systemic exposure and toxicity, allowing dosing to be optimized to deliver the best outcomes for patients.

The lead pre|CISION™ program AVA6000, a peptide drug conjugate form of doxorubicin, is in Phase 1 studies. It has shown an improvement in safety and tolerability in clinical trials to date compared with standard doxorubicin and preliminary signs of clinical activity in multiple patients.

Avacta Diagnostics focuses on supporting healthcare professionals and broadening access to diagnostics.

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Interim report

Overview

The first six months of the year saw a number of managerial and operational changes. The Company's financial position remains in line with the Board's expectations.

Avacta aims to leverage its proprietary pre|CISION™ platform to develop innovative oncology therapies that make a significant difference to cancer patients' treatment experience and outcomes.

The pre|CISION™ platform has the potential to enable patients to achieve improved outcomes with fewer side effects by leveraging the tumor specific enzyme Fibroblast Activation Protein (FAP) to protect normal tissues from toxic drugs. Data recently presented at the European Society of Medical Oncology (ESMO) conference demonstrate the observation of warhead release in the tumor even in the setting of lower FAP activity.

The Group is poised to move into the next stage of development, implementing these findings of this drug release mechanism across our innovative pipeline.

As previously announced the Board is in the process of selling the Diagnostics business and sees a dual-listing on NASDAQ as a key strategic step for the Company.

pre|CISION™

The Avacta pre|CISION™ platform is a proprietary warhead delivery system based on a tumor-specific protease that is designed to concentrate highly potent warheads in the tumor microenvironment while sparing normal tissues.

Fibroblast activation protein-α (FAP) is an extracellular post-proline protease that is upregulated in many solid tumors in a membrane-bound form on cancer associated fibroblasts as well as tumor cells. FAP activity is also observed as a soluble protease to a low degree in plasma.

A pre|CISION™ molecule has two key properties:

1. It prevents the warhead from entering cells.
2. It is specifically cleaved by FAP to release active warhead in the tumor.

The peptide moiety linker, pre|CISION™, prevents cellular entry of the warhead unless it is cleaved by FAP, thus enabling targeted delivery of the warhead to tumors.

The first of Avacta's pre|CISION™, molecules, AVA6000, has achieved clinical proof-of-concept in a Phase 1a dose escalation trial with multiple RECIST responses observed in patients with high grade soft tissue sarcomas and salivary gland cancers.

First Generation preCISION Peptide Drug Conjugate (PDC): AVA6000

AVA6000 is a pre|CISION™ peptide drug conjugate which consists of doxorubicin conjugated directly with a peptide moiety cleaved by FAP. The peptide is cleaved in the TME to release active doxorubicin which is then capable of killing either FAP+ cancer associated fibroblasts (CAFs) or FAP-negative tumor cells.

Second Generation preCISION Peptide Drug Conjugate

Second Generation pre|CISION PDC are FAP-enabled warheads with two advances over Generation One: (1) PK extension capabilities with an added capping group and (2) additional linkers inserted between the warhead and preCISION peptide allowing an adjustment to the rate of warhead cleavage

(kcat/Km). These advances in the preCISION pipeline allow tailored delivery of warheads to the tumor microenvironment.

Third Generation pre|CISION™ Biologic Drug Conjugate

Our Third Generation pre|CISION™ biologic conjugate drug is a FAP-enabled maleimide / cysteine conjugation to a biologic, in this case our proprietary Affimer® molecule or a traditional antibody conjugate. The warhead is delivered intratumorally in a sustained release mechanism.

The progress in the Second Generation and Third Generation programs will be detailed on 30 October 2024 at our live R&D Spotlight event, being held in London

AVA6000 Phase 1a Clinical trial data summary

Efficacy data

The Phase 1 clinical trial data have been reported at two medical congresses (AACR, April 2024 and ESMO, September 2024). In the most recent report, 57 patients were treated in two dose escalation arms of the Phase 1 trial. Cancer indications were categorized as FAP^{high} (soft tissue sarcoma and salivary gland cancer) or FAP^{mid} (pancreatic cancer, colorectal cancer, lung cancer and other malignancies). Patients with indications considered FAP^{low} were excluded from the trial.

- Among patients with FAP^{high} cancers (n=23), three partial responses and four minor responses were observed, including:
    - A durable, confirmed partial response at 12 weeks in a 79-year-old male patient with progressive salivary gland cancer (SGC). After an initial minor response (22% reduction in SLD), the observed durable PR is ongoing despite patient discontinuation due to lifetime maximum dosing (duration of response >18 weeks, with 46.2% reduction in SLD). Tumor histology demonstrates no expression of FAP in tumor cells with only stromal cell expression noted.
    - A minor response (14.6% reduction in SLD at first 8-week scan) in a 65-year-old female patient with SGC who remains on the trial. This patient was dosed in the 250 mg/m2 Q2W cohort of the trial and had progression on a prior line of therapy. This patient continues on study. Similarly, the histology shows FAP-negative tumor cells and FAP expression only in the stromal compartment.
    - A partial response (40.5% reduction in SLD) in a 55-year-old male patient with dedifferentiated liposarcoma (DDLPS) who had progressed on two prior lines of therapy in the metastatic setting. After an initial minor response this patient experienced a partial response with SLD change of -40.6%. The patient experienced new lesions at their latest follow-up scan.
    - A partial response in a 60-year-old male with undifferentiated pleomorphic sarcoma (UPS) with one prior line of therapy in the metastatic setting (reported in April 2024 at the AACR conference). This patient remains on study at the time of the data cutoff with a duration of response of >55 weeks.
- Eight patients remain on study in the Phase 1a cohorts with a diagnosis of FAP^{high} cancers.
- Among patients with high grade sarcomas (UPS and DDLPS), two partial responses have been observed among the 6 patients enrolled. Similarly, one partial response and one minor response have been observed with additional evidence of tumor shrinkage among ten patients with salivary gland cancers with multiple patients still ongoing in their treatment.

Among patients with FAP^{mid} cancers (n=26), two minor responses were observed.

Safety and Pharmacokinetics Data

Treatment with AVA6000 continues to be well-tolerated with the addition of the Q2W dosing regimen (Arm 2) with a favorable safety profile and reduction in severe and mild-to-moderate treatment-emergent toxicities as compared with conventional dose doxorubicin. A maximum tolerated dose has not been identified in either arm of the trial. The observed cardiac safety profile of AVA6000 compares favorably to conventional dose doxorubicin, with low incidence of left ventricular ejection fraction (LVEF) changes (LVEF dysfunction 12.3% v. 48.4% with conventional doxorubicin[1,2]) and no grade 3 or 4 severe cardiac events reported. No new dose limiting toxicities were observed and neither arm has determined an MTD.

Treatment with AVA6000 results in multiple fundamental changes in the pharmacokinetics (PK) of released doxorubicin (compared to conventional doxorubicin administration[3]) including extension of the plasma half-life and reduction in both the Cmax and volume of distribution.

Tumor biopsies taken 24 hours after the first dose of AVA6000 reveal additional insights regarding the role of FAP, in that the level of FAP positivity in the tumor appears not to correlate with the level of released doxorubicin in the TME (n=9). This lack of correlation indicates that lower levels of FAP activity are sufficient for warhead release. These data provide evidence for targeting of the FAP^{mid} tumor types with novel warheads.

The data emerging from the AVA6000 Phase 1a study have validated the performance of the pre|CISION™ platform, opening the opportunity to apply it to a broad range of anticancer agents.

Diagnostics Division Update

The Diagnostics Division has continued to grow revenues, with the sale of Coris products through the Launch Diagnostics ('Launch') distribution channels and the expansion of Launch into the German market. The Company streamlined its operations during the period by closing its Wetherby facility, having transferred product development activities to the Coris operations in Belgium. Revenues have grown to £11.2 million in the six-month period ended 30 June 2024, from £9.9 million in the same period to 30 June 2023. This has led to an improvement in adjusted EBITDA to £0.1 million in the six-month period ended 30 June 2024, from an EBITDA loss of £0.4 million in the comparative period in 2023. The Company expects the Diagnostics Division to remain adjusted EBITDA positive in H2 2024 and be cash flow positive in 2025.

As previously announced, the Company has been reviewing strategic options in relation to its Diagnostics Division to ensure it maximizes value for shareholders. A process to divest the division is ongoing and indicative offers have started to be received.

Funding

The equity fundraise in March 2024 significantly extended the Group's cash runway and cash resources are being managed prudently. The Group continues to explore all available pathways to provide optionality for financing its clinical therapeutics programs over the longer term, including divestment of the Diagnostics Division, partnering, attracting global specialist biotech investors and potentially a NASDAQ dual-listing, on which further updates will be provided in the coming months.

Financial Review

Revenue

Revenue for the six months ended 30 June 2024 reduced to £11.26 million compared to the same period in 2023 (H1 2023: £11.89 million; FY 2023: £23.25 million).

Revenue contribution from the Therapeutics Division reduced to £0.06 million (H1 2023: £1.99 million; FY 2023: £2.06 million) due to the milestone achieved in H1 2023 in the collaboration with AffyXell (which lead to additional equity in the joint venture). Revenue from the Diagnostics Division increased to £11.20 million (H1 2023: £9.90 million; FY 2023: £21.19 million) as the reporting period included a full six months trading for both Launch Diagnostics ("Launch") and Coris BioConcept ("Coris").

Research costs and selling, general and administrative costs

Research costs relate predominantly to the clinical and pre-clinical development work of the pre|CISION™ therapeutics programs in the Therapeutics Division and amounted to £6.75 million (H1 2023: £6.01 million; FY 2023: £14.53 million).

Selling, general and administrative costs have increased to £9.37 million (H1 2023: £8.65 million; FY 2023: £16.86 million), reflecting a full period of ownership of Coris relative to the one month contribution in H1 2023.

Adjusted EBITDA

The Consolidated Statement of Profit or Loss shows an Adjusted EBITDA loss position (before non-recurring and non-cash items) of £11.10 million (H1 2023: £7.91 million; FY 2023: £20.14 million).

Other costs and charges

Exceptional expenses of £1.52 million were incurred (H1 2023: £nil; FY 2023: £nil) relating to both the closure of the Wetherby laboratory within the Avacta Diagnostics division, and the replacement of the Group's prior Chief Executive Officer.

Depreciation has increased to £1.39 million (H1 2023: £1.28 million; FY 2023: £2.64 million). Amortization expense has increased to £0.58 million (H1 2023: £0.44 million; FY 2023: £1.03 million).

The share of the costs from the AffyXell joint venture in the period was £0.40 million (H1 2023: £0.42 million; FY 2023: £0.85 million). Avacta's shareholding in AffyXell remained at 25% at the current and comparative period-ends, reducing to 21% post period-end following completion of a funding round by AffyXell which the Group did not participate in.

No further acquisition-related expenses were incurred during the period (H1 2023: £0.28 million; FY 2023: £0.28 million).

Share-based payment charges have increased to £2.26 million (H1 2023: £1.55 million; FY 2023: £2.91 million).

Operating loss

The Group's operating loss increased to £17.25 million (H1 2023: £11.88 million; FY 2023: £28.36 million).

Convertible bond costs

During the reporting period there have been two quarterly amortization repayments (of £2.55 million each in equity) which reduces the original £55.00 million senior unsecured convertible bonds issued in October 2022 at par value to £35.70 million.

Subsequent to the period end in July 2024 a third quarterly amortization of £2.55 million (in addition to £0.58 million of interest) was settled in cash leaving the remaining balance of bonds at par value of £33.15 million. The Board carefully considers each payment separately as it arises, taking into account a range of factors including the Company's cash runway, shareholder dilution and broader business prospects.

The bond agreement contains embedded derivatives in conjunction with an ordinary host debt liability. As a result, the convertible bonds are shown in the Consolidated Statement of Financial Position in two separate components, being 'Convertible bond – debt' and 'Convertible bond – derivative'. The derivative element has been measured at fair value using a Monte-Carlo option pricing model, which estimates the fair value based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to the bondholders.

The derivative element, taking into account the amortizations in the period, was revalued as at 30 June 2024 at £8.37 million (30 June 2023: £28.90 million; 31 December 2023: £18.33 million), which has resulted in a credit to the statement of profit or loss on revaluation of derivative within the period of £9.96 million (H1 2023: £5.86 million; FY 2023: £15.68 million).

The debt element of the bond has reduced to £15.33 million (H1 2023: £15.68 million; 31 December 2023: £16.10 million), with an associated non-cash interest expense of £6.35 million (H1 2023: £6.85 million; FY 2023: £14.73 million).

Loss for the period

The reported loss after taxation was £12.47 million (H1 2023: £11.53 million; FY 2023: £24.95 million).

The basic loss per share was 3.82p (H1 2023: 4.28p; FY 2023: 9.15p).

Cash flow

The Group reported cash and cash-equivalent balances of £32.53 million (30 June 2023: £25.97 million; 31 December 2023: £16.63 million).

There was a cash outflow from operations and working capital movements of £12.84 million (H1 2023: £11.19 million; FY 2023: £21.85 million) and an outflow from investing activities of £0.80 million from capital expenditure (H1 2023: outflow of £7.35 million; FY 2023: outflow of £9.00 million). The significant decrease in the outflow is due to the acquisition of tangible and intangible assets acquired through the Coris acquisition in May 2023.

Cash inflow from financing activities, being net proceeds from the issue of share capital and share options, net of the principal elements of lease payments amounted to £29.09 million (H1 2023: outflow of £0.56 million; FY 2023: outflow of £1.30 million). The cash inflow in the period related to the equity fundraise in March 2024 which generated a net inflow of £29.40 million.

Financial position

Net assets as at 30 June 2024 were £48.16 million (30 June 2023: £22.74 million; 31 December 2023: £21.81 million) of which cash and cash equivalents amounted to £32.53 million (30 June 2023: £25.97 million; 31 December 2023: £16.63 million).

Right-of-use assets amounting to £6.27 million (30 June 2023: £6.18 million; 31 December 2023: £7.07 million) are recognized in relation to the Group's leasehold properties and other leased assets, together with a corresponding lease liability of £6.60 million (30 June 2023: £6.10 million; 31 December 2023: £7.03 million).

Intangible assets decreased to £30.18 million (30 June 2023: £33.46 million; 31 December 2023: £30.84 million) due to amortization of intangible assets acquired through the Launch and Coris acquisitions.

Liabilities in relation to the unsecured senior convertible bonds issued in October 2022 result in a fair value of the derivative element of £8.37 million (30 June 2023: £28.90; 31 December 2023: £18.33 million). The convertible bond debt element at 30 June 2023 was £15.33 million (30 June 2023: £15.68; 31 December 2023: £16.10 million).

Events after the reporting period

In July 2024, settlement in cash of the quarterly amortization payment in respect of the unsecured convertible bonds, comprising principal of £2.55 million and interest of £0.58 million.

In September 2024, AffyXell Therapeutics Co., Ltd ('AffyXell'), an associate of the Group, successfully completed a funding round, thereby reducing the Group's shareholding to 21%. Avacta did not participate in the funding round.

The Group has announced its intention to divest the Diagnostics Division, at this stage of the divestment process an estimate of the effect on the financial statements cannot be made.

Shaun Chilton
Chairman
30 September 2024

Christina Coughlin
Chief Executive Officer
30 September 2024

Condensed Consolidated Statement of Profit or Loss for the 6 months ended 30 June 2024

	Notes	**Unaudited 6 months ended 30 June 2024**	Unaudited 6 months ended 30 June 2023	Audited Year ended 31 December 2023
		£000	£000	£000
Revenue	4	**11,261**	11,889	23,247
Cost of sales		**(6,240)**	(5,141)	(12,003)
Gross profit		**5,021**	6,748	11,244
Research costs		**(6,746)**	(6,009)	(14,529)
Selling, general and administrative expenses		**(9,373)**	(8,646)	(16,855)
Adjusted EBITDA		**(11,098)**	(7,907)	(20,140)
Exceptional expenses		**(1,521)**	-	-
Amortization expense		**(575)**	(437)	(1,033)
Impairment charge		**-**	-	(512)
Share of loss of associate		**(404)**	(424)	(847)
Acquisition related expenses		**-**	(282)	(282)
Depreciation expense		**(1,393)**	(1,276)	(2,638)
Share-based payment charge		**(2,262)**	(1,553)	(2,906)
Operating loss		**(17,253)**	(11,879)	(28,358)

Convertible bond – interest expense	6	**(6,345)**	(6,847)	(14,730)
Convertible bond – revaluation of derivative	6	**9,955**	5,862	15,684
Finance income		**420**	331	655
Finance costs		**(213)**	(268)	(568)
Loss before tax		**(13,436)**	(12,801)	(27,317)
Taxation		**964**	1,269	2,370
Loss for the period		**(12,472)**	(11,532)	(24,947)
Foreign operations – foreign currency translation differences		**(349)**	(179)	1
Other comprehensive income		**(12,821)**	(11,711)	(24,946)
Total comprehensive loss for the period		**(12,821)**	(11,711)	(24,946)
Loss per share:				
Basic and diluted		**(3.82p)**	(4.28p)	(9.15p)

Condensed Consolidated Statement of Financial Position as at 30 June 2024

		Unaudited as at 30 June 2024 £000	Unaudited as at 30 June 2023 £000	Audited as at 31 December 2023 £000
Assets				
Property, plant and equipment		**3,415**	2,814	2,921
Right-of-use assets		**6,270**	6,175	7,065
Investment in associate		**3,731**	4,539	4,079
Intangible assets		**30,181**	33,455	30,837
Deferred tax asset		**247**	-	253
Non-current assets		**43,844**	46,983	45,155
Inventories		**2,612**	3,052	2,585
Trade and other receivables		**7,589**	6,770	6,585
Income tax receivable		**2,717**	4,975	2,239
Cash and cash equivalents		**32,532**	25,968	16,627
Current assets		**45,450**	40,765	28,036
Total assets		**89,294**	87,748	73,191
Liabilities				
Lease liabilities		**(5,299)**	(4,703)	(5,735)
Financing liabilities		**(166)**	(238)	(219)
Provisions		**(272)**	-	-
Deferred tax		**(128)**	(2,952)	(323)
Non-current liabilities		**(5,865)**	(7,893)	(6,277)
Trade and other payables		**(10,132)**	(10,805)	(9,225)
Lease liabilities		**(1,300)**	(1,394)	(1,295)
Financing liabilities		**(134)**	(339)	(166)
Convertible bond – debt	6	**(15,331)**	(15,679)	(16,098)
Convertible bond – derivative	6	**(8,370)**	(28,900)	(18,325)
Current liabilities		**(35,267)**	(57,117)	(45,109)
Total liabilities		**(41,132)**	(65,010)	(51,386)
Net assets		**48,162**	22,738	21,805
Equity attributable to equity holders of the Company				
Share capital	7	**36,185**	27,629	28,501
Share premium		**112,462**	75,698	83,220
Reserves		**(4,322)**	(4,371)	(4,163)
Retained earnings		**(96,163)**	(76,218)	(85,753)
Total equity		**48,162**	22,738	21,805

Total equity is wholly attributable to equity holders of the parent Company.

Approved by the Board and authorized for issue on 30 September 2024.

Shaun Chilton **Dr Christina Coughlin**

Chairman **Chief Executive Officer**

Condensed Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2024

	Unaudited Share Capital	Unaudited Share premium	Unaudited Other reserve	Unaudited Translation reserve	Unaudited Reserve for own shares	Unaudited Retained earnings	**Unaudited Total Equity**
	£000	£000	£000	£000	£000	£000	**£000**
At 1 January 2023	26,685	62,184	(1,729)	50	(2,755)	(63,440)	**20,995**
Loss for the period	-	-	-		-	(11,532)	**(11,532)**
Other comprehensive income for the period	-	-	-	(179)	-	-	**(179)**
Total comprehensive loss for the period	-	-	-	(179)	-	(11,532)	**(11,711)**
Transactions with owners of the company:							
Exercise of options	107	117	-	-	-	-	**224**
Transfer of own shares	-	-	-	-	242	(242)	**-**
Convertible bond – issue of shares	837	13,397	-	-	-	-	**14,234**
Equity-settled share based payment	-	-	-	-	-	1,553	**1,553**
At 30 June 2023	**27,629**	**75,698**	**(1,729)**	**(129)**	**(2,513)**	**(73,661)**	**25,295**
Loss for the period	-	-	-	-	-	(13,415)	**(13,415)**
Other comprehensive income for the period	-	-	-	180	-	-	**180**
Total comprehensive loss for the period	-	-	-	180	-	(13,415)	**(13,235)**
Transactions with owners of the company:							
Convertible bond – issue of shares	726	7,493	-	-	-	-	**8,219**
Exercise of options	146	29	-	-	-	-	**175**
Transfer of own shares	-	-	-	-	28	(28)	**-**
Equity-settled share based payment	-	-	-	-	-	1,351	**1,351**
At 31 December 2023	28,501	83,220	(1,729)	51	(2,485)	(85,753)	21,805
Loss for the period	-	-	-	-	-	(12,472)	**(12,472)**
Other comprehensive income for the period	-	-	-	(349)	-	-	**(349)**
Total comprehensive loss for the period	-	-	-	(349)	-	(12,472)	**(12,821)**
Transactions with owners of the company:							

Issue of shares	6,230	23,174	-	-	-	-	**29,404**
Exercise of options	357	43	-	-	-	-	**400**
Transfer of own shares	-	-	-	-	200	(200)	**-**
Convertible bond – issue of shares	1,096	6,016	-	-	-	-	**7,112**
Own shares acquired	1	9	-	-	(10)	-	**-**
Equity-settled share based payment	-	-	-	-	-	2,262	**2,262**
At 30 June 2024	**36,185**	**112,462**	**(1,729)**	**(298)**	**(2,295)**	**(96,163)**	**48,162**

Condensed Consolidated Statement of Cash Flows for the 6 months ended 30 June 2024

	Note	**Unaudited 6 months ended 30 June 2024 £000**	Unaudited 6 months ended 30 June 2023 £000	Audited Year ended 31 December 2023 £000
Operating cash outflow from operations	**8**	**(12,839)**	(11,194)	**(21,845)**
Interest received		**420**	331	655
Interest elements of lease payments		**(193)**	(128)	(304)
Interest elements of financing liabilities		**(6)**	-	(11)
Income tax received		**296**	2,942	6,633
Net cash used in operating activities		**(12,322)**	(8,049)	**(14,872)**
Cash flows from investing activities				
Purchase of plant and equipment		**(702)**	(406)	(1,124)
Proceeds from sale of plant and equipment		**86**	-	60
Acquisition of right of use asset		**(6)**	-	(42)
Acquisition of subsidiary, net of cash disposed of		**-**	(6,896)	(6,931)
Purchase of intangible assets		**(173)**	(49)	(96)
Payment of deferred consideration on past acquisition		**-**	-	(868)
Net cash used in investing activities		**(795)**	(7,351)	**(9,001)**
Cash flows from financing activities				
Proceeds from exercise of share options		**401**	224	398
Repayment of financing liabilities		**(77)**	(49)	(246)
Principal elements of lease payments		**(636)**	(736)	(1,450)
Proceeds from issue of share capital		**31,148**	-	-
Transaction costs relating to the issue of share capital		**(1,744)**	-	-
Net cash flow from financing activities		**29,092**	(561)	**(1,298)**
Net increase/(decrease) in cash and cash equivalents		**15,975**	(15,961)	(25,171)
Cash and cash equivalents at the beginning of the period		**16,627**	41,781	41,781
Effect of movements in exchange rates on cash held		**(70)**	148	17
Cash and cash equivalents at the end of the period		**32,532**	25,968	**16,627**

Notes to the unaudited condensed consolidated financial statements for the 6 months ended 30 June 2024

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 2024 comprise the Company and its subsidiaries (together referred to as 'the Group').

The interim financial statements for the 6 months ended 30 June 2024 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 2023, 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 2023 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 2023 ('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 Group's operations and results are not impacted by seasonal fluctuations.

The Board approved these interim financial statements for issue on 30 September 2024.

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 with the exception of those discussed below:

- Presentation of discontinued operations – a judgement exists in relation to whether the Diagnostics division should be presented as a discontinued operation and a held for sale asset, given the announced divestment process. A sale must be deemed highly probable for an operation to be disclosed as such. Given the early stage of the divestment process this was not judged to be the case at 30 June 2024, but had been judged to have become so by 30 September 2024 and as such has been disclosed as a subsequent event. A similar judgement must also be made in relation to whether the Wetherby diagnostics laboratory, closed during the period, represented a separate major line of business or geographical area of operations and as such should be presented as a discontinued operation rather than as an exceptional expense. Due to the close interactions between the laboratory and other product development operations within the wider Diagnostics division, it has been judged that the Wetherby laboratory is not significantly distinct enough to warrant presentation as a discontinued operation.

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 2023. A number of new standards were effective from 1 January 2024 but they do not have a material effect on the Group's financial statements.

3) Segmental reporting

The Group has two distinct operating segments: Diagnostics and Therapeutics. 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.

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 39% (6 months to 30 June 2023: 47%; year to 31 December 2023: 45%). The revenue analysis below is based on the country of registration of the customer:

	6 months ended 30 June 2024	6 months ended 30 June 2023	Year ended 31 December 2023
£000			
UK	**6,885**	6,323	12,750
France	**2,846**	2,248	4,120
Rest of Europe	**960**	1,285	3,688
North America	**-**	21	21
South Korea	**56**	1,991	2,055
Rest of World	**514**	21	613
	11,261	11,889	**23,247**

During the six month period ended 30 June 2024, there were no transactions with a single external customer that exceeded 10% of the Group's revenue, being £1,126,000.

During the six month period ended 30 June 2023, transaction with one external customer in the Therapeutics segment, amounted individually to 10% or more of the Group's revenue, being £1,991,000.

During the year 31 December 2023, transactions with one external customer in the Therapeutics segment amounted individually to 10% or more of the Group's revenues from continuing operations, being £2,054,000.

Operating segment analysis for the six months ended 30 June 2024

	Diagnostics	Therapeutics	Central overheads[1]	**Total**
	£000	£000	£000	**£000**
Revenue	11,205	56	-	**11,261**
Cost of goods sold	(6,240)	-	-	**(6,240)**
Gross profit	**4,965**	**56**	**-**	**5,021**
Research costs	(197)	(6,549)	-	**(6,746)**
Selling, general and administrative expenses	(4,689)	(1,330)	(3,354)	**(9,373)**
Adjusted EBITDA	**79**	**(7,823)**	**(3,354)**	**(11,098)**
Exceptional expenses	(1,028)	-	(493)	**(1,521)**
Depreciation expense	(763)	(617)	(13)	**(1,393)**
Amortization expense	(569)	(5)	(1)	**(575)**
Share of loss of associate	-	(404)	-	**(404)**
Share-based payment expense	(120)	(577)	(1,565)	**(2,262)**
Segment operating loss	**(2,401)**	**(9,426)**	**(5,426)**	**(17,253)**

[1]Central overheads, which relate to operations of the Group functions, are not allocated to the operating segments.

Operating profit/loss is the measure of profit or loss regularly reviewed by the Board. Other items comprising the Group's loss before tax are not monitored on a segmental basis.

The information reported to the Board does not include balance sheet information at the segment level.

Operating segment analysis for the six months ended 30 June 2023

	Diagnostics	Therapeutics	Central overheads[1]	**Total**
	£000	£000	£000	**£000**
Revenue	9,898	1,991	-	**11,889**
Cost of goods sold	(5,133)	(8)	-	**(5,141)**
Gross profit	**4,765**	**1,983**	**-**	**6,748**
Research costs	(663)	(5,346)	-	**(6,009)**
Selling, general and administrative expenses	(4,529)	(1,185)	(2,932)	**(8,646)**
Adjusted EBITDA	**(427)**	**(4,548)**	**(2,932)**	**(7,907)**
Depreciation expense	(640)	(632)	(4)	**(1,276)**
Amortization expense	(431)	(4)	(2)	**(437)**
Share of loss of associate	-	(424)	-	**(424)**
Acquisition related expenses	-	-	(282)	**(282)**
Share-based payment expense	(403)	(600)	(550)	**(1,553)**
Segment operating loss	**(1,901)**	**(6,208)**	**(3,770)**	**(11,879)**

[1]Central overheads, which relate to operations of the Group functions, are not allocated to the operating segments.

Operating profit/loss is the measure of profit or loss regularly reviewed by the Board. Other items comprising the Group's loss before tax are not monitored on a segmental basis.

The information reported to the Board does not include balance sheet information at the segment level.

Operating segment analysis for the year ended 31 December 2023

	Diagnostics	Therapeutics	Central overheads[1]	**Total**
	£000	£000	£000	**£000**
Revenue	21,192	2,055	-	**23,247**
Cost of goods sold	(11,988)	(15)	-	**(12,003)**
Gross profit	**9,204**	**2,040**	**-**	**11,244**
Research costs	(1,421)	(13,108)	-	**(14,529)**
Selling, general and administrative expenses	(8,963)	(2,489)	(5,403)	**(16,855)**
Adjusted EBITDA	**(1,180)**	**(13,557)**	**(5,403)**	**(20,140)**
Impairment charge	(512)	-	-	**(512)**
Depreciation expense	(1,359)	(1,271)	(8)	**(2,638)**
Amortization expense	(1,020)	(10)	(3)	**(1,033)**
Share of loss of associate	-	(847)	-	**(847)**
Acquisition related expenses	-	-	(282)	**(282)**
Share-based payment expense	(359)	(1,739)	(808)	**(2,906)**
Segment operating loss	**(4,430)**	**(17,424)**	**(6,504)**	**(28,358)**

[1]Central overheads, which relate to operations of the Group functions, are not allocated to the operating segments.

Operating profit/loss is the measure of profit or loss regularly reviewed by the Board. Other items comprising the Group's loss before tax are not monitored on a segmental basis.

The information reported to the Board does not include balance sheet information at the segment level.

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 2024

£'000	Diagnostics	Therapeutics	Total
Nature of revenue			
Sale of goods	10,506	-	**10,506**
Provision of services	652	-	**652**
Licence-related income	47	56	**103**
	11,205	**56**	**11,261**

Six months ended 30 June 2023

£'000	Diagnostics	Therapeutics	Total
Nature of revenue			
Sale of goods	9,379	-	**9,379**
Provision of services	519	3	**522**
Licence-related income	-	1,988	**1,988**
	9,898	**1,991**	**11,889**

Year ended 31 December 2023

£'000	Diagnostics	Therapeutics	Continuing operations
Nature of revenue			
Sale of goods	20,019	-	**20,019**
Provision of services	1,173	3	**1,176**
Licence-related income	-	2,052	**2,052**
	21,192	**2,055**	**23,247**

5) Earnings per share

£'000	**Unaudited 6 months ended 30 June 2024**	Unaudited 6 months ended 30 June 2023	Audited Year ended 31 December 2023
Loss for the period	**(12,472)**	(11,532)	(24,947)
Weighted average number of shares (number)	**326,900,635**	269,159,631	272,683,485
Basic and diluted loss per ordinary share	**(3.82)**	(4.28)	(9.15)

6) Convertible bond

In October 2022, the Group issued senior unsecured convertible bonds ('the Bonds') of £55 million to a fund advised by Heights Capital Ireland LLC, a global equity and equity-linked focussed investor.

The Bonds were issued at 95% par value with total net proceeds of £52.25 million, and accrue interest at an annual rate of 6.5% payable quarterly in arrears.

The Bonds contain various conversion and redemption features. The Bonds have a maturity of five years, and are repayable in 20 quarterly amortization repayments, of principal and interest over the five-year term, in either cash or in new ordinary shares at the Group's option. If in shares, the repayment is at the lower of the conversion price (88.72p) or a 10% discount to the volume weighted average price ('VWAP') in the five- or ten-day trading period prior to election date. The conversion price reset downwards from the original 118.75p at the Reset Date on 20 April 2024. There is a Reset Clawback Period in place until 20 January 2025 during which, if the VWAP of the Company's Ordinary Shares on each of at least 20 dealing days in any period of 30 consecutive dealing days is greater than 130% of the pre-reset conversion price, then the conversion price will be restored, thereby reversing the effect of the reset made on 20 April 2024. Additionally, the bondholder has the option to partially convert the convertible bonds at their discretion which has occurred twice to date, on 10 February 2023 and 20 September 2023 where £2.85 million and £0.85 million of principal was settled respectively.

The bond agreement contains embedded derivatives in conjunction with an ordinary host debt liability. As a result, the convertible bonds are shown in the Consolidated Statement of Financial Position in two separate components, being 'Convertible bond – debt' and 'Convertible bond – derivative'. At issuance, the total inception value was £52,500,000, being the 5% issue discount to the principal amount of the Bonds, with the initial carrying amount of the debt liability element being the difference between this inception value of the convertible bond and the fair value at inception of the derivative element. Given the option of the bondholder to convert the bond at their discretion, the debt and derivative liability elements are classified as current liabilities.

The derivative element has been measured at fair value using a Monte-Carlo option pricing model, which estimates the fair value based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to the bondholders. This therefore falls under Level 3 of the fair value hierarchy. Significant assumptions used in the fair value measurement include the volatility rate. The table below documents the impact on changes in volatility by 25% on the fair value measurement.

Volatility (%)	83	108	58
Convertible bond – derivative liability (£'000)	8,370	9,410	7,400

The host debt liability is measured at amortized cost, being adjusted to reflect revisions in estimated cashflows arising from early conversion events or settlements of quarterly amortization events in shares.

During the 6 month period ended 30 June 2024, the following conversion events occurred:

- On 22 January 2024, 3,425,373 new ordinary shares were issued in settlement of the quarterly principal of £2.55 million and interest repayment of £0.66 million.
- On 20 April 2024, 7,529,825 new ordinary shares were issued in settlement of the quarterly principal of £2.55 million and interest repayment of £0.62 million, reducing the principal remaining to £35.70 million.

	Convertible bond - derivative	**Convertible bond - debt**
	£000	£000
At 1 January 2023	39,100	18,729
Settlement of liability through issue of shares	(4,338)	(9,897)
Interest expense	-	6,847
Revaluation of derivative	(5,862)	-
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At 30 June 2023	**28,900**	**15,679**

Settlement of liability through issue of shares	(753)	(7,464)
Interest expense	-	7,883
Revaluation of derivative	(9,822)	-
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At 31 December 2023	**18,325**	**16,098**
Settlement of liability through issue of shares	**-**	(7,112)
Interest expense	-	6,345
Revaluation of derivative	(9,955)	-
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At 30 June 2024	**8,370**	**15,331**
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7) Share capital

	Unaudited Six months ended 30 June 2024	**Unaudited Six months ended 30 June 2023**	**Audited Year ended 31 December 2023**
	£000	£000	£000
Allotted, called up and fully paid:			
- 361,078,622 (H1 2023: 275,520,666; 2023: 284,240,834 ordinary shares of 10p each	36,108	27,552	28,424
- 19,327,344 deferred shares of 0.4p each	77	77	77
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	36,185	**27,629**	**28,501**
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During the period, the following ordinary share issues occurred:

- On 22 January 2024, 3,425,373 new ordinary shares were issued in settlement of the quarterly principal of £2,550,000 and interest repayment of £663,000 of the convertible bond.
- On 15 February 2024, 9,515 ordinary shares of 10p each were allotted and issued at 105p per share to Link Market Services Trustees Limited as Trustee of the Avacta Group plc SIP.
- On 4 March 2024, 27,390,485 ordinary shares of 10p each were allotted and issued at 50p further to a placing of shares, with a further 130,000 ordinary shares of 10p each being allotted and issued in relation to a management subscription of shares. On 19 March 2024, a further 23,879,124 conditional placing shares and 10,896,948 REX offer shares of 10p each were allotted and issued at 50p. Placing costs of £1,744,000 were incurred and offset against the share premium reserve.
- On 20 April 2024, 7,529,825 new ordinary shares were issued in settlement of the quarterly principal of £2,550,000 and interest repayment of £622,000, reducing the principal remaining to £35,700,000 of the convertible bond.

Additionally, during the year a total of 3,576,518 ordinary shares of 10p each were allotted and issued following the exercise of vested EMI and unapproved options.

8) Operating cash outflow from operations

	Unaudited 6 months ended 30 June 2024 £000	Unaudited 6 months ended 30 June 2023 £000	Audited Year ended 31 December 2023 £000
Cash flow from operating activities			
Loss for the period	**(12,472)**	(11,532)	(24,947)
Adjustments for:			
Amortization	**575**	437	1,033
Impairment losses	**-**	-	512
Depreciation	**1,393**	1,276	2,638
Net (gain) / loss on disposal of property, plant and equipment	**(9)**	23	(2)
Deferred income movement	**630**	-	28
Share of loss of associate	**404**	424	847
Profit on lease modification	**-**	-	1
Equity-settled share-based payment charges	**2,262**	1,553	2,906
Increase in investment in associate	**(56)**	(1,988)	(1,950)
Net finance costs	**(3,830)**	653	(1,277)
Taxation	**(964)**	(1,270)	(2,370)
Operating cash outflow before changes in working capital	**(12,067)**	(10,424)	(22,581)
(Increase) / decrease in inventories	**(58)**	(85)	196
(Increase) / decrease in trade and other receivables	**(1,035)**	144	841
Increase / (decrease) in trade and other payables	**321**	(829)	(301)
Operating cash outflow from operations	**(12,839)**	(11,194)	(21,845)

9) Events after the reporting period

In July 2024, there was a settlement in cash of the quarterly amortization payment in respect of the unsecured convertible bonds, comprising principal of £2.55 million and interest of £0.58 million.

In September 2024, AffyXell Therapeutics Co., Ltd ('AffyXell'), an associate of the Group, successfully completed a funding round, which Avacta did not participate in, thereby reducing the Group's shareholding from 25% to 21%.

The Group has announced its intention to divest the Diagnostics Division, at this stage of the divestment process an estimate of the effect on the financial statements cannot be made.