

Arix Bioscience plc

Half-Yearly Report and Condensed Consolidated Interim Financial Statements

Six months ended 30 June 2020

Executive Chairman Statement

Overview

Arix has made strong progress in the first half of 2020. Net Asset Value (NAV) increased by 24% over the first six months of 2020 to £251 million (185p per share), and we see significant momentum building across our portfolio.

Since moving into the Executive Chairman role in April 2020, I have been working with the board and management team to refocus and strengthen the business, in order to drive value for our shareholders. We have made considerable progress in the past few months and I am confident that the business is now optimally positioned to maximise the significant potential across the portfolio and as such, returns for investors.

Notably we have reduced net operating costs (excluding depreciation and amortisation) by over 35% to an annual run rate of approximately £5.0m in 2021, (down from £8.0m in 2019) which represents less than 2% of current NAV. We have expanded the expertise of the team and further enhanced our networks, with the addition of a Scientific Advisory Board, comprising leading researchers and industry executives.

We have also completed a portfolio and strategy review, following which we have decided to focus on 11 companies (out of 16 in the Gross Portfolio) which we believe have the potential to deliver significant value for investors over the short to medium term. These 11 companies make up 97% of Gross Portfolio Value. We will continue to work closely with these companies, supporting our active investments through important clinical milestones. There is already significant value in these companies and with multiple clinical milestones expected over the next 18 months, we see significant growth potential across this portfolio in the near term.

In addition to clinical milestones, there is potential for M&A, strategic partnerships and other financing events across the portfolio which could significantly increase the value of our companies, and in turn our NAV. Over the next three years we expect to see at least two additional IPO's, two or more exits and there is potential for three approved products across the portfolio by 2023. We are targeting an IRR of 15%-25%, generating a NAV of up to £500m by 2023.

We remain focused on life sciences, investing in the most innovative companies addressing serious unmet medical need, unconstrained by geography, stage of development and therapeutic area. Going forward, we see 10-15 portfolio companies as the portfolio size that the management team can support. We expect two-thirds of our investments will be in clinical stage companies, with the remainder in seed and Series A investments.

Overall, the portfolio made good progress in the first six months of 2020, with several companies reaching important clinical milestones and completing additional financing rounds, as detailed below.

We invested £12 million into the Gross Portfolio in the period, including new investments in Imara, VelosBio and Quench Bio, as well previously tranching milestone investments into existing portfolio companies (Atox Bio, STipe Therapeutics and Aura Biosciences). In aggregate, our portfolio companies raised \$392 million during the six-month period, putting them in a strong position to execute on their important clinical development programmes.

As we continue to place a greater emphasis on realisations, we were pleased to sell down a further 15% of our holding in Harpoon during the period; we achieved a blended price of over \$21 a share, near the stock's all-time highs, which generated cash proceeds of \$8.1 million (£6.6 million). We

have now realised £10.9 million from our investment in Harpoon, at an IRR of 49%, and still retain an 8.8% stake in the business, which was valued at £29.5 million at the period end.

To date we have realised £13 million from the Gross Portfolio through active management of our public holdings, leveraging our deep understanding of the companies we have invested in to optimise the timing of our disposals.

We expect to derive further value from the growth of our portfolio over the next 12-18 months, through either M&A, IPO and/or equity sale, which will provide fresh capital for us to re-invest in the next generation of the portfolio and offers the potential to return value to shareholders. The timing of any disposals is guided by our deep understanding of the risk adjusted value of our portfolio companies, which we have been invested in and worked closely with for several years.

Portfolio Performance

Portfolio companies continued to make good clinical and financial progress. Successful financing rounds with valuation uplifts were completed by Imara (+46%), VelosBio (+95%) and Quench Bio (+40%). In addition, the share prices of portfolio companies listed on the Nasdaq generally performed well during the period.

Operationally, there was good progress in the portfolio, with notable highlights including positive data readouts from Autolus, Harpoon, Aura, Amplyx and Imara, along with new trial initiations from Autolus, Harpoon and Aura. Our portfolio companies are collectively running 19 clinical trials and conducting over 20 pre-clinical studies, providing Arix with multiple shots on goal for value creation.

Key Portfolio Company Updates

Clinical Companies

Imara (17% of GPV, 14% of NAV)

Imara is developing IMR-687 for the chronic treatment of sickle cell disease (SCD) and beta-thalassemia. The company made strong operational and clinical progress over the period, notably completing a successful Nasdaq IPO raising \$86.5 million. Arix invested a further \$3.0 million (£2.3 million) in the IPO, retaining a total stake of 9.0% in the business. At 30 June, Arix's stake was valued at £34.8m, reflecting a valuation increase of £19.6m in the period.

Imara has also made strong clinical progress this year. During the period, the company reported positive Phase 2a interim safety and efficacy data for its lead product candidate, IMR-687, in patients with SCD. The data demonstrated that IMR-687 was well tolerated as a monotherapy and in combination with hydroxurea (HU), the current standard of care. Following these results, the company has initiated Phase 2b clinical trials in both SCD and beta-thalassemia. Additionally, the FDA granted IMR-687 Orphan, Fast Track and Rare Pediatric Disease designations in patients with beta-thalassemia. Post period end, the European Commission granted Orphan Drug designation for IMR-687 for patients with SCD. IMR-687 has previously been granted Orphan Drug, Fast Track and Rare Pediatric Disease designations from the FDA for patients with SCD.

Finally, Imara is leveraging IMR-687's differentiated mechanism of action to begin preclinical studies exploring its potential for the treatment of heart failure with preserved ejection fraction, or HFpEF. The company expects to report top-line data from its ongoing Phase 2a clinical trial in SCD during the fourth quarter of 2020 and currently does not anticipate any delays due to the COVID-19 pandemic.

Harpoon Therapeutics (15% of GPV, 12% of NAV)

Harpoon is a clinical-stage immunotherapy company developing a novel class of T cell engagers that harness the power of the body's immune system to treat patients suffering from cancer and other diseases. The company continues to make good clinical progress with its TriTAC® T cell engager pipeline. During the period Harpoon presented encouraging interim Phase 1 data for its lead programme, HPN424, in patients with metastatic castration-resistant prostate cancer. Initial safety data showed that HPN424 is generally well tolerated, and early signals of clinical activity were suggested by multiple patients remaining on study for more than 24 weeks. During the period Harpoon also provided an update on its second programme, HPN536, currently being studied for the treatment of mesothelin-expressing tumours. Harpoon highlighted that the dose escalation portion of the study was progressing and, as of May 2020, included 15 ovarian and 10 pancreatic cancer patients. Adverse events were shown to be transient and manageable, and early pharmacokinetic data showed half-life extension supporting once-weekly dosing.

In addition, the company announced the dosing of the first patient with HPN217 in a Phase 1/2 clinical trial focused on relapsed/refractory multiple myeloma (RRMM). HPN217 is covered by a global development and option agreement with AbbVie Inc. and dosing of the first patient in the clinical trial triggered a \$50 million milestone payment, which was received in June. HPN217 targets B-cell maturation antigen (BCMA), a well-validated target expressed on multiple myeloma cells. HPN217 is Harpoon's third product candidate to enter the clinic.

In July, Harpoon also submitted an IND for HPN328, its fourth TriTAC pipeline programme, for the treatment of DLL3-expressing tumours including small cell lung cancer. During the second half of 2020, Harpoon expects to advance HPN328 into the clinic and report data from its HPN536 programme.

As of the date of Harpoon's second quarter interim report, the company had not yet experienced any material delays or impacts as a result of COVID-19.

Autolus Therapeutics (21% of GPV, 17% of NAV)

Autolus is developing next generation programmed T cell therapies for the treatment of cancer. The company continued to make strong clinical progress in the period, reporting encouraging Phase 1 data in its AUTO1 programme in adult ALL, which showed a favourable safety profile, high level of clinical activity, with a high rate of CRs that continue to be sustained. Notably, these positive results have enabled Autolus to progress AUTO1 to a pivotal Phase 1b/2 trial. The company is targeting having full data by the end of 2021, with potential Biologics License Application (BLA) filing targeted for 2022.

During the period, Autolus also reported positive data from its second later stage programme, AUTO3, in diffuse large B-cell lymphoma (DLBCL), which showed encouraging signs of durable complete responses and a strong safety profile, supporting potential for outpatient use. As an outpatient therapy, AUTO3 would be able to reach the total addressable relapsed refractory DLBCL patient population, giving it a strong competitive advantage.

Autolus also presented positive pre-clinical data across several different next generation programmes at the American Association for Cancer Research (AACR) conference in June. These included AUTO5 (T cell lymphoma), AUTO6 NG (small cell lung cancer) and AUTO7 (prostate cancer).

During the COVID-19 crisis Autolus has continued to manufacture from its UK operations at the Cell and Gene Therapy Catapult located in Stevenage without interruption, including supply of clinical product for the treatment of US DLBCL patients in its AUTO3 study.

Autolus will have a further data updates for AUTO3 at ESMO in September and further updates for both AUTO1 and AUTO3 in Q4 2020 and expects to initiate new Phase 1 clinical trials in pediatric ALL (AUTO1NG) and multiple myeloma (AUTO8) in the second half of 2020.

VelosBio (9% of GPV, 7% of NAV)

VelosBio is a next-generation oncology company, developing novel antibody-drug conjugates (ADCs) to treat haematological cancers and solid tumours. Shortly after the period-end, VelosBio completed an oversubscribed Series B financing of \$137.0 million following strong interest from leading, global healthcare investors. The financing recognised a 95% (£7.9 million) uplift in the book value of Arix's holding in VelosBio at 30 June.

The proceeds from the Series B round will be used to further advance the clinical development of Velos' lead compound, VLS-101, and support the continued expansion of its pipeline of bispecific antibodies and next-generation ADCs against the novel cancer target, ROR1 (a cell surface antigen present on a range of haematologic and solid tumour malignancies). VLS-101 is a ROR1-directed ADC that is currently being studied in a first-in-human Phase 1 clinical trial in patients with refractory haematologic cancers, with studies in solid tumour patients to begin later this year. The company expects to report Phase 1 data from VLS-101, in haematological cancers, by the end of this year.

On 31 August, VelosBio announced the FDA has granted the company Fast Track and Orphan Drug designation for VLS-101 for the treatment of patients with mantle cell lymphoma (MCL).

Amplix (3% of GPV, 2% of NAV)

Amplix is a clinical stage biopharmaceutical company developing innovative therapies for debilitating and life-threatening diseases in patients with compromised immune systems. During the period Amplix announced positive topline data following the completion of its Phase 2 clinical trial of fosmanogepix (APX001) as a first-line treatment for patients with invasive fungal infections caused by *Candida*. The trial met its primary efficacy endpoint, demonstrating a treatment success rate of 80%. Fosmanogepix was well tolerated with no treatment-related serious adverse events or discontinuations and importantly, patients were able to easily transition from intravenous to oral formulations during their treatment.

In August, post period end, Amplix announced that the first patient has been dosed in its Phase 2 clinical trial evaluating the efficacy and safety of MAU868 for the treatment of BK viremia in kidney transplant recipients. MAU868 is a novel, human monoclonal antibody that potently neutralises all four major genotypes of BK virus (BKV), for which there are currently no treatment options. Dosing the first patient represents a strong start to this important clinical trial and a key milestone in Amplix's development programme, taking the business one step closer to bringing a first-in-class treatment to the vulnerable patients at risk for this devastating transplant complication.

The current pandemic has highlighted how devastating infectious diseases can be and reinforces the need for new and novel anti-infective agents capable of combating emerging threats. During these unprecedented times, Amplix is aware of the challenges being faced by health services and the clinicians at the front line of delivering health care. Despite these challenges, their Phase 2 studies and expanded access programs remain open.

Aura Biosciences (4% of GPV, 4% of NAV)

Aura Biosciences is a clinical-stage biopharmaceutical company developing a new class of oncology therapies based on the combination of a viral like particle with high affinity to tumour cells coupled to a laser-activatable dye. Aura's drug binds to malignant tumour cells with high specificity and once the dye is activated by a short laser treatment there is an acute tumour cell necrosis.

During the period, Aura presented updated clinical data from its ongoing Phase 1b/2 clinical trial evaluating the safety and efficacy of light-activated AU-011, Aura's lead product candidate for the first line treatment of primary choroidal melanoma, a rare and aggressive type of eye cancer. This open-label, multicentre trial is designed to investigate single and multiple ascending doses of light-activated AU-011, administered via intravitreal injection, in adult subjects with clinically diagnosed primary choroidal melanoma. The clinical data presented during the period show that AU-011 has a favourable preliminary safety profile, controls tumour growth rate, and preserves vision in the vast majority of patients, including those at high risk for vision loss with tumours close to the fovea and optic nerve. In the Phase 2 part of this study the company has enrolled patients with documented tumour growth prior to treatment, constituting the patient population targeted in a potential future Phase 3 study. In this cohort an optimised dose and treatment schedule is applied. The data are currently maturing to provide support of tumour growth control at 12 months post treatment in this relevant Phase 3 eligible patient population and the trial continues to be supportive of further clinical investigation in pivotal studies.

Aura is also planning to initiate a Phase 2 clinical trial evaluating suprachoroidal (SC) delivery of AU-011 in patients with choroidal melanoma, in the second half of 2020. Aura believes that delivering AU-011 into the suprachoroidal space within the eye, has the potential to maximise bioavailability at the tumour site and could allow for the treatment of a wider range of tumour sizes (small to medium size tumours), and therefore, a larger number of patients.

Atox Bio (3% of GPV, 3% of NAV)

Atox Bio is a late stage clinical company that develops immunotherapies for critically ill patients. During the period, Atox Bio announced results from its Phase 3 clinical trial for patients with Necrotizing Soft Tissue Infection ("Flesh Eating Disease"). The results were published in the journal *Annals of Surgery* in a paper titled "A Novel Immune Modulator for Patients with Necrotizing Soft Tissue Infections (NSTI): Results of a Multicenter, Phase 3 Randomized Controlled Trial of Reltecimod (AB 103)". Results from the trial showed that Atox Bio's drug Reltecimod had a positive effect on resolution of organ dysfunction patients with necrotizing soft tissue infection (NSTI).

NSTI is a potentially life-threatening condition with significant morbidity and long-term mortality that has no FDA-approved treatment. As this was the first pivotal study ever performed in NSTI, a necrotizing infection clinical composite endpoint (NICCE) was developed. This endpoint was designed to assess both the local and systemic components of NSTI and included the measurement of resolution of organ dysfunction/failure. Treatment effects in composite NICCE primary endpoint were significant in the clinically evaluable (CE) population analysis but not in the primary modified intent to treat analysis. Atox Bio believes that, the CE population reflects the more clinically relevant and statistically appropriate patient population for evaluation of the treatment effect of reltecimod. The company has reviewed the top line results of this trial with the US Food & Drug Administration (FDA) and, based on these discussions, plans to submit a New Drug Application (NDA) to the FDA in Q3 2020 under the Accelerated Approval Pathway. This is a major milestone for the company and takes it one step closer to a potential treatment option for patients with this debilitating disease.

Pre-clinical companies***LogicBio Therapeutics (10% of GPV, 8% of NAV)***

LogicBio Therapeutics is a genome editing company, dedicated to extending the reach of genetic medicine with pioneering targeted delivery platforms. In August, post period end, LogicBio announced that the FDA has cleared its IND application for LB-001 for the treatment of methylmalonic acidemia in paediatric patients. This is an important step forward for LogicBio, enabling the company to move LB-001 towards clinical development. The SUNRISE study is a multi-centre, open-label, Phase 1/2 clinical trial designed to assess the safety and tolerability of a single intravenous infusion of LB-001 in paediatric patients with MMA characterized by methylmalonyl-CoA mutase gene (MMUT) mutations. The trial is expected to enrol eight paediatric patients with ages ranging from six months to 12 years, initially starting with three to 12-year-old patients and then adding patients aged six months to 2 years. LogicBio expects to initiate the Phase 1/2 clinical trial next year, enrolling the first patient in early 2021.

LogicBio is also developing a Next Generation Capsid platform for use in gene editing and gene therapies. Data presented have shown that the capsids deliver highly efficient functional transduction of human hepatocytes with improved manufacturability with low levels of pre-existing neutralizing antibodies in human samples. Top-tier capsid candidates from this effort demonstrated significant improvements over benchmark AAVs currently in clinical development. LogicBio is developing these highly potent vectors for internal development candidates and potentially for business development collaborations.

Artios Pharma (9% of GPV, 8% of NAV)

Artios continued to advance its world-leading DDR programmes, bringing the company closer to clinical data. Artios has made significant progress on its ATR inhibitor in-licensed from MD Anderson as well as on its Pol Theta programme, with first development candidates for ATR (ART0380) scheduled to be IND ready by Q4 2020 and the Pol theta candidate ART4215 by Q2 2021. These will be important milestones for the company, taking it a step closer to clinical development of two DDR assets in 2021, with the first Phase 1 clinical trial expected to commence for ART0380 in January 2021. In addition, the company continued to work on its extensive pipeline of nuclease inhibitors that work in different genetic backgrounds. Earlier this year, the company expanded its team with the appointment of Bryony Harrop (formerly Oncology Delivery Director at Astra Zeneca), as Vice President of Clinical Development to prepare its broad pipeline of innovative cancer treatments for the clinic.

Drug Discovery Companies (5% of GPV, 4% of NAV)

These companies are start-ups in the initial stages of research and development. As such they are higher risk but have the potential to deliver significant value as they progress towards clinical development. Notably, during the period we announced the Series A financing and launch of Quench Bio, a company that we created and seeded with Atlas Venture in June 2018. This is the first company we have co-founded and formed from scratch, combining scientific discoveries from professors in Germany with entrepreneurs and co-investors in Boston. It encapsulates the benefits of Arix's transatlantic footprint and culture.

COVID-19 Impact

The COVID-19 pandemic has presented an unprecedented challenge to public healthcare systems and economies worldwide. The safety and wellbeing of our employees is paramount, and we have adapted day-to-day operations to ensure that our team have been able to continue to work effectively from home despite the COVID-19 pandemic.

During this time, we have been working closely with our portfolio companies to help support them in navigating through this disruption and minimising impact to ongoing clinical trials and scientific research. We have been fortunate in seeing minimal delays to clinical trials across the portfolio, in part due to the areas these companies operate in. We syndicate all our deals with top tier biotech venture capital firms, and as such our portfolio companies are well financed and well positioned to navigate through any potential delays as a result of the pandemic. Whilst clinical development is never without risk, we are confident that our companies are in strong positions to deliver significant growth over the long term.

Outlook

Arix has built a promising portfolio of highly innovative biotech companies developing therapies in important areas of medical need. Having completed the portfolio review, I am confident that we have 11 companies that have potential to deliver significant value for our investors over the near to medium term. We are working closely with these companies to help them develop their clinical programmes, finances and options for value realisation.

Our portfolio companies have made significant progress in a relatively short period of time and are moving towards key clinical and development milestones in the year ahead. We enter the second half of 2020 with strong momentum in our portfolio. We expect data from several important clinical studies by the end of 2020, notably Phase 1/2 data from Autolus, Harpoon and VelosBio and Phase 2 data from Imara. Additionally, we expect Atox Bio to submit an NDA for Reltecimod in NSTI, taking it closer to being the first treatment for patients with this debilitating disease. We also expect a number of these companies to initiate further clinical studies by the end of the year, including Autolus, Aura, and Harpoon.

In addition to clinical milestones, there is potential for M&A, strategic partnerships and other financing events across the portfolio, which could significantly increase the value of our companies, and in turn our NAV. Over the next three years our goal is to derive value from the growth in our portfolio companies, through M&A, IPO's and/or sale of equity and we expect to deliver at least two strategic exits, at least two additional IPO's and see potential for three approved products across the portfolio. We are targeting a NAV of up to £500m by 2023, with an IRR of 15%-25%, which we believe to be both an ambitious and attainable target based upon upcoming catalysts across the portfolio.

Through strong execution of our strategy we expect to generate significant returns for our investors over the medium to long term, through capital growth and the potential for distributions where returns exceed the capital needed for reinvestment. We have a highly seasoned leadership and ambitious team, supported by a high calibre Scientific Advisory Board and Board, and close relationships with pharmaceutical and academic partners. These give us a unique platform and competitive advantage to execute our strategy.

Additionally, the Board will be working to further strengthen corporate governance, which will include the appointment of a Senior Independent Director as part of the Company's commitment to the UK Corporate Governance Code.

The current COVID-19 pandemic has highlighted the importance of our industry and the continued need for innovation and new treatment options. Our vision to address significant unmet needs in healthcare, through partnering with the most innovative entrepreneurs, will continue to remain of profound importance and offers significant opportunity.



Naseem Amin, MD
Executive Chairman

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Half Year to 30 June 2020 (unaudited) £'000	Half Year to 30 June 2019 (unaudited) £'000
Change in fair value of investments	8	42,624	(39,058)
Revenue	7	192	266
Administrative expenses		(3,830)	(5,343)
Operating profit / (loss)		38,986	(44,135)
Net finance income		87	480
Foreign exchange gains		9,306	743
Impairment of right-of-use asset		-	(485)
Share-based payment credit/(charge)	11	585	(1,411)
Profit / (loss) before taxation		48,964	(44,808)
Taxation	9	-	5,883
Profit / (loss) for the period		48,964	(38,925)
Other Comprehensive Income			
Exchange differences on translating foreign operations		536	91
Total comprehensive income / (loss) for the period		49,500	(38,834)
Attributable to			
Owners of Arix Bioscience plc		49,500	(38,834)
Earnings per share			
Basic earnings per share (£)	6	0.38	(0.30)
Diluted earnings per share (£)	6	0.35	(0.30)

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes, on pages 13 to 20.

Condensed Consolidated Interim Statement of Financial Position

	Note	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
ASSETS			
Non-Current Assets			
Investments held at fair value	8	206,157	151,921
Intangible assets		579	688
Property, plant and equipment		106	160
Right of use asset		-	249
Investment property		-	366
		206,842	153,384
Current Assets			
Cash and cash equivalents		43,995	54,638
Trade and other receivables		1,408	1,106
Investment property		256	
Right of use asset		214	90
		45,873	55,834
TOTAL ASSETS		252,715	209,218
LIABILITIES			
Current liabilities			
Trade and other payables		(1,045)	(6,154)
Lease liability		(647)	(685)
Deferred tax liability	9	-	-
		(1,692)	(6,839)
Non-Current liabilities			
Lease liability		-	(271)
TOTAL LIABILITIES		(1,692)	(7,110)
NET ASSETS		251,023	202,108
EQUITY			
Share capital and share premium	10	188,585	188,585
Retained earnings		62,859	15,718
Other reserves		(421)	(2,195)
		251,023	202,108
TOTAL EQUITY		251,023	202,108

The above Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the accompanying notes, on pages 13 to 20.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2020

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
As at 1 January 2020	188,585	(1,754)	(441)	15,718	202,108
Profit for the period	-	-	-	48,964	48,964
Other comprehensive income	-	-	1,774	(1,238)	536
Share-based payment credit	-	-	-	(585)	(585)
Acquisition of own shares	-	-	-	-	-
Issue of own shares to Employee Benefit trust	-	307	(307)	-	-
As at 30 June 2020 (unaudited)	188,585	(1,447)	1,026	62,859	251,023

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
As at 1 January 2019	188,585	(1,211)	782	82,018	270,174
Loss for the period	-	-	-	(38,925)	(38,925)
Other comprehensive income	-	-	159	(68)	91
Share-based payment charge	-	-	-	1,411	1,411
Acquisition of own shares	-	(978)	-	-	(978)
Issue of own shares to Employee Benefit trust	-	14	(14)	-	-
As at 30 June 2019 (unaudited)	188,585	(2,175)	927	44,436	231,773

The above Condensed Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes, on pages 13 to 20.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2020

	Half Year to 30 June 2020 (unaudited) £'000	Half Year to 30 June 2019 (unaudited) £'000
Cash from operating activities	(4,566)	(5,402)
Tax paid	-	-
Net finance income received	87	479
Net cash from operating activities	(4,479)	(4,923)
Cash flows from investing activities		
Purchase of equity loan investments	(15,909)	(29,262)
Disposal of equity and loan investments	9,068	4,254
Purchase of property, plant and equipment	(5)	(5)
Net cash received from / (placed on) long-term deposit	-	19,867
Net cash from investing activities	(6,846)	(5,146)
Cash flows from financing activities		
Purchase of own shares by Employee Benefit Trust	-	(978)
Net cash from financing activities	-	(978)
Net (decrease) / increase in cash and cash equivalents	(11,325)	(11,047)
Cash and cash equivalents at start of period	54,638	31,009
Effect of exchange rate changes	682	(315)
Cash and cash equivalents at end of period	43,995	19,647

The above Condensed Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes, on pages 13 to 20.

Notes to the Financial Statements

1. General information

The principal activity of Arix Bioscience plc (the “**Company**”) and together with its subsidiaries (the “**Arix Group**” or “**the Group**”) is to invest in and build breakthrough biotech companies around cutting edge advances in life sciences.

The Company is incorporated and domiciled in the United Kingdom. The Company was incorporated on 15 September 2015 as Perceptive Bioscience Investments Limited and changed its name to Arix Bioscience Limited. It subsequently re-registered as a public limited company and changed its name to Arix Bioscience plc. The registered office address is 20 Berkeley Square, London, W1J 6EQ. The registered number is 09777975.

These condensed consolidated interim financial statements were approved for issue on 7 September 2020.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the board of directors on 10 March 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed, not audited.

2. Basis of Preparation

These condensed interim financial statements for the six months ended 30 June 2020 have been prepared on a going concern basis, in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34, ‘Interim financial reporting’, as adopted by the European Union. The going concern assessment includes the impact of COVID-19 on operations and the macroeconomic implications, some of which remain difficult to predict. Having performed the assessment, the directors consider it appropriate to prepare the interim financial statements on a going concern basis as the Group has sufficient liquidity and is well placed to manage business risks for a period of 12 months from the date of issue of the financial statements.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the European Union. The accounting policies adopted in the interim financial statements are consistent with those followed in the annual financial statements for the year ended 31 December 2019.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

3. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements and estimates made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that are set on page 90 of the consolidated financial statements for the year ended 31 December 2019 and no retrospective adjustments were made.

4. Segmental Information

Information for the purposes of resource allocation and assessment of performance is reported to the Arix Group’s Executive Chairman, who is considered to be the chief operating decision maker, based wholly on the overall activities of the Arix Group. It has therefore been determined that the Arix Group has only one reportable segment under IFRS 8 (‘Operating Segments’), which is that of sourcing, financing and developing healthcare and life science businesses globally. The Arix Group’s revenue, results and assets for this one reportable segment can be determined by reference to the Condensed Consolidated Interim Statement of Comprehensive Income and Condensed Consolidated Interim Statement of Financial Position.

Notes to the Financial Statements (continued)

5. Financial Risk Management and Financial Instruments

The Arix Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2019. There have been no changes in the risk management department or in any risk management policies since the year end.

6. Earnings per Share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of Arix Bioscience plc by the weighted average number of unrestricted shares.

Potentially dilutive ordinary shares include options and conditional share awards issued under the Company's long-term incentive plans.

	2020 £'000	2019 £'000
Profit/(loss) attributable to equity holders of Arix Bioscience plc	49,500	(38,834)
Weighted average number of shares in issue	130,471,267	129,418,083
Fully diluted weighted average number of shares	142,931,280	140,864,320
Basic earnings/(loss) per share	£0.38	(£0.30)
Diluted earnings/(loss) per share	£0.35	(£0.30)

7. Revenue

The total revenue for Arix Group has been derived from its principal activity of investing in and building breakthrough biotech companies around cutting edge advances in life sciences. All of this revenue relates to trading undertaken in the United Kingdom.

	2020 £'000	2019 £'000
Fund management fee income	182	248
Other income	10	18
	192	266

Notes to the Financial Statements (continued)**8. Investments**

	Level 1- Quoted Investments £'000	Level 3 - Unquoted Investments £'000	Total £'000
At 31 December 2019	87,844	64,077	151,921
Additions	3,486	8,115	11,601
Disposals	(9,068)	-	(9,068)
Transfers	11,707	(11,707)	-
Realised and unrealised gain on investments	29,667	12,957	42,624
Foreign exchange gains	5,550	3,529	9,079
At 30 June 2020	129,186	76,971	206,157

Transfers from Level 3 to Level 1 reflects companies which have listed during the period. Level 3 investments are valued with reference to milestone analysis (£75.6m) and net asset value (£1.3m).

	Level 1- Quoted Investments £'000	Level 3 - Unquoted Investments £'000	Total £'000
At 31 December 2018	113,683	70,298	183,981
Additions	8,485	20,777	29,262
Disposals	-	(4,254)	(4,254)
Transfers	23,131	(23,131)	-
Unrealised loss on investments	(38,967)	(91)	(39,058)
Foreign exchange gains	624	527	1,151
At 30 June 2019	106,956	64,126	171,082

The Group's valuation policy can be found in page 92 of Group's annual report for the year ended 31 December 2019. The Group's milestone valuation approach cannot be readily sensitised and therefore the Group have not disclosed sensitivity analysis for Level 3 inputs. A 10% movement in the share price of Level 1 inputs would result in a £13m movement in investment portfolio value (December 2019: £8.7m).

As permitted by IAS 28 'Investment in Associates' and in accordance with the Arix Group accounting policy, investments are held at fair value even though the Arix Group may have significant influence over the companies. Significant influence is determined to exist when the Group holds more than 20% of the holding or when less than 20% is held but in combination with a certain level of board representation is deemed to be able to exert significant influence. As at 30 June 2020, the Arix Group is deemed to have significant influence over the following entities:

Notes to the Financial Statements (continued)

Company	Country	Registered Address	Issued Share Capital Held	Net Assets / (Liabilities)	Profit / (Loss)	Date of Financial Information
Depixus SAS (EUR)	France	3-5 Impasse Reille, 75014 Paris	20.7%	€2,431k	€(1,486)k	31 Dec 2018
Quench Bio, Inc.	USA	400 Technology Sq, Cambridge, MA	32.4%	N/A	N/A	Not publicly available
Stipe Therapeutics Aps	Denmark	Lyngsievvej 18, 8230 Abyhoj	14.8%	N/A	N/A	Not publicly available

Notes to the Financial Statements (continued)

8. Investments (continued)

	31 December 2019 Value	Investment in Period	Realisations in Period	Change in Valuation	FX Movement	30 June 2020 Value	Equity Interest	Funding Committed, Not Yet Invested	Equity Interest When Fully Committed
	£m	£m	£m	£m	£m	£m	%	£m	%
Amplix	4.9	-	-	-	0.3	5.2	3.0%	-	3.0%
Artios	15.2	-	-	3.9	-	19.1	12.4%	-	12.4%
Atox Bio	5.0	1.2	-	-	0.4	6.6	6.4%	-	6.4%
Aura	8.3	-	-	-	0.7	9.0	7.7%	1.3	7.9%
Autolus	33.8	-	-	8.0	1.7	43.5	6.5%	-	6.5%
Harpoon	28.9	-	(6.6)	5.3	1.9	29.5	8.8%	-	8.8%
Imara	10.7	4.5	-	18.6	1.0	34.8	9.0%	-	9.0%
LogicBio	16.3	-	-	2.8	1.4	20.5	12.8%	-	12.8%
Quench Bio	6.5	0.9	-	0.9	0.6	8.9	24.6%	3.9	21.7%
STipe Therapeutics	1.9	-	-	-	0.2	2.1	14.8%	3.1	19.8%
VelosBio	5.5	3.5	-	7.9	0.5	17.4	11.3%	-	11.3%
Legacy Assets	12.2	1.5	(2.5)	(4.7)	0.3	6.8	N/A	-	N/A
GROSS PORTFOLIO VALUE	149.2	11.6	(9.1)	42.7	9.0	203.4	-	8.3	-
Other Investments	2.7	-	-	(0.1)	0.1	2.7	N/A	-	N/A
TOTAL INVESTMENTS	151.9	11.6	(9.1)	42.6	9.1	206.2	-	8.3	-

Equity interest presented is the fully diluted percentage for private companies; for public companies, this is based on shares outstanding per each company's most recent public filing

Notes to the Financial Statements (continued)**9. Taxation**

	Half Year to 30 June 2020 (unaudited) £'000	Half Year to 30 June 2019 (unaudited) £'000
Current period tax charge		
Current Tax	-	-
Deferred tax	-	(5,883)
Total tax charge/(credit)	-	(5,883)
Statement of Other Comprehensive Income - tax charge		
Current Tax	-	-
Deferred tax	-	-
Total tax charge	-	-
Reconciliation of tax charge		
Profit/(loss) before tax	48,964	(44,808)
Expected tax based on 19.00%	9,303	(8,514)
Effects of:		
Adjustments in respect of prior years	-	55
Expenses not deductible for tax purposes	16	1,039
Income not taxable	(111)	(1,094)
Investment revaluation	(5,165)	-
Losses	(2,137)	-
Tax rate changes	-	809
Movement in share based payment deferred tax	104	191
Recognition of deferred tax asset previously unrecognised	(2,010)	-
Rolled over gains	-	53
Deferred tax not recognised	-	1,578
Total tax charge/(credit)	-	(5,883)
Recognised deferred tax (assets)/liabilities		
Brought forward	-	5,883
Adjustment in respect of prior periods	-	55
Relating to Profit and Loss	-	(5,938)
Relating to Other Comprehensive Income	-	-
Carried forward	-	-

Notes to the Financial Statements (continued)**10. Share Capital**

	As at 30 June 2020	As at 31 Dec 2019
Allotted and called up		
Ordinary shares of £0.00001 each (#)	135,551,850	135,551,850
Ordinary shares of £0.00001 each (£'000)	1	1
49,671 Series C shares of £1 each (£'000)	50	50

11. Share Options*Executive Share Option Plan*

On 8 February 2016, options were granted pursuant to the Executive Share Option Plan to two directors at an exercise price of £1.80 per ordinary share. The number of ordinary shares subject to the options are the requisite number of ordinary shares as represents 5.43% of the fully diluted ordinary share capital of the Company immediately following the end of the Company's stabilisation period following admission to the London Stock Exchange. Restricted shares with similar terms were awarded to the founders of the Company constituting 5.00% of the issued share capital of the Company after admission. As such, the number of options granted for both management and founders was confirmed on 20 March 2017. All conditions are unchanged from those disclosed in the 31 December 2019 financial statements.

Executive Incentive Plan

On 22 February 2017, nil cost options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vested on 22 February 2019 and may be exercised from this date until 21 February 2027. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

On 26 May 2017, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff, with a vesting date of 26 May 2020, subject to performance conditions. These performance conditions were not met and as such the options have lapsed.

On 17 May 2018, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vest on 17 May 2021, subject to the Company's share value growth over the three-year performance period. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

On 9 May 2019, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vest on 1 January 2022, subject to the Company's share value growth and the Company's net asset value growth over the three-year performance period. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

On 30 June 2020, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vest on 1 January 2023, subject to the Company's share value growth and the Company's net asset value growth over a three-year performance period. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

Share based payments

The fair value of options granted under the Executive Share Option Plan was calculated using the Black-Scholes model. The assumptions used in this calculation are unchanged from those disclosed in the 31 December 2019 financial statements.

The charge associated with the 26 May 2017 options have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (197.5p), expected volatility based on similar quoted companies (44%), risk free interest rate (0.12%) and share option term (three years). The resultant fair value is then spread over the three-year relevant vesting period.

Notes to the Financial Statements (continued)

11. Share Options (continued)

The charge associated with the 17 May 2018 options have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (209.0p), expected volatility based on similar quoted companies (37%), risk free interest rate (0.93%) and share option term (three years). The resultant fair value is then spread over the three-year relevant vesting period.

The charge associated with the 9 May 2019 options relating to share price growth have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (157.5p), expected volatility based on similar quoted companies (40%), risk free interest rate (0.72%) and time to vesting (two years, eight months) rather than the performance period (three years). The resultant fair value is then spread over the vesting period. The options relating to net asset value growth have a fair value based upon the share price at grant date (157.5p) and the expected likelihood of vesting (currently considered to be 50%), spread across the vesting period, with a true-up/down as the expected likelihood of vesting changes.

The charge associated with the 30 June 2020 options relating to share price growth have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (86.5p), expected volatility based on the Company's historic share price changes (24%), risk free interest rate (-0.08%) and time to vesting (two years, six months) rather than the performance period (three years). The resultant fair value is then spread over the vesting period. The options relating to net asset value growth have a fair value based upon the share price at grant date (86.5p) and the expected likelihood of vesting (currently considered to be 50%), spread across the vesting period, with a true-up/down as the expected likelihood of vesting changes

For the six months to 30 June 2020, a share based payment credit of £585k (30 June 2019: charge of £1,411k) has been recognised. The credit for the period reflects the confirmation by the Company's Remuneration Committee of the lapsing of awards made to certain Leavers who were participants in the 2018 and 2019 Executive Incentive Plan Awards.

A charge of £26k was recognised in relation to the management options, granted under the Executive Share Option Plan. A charge of £173k was recognised in relation to the 26 May 2017 award. A credit of £833k was recognised in relation to the 17 May 2018 award. A credit of £519k was recognised in relation to the 9 May 2019 award. A charge of £1k was recognised in relation to the 30 June 2020 award.

12. Related Party Transactions

During the period, Arix Capital Management Limited, a subsidiary of the Company, received fee income totalling £182k (six months to 30 June 2019: £248k) relating to its management of The Wales Life Sciences Investment Fund LP ("WLSIF"), an entity in which ALS SPV Limited, also a subsidiary of the Company, has an interest. At 30 June 2020, Arix Capital Management Limited was owed £515k (30 June 2019: £100k) in respect of these fees.

13. Events After the Reporting Period

On 7 July 2020, a further \$4.0m (£3.2m) was invested in VelosBio Inc. The Group's fully diluted stake in the company now totals 6.8%.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge these consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the consolidated condensed interim set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of Arix Bioscience plc are listed in the company's Annual Report for 31 December 2019. The following changes have been made since the annual report date; Joe Anderson stepped down from the board on 6 April 2020; and Jonathan Peacock and Arthur Pappas stepped down from the board on 4 June 2020.

By order of the Board



Naseem Amin, MD
Executive Chairman
7 September 2020

INDEPENDENT REVIEW REPORT TO ARIX BIOSCIENCE PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprise the Condensed Consolidated Interim Statement of Financial Position, the Condensed Consolidated Interim Statement of Comprehensive Income, the Condensed Consolidated Interim Statement of Cash Flows, the Condensed Consolidated Interim Statement of Changes in Equity, the explanatory notes to the Condensed Interim Financial Statements.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.



BDO LLP
Chartered Accountants
London, United Kingdom
7 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).