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Fusion Antibodies PLC
06 December 2021

Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information for the purposes of Article 7 under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement, this information is now considered to be in the public domain.

6 December 2021

Fusion Antibodies plc
("**Fusion**" **or the "Company**")

Half year Report

Fusion Antibodies plc (AIM: FAB), a Contract Research Organisation ("CRO") specialising in pre-clinical antibody discovery, engineering and supply for both therapeutic drug and diagnostic applications, announces its unaudited interim results for the six months ended 30 September 2021 ("H1 FY2022").

Operational highlights

- Major new RAMP^{TM} platform contract win with minimum contract value of US$1.83m over next two years
- Collaboration with Eurofins Discovery for Fusion to supply antibody development services
- R&D projects progressing well with continued investment of resources

Financial highlights

- Revenues of £2.4 million, including one-off milestone of £150k (H1 FY2021: £1.9 million)
- 20% underlying growth in revenues over H1 FY2021
- Loss of £0.6 million (H1 FY2021: £0.5 million loss)
- Cash position at 30 September 2021 was £2.0 million (31 March 2021: £2.7 million)

Commenting on the interim results, Richard Jones, CEO of Fusion Antibodies plc, said: "*We are delighted to report a strong all-round performance for the first half of the year with good revenue growth, major new contracts, collaboration agreements and increased investment into our research programmes. Throughout the period there have been continued challenges associated with the global pandemic and I would like to thank our staff for continuing to meet and overcome these as they arise, in support of the Company and colleagues.*"

Investor briefing

As a reminder, Fusion will host an online live presentation open to all investors this Thursday, 9 December 2021 at 11.00am, delivered by Dr Richard Jones, CEO and James Fair, CFO via the Investor Meet Company platform. The Company is committed to providing an opportunity for all existing and potential investors to hear directly from management on its results whilst additionally providing an update on the business and current trading.

Investors can sign up to Investor Meet Company for free and add to meet Fusion Antibodies plc via the following link: https://www.investormeetcompany.com/fusion-antibodies-plc/register-investor

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About Fusion Antibodies plc

Fusion is a Belfast-based Collaborative Research Organisation ("CRO") company, listed on AIM, providing a range of antibody engineering services for the development of antibodies for both therapeutic drug and diagnostic applications.

Fusion provides a broad range of services in antibody generation, development, characterisation, optimisation, and small-scale production. These services include antigen expression, purification and sequencing, antibody humanisation using Fusion's proprietary CDRx^{TM} platform and cell line development, producing antibody generating stable cell lines optimised for use downstream by the customer to produce material for clinical trials. Since 2012, the Company has successfully sequenced and expressed over 250 antibodies and successfully completed over 200 humanisation projects for its international customer base, which has included eight of the top 10 global pharmaceutical companies by revenue.

At every stage, our client's vision is central to how we work in combining the latest technological advances with cutting edge science. In this work our world-class humanization and antibody optimization platforms harness the power of natural somatic hypermutation (SHM) to ensure the best molecule goes to the clinic. Fusion

Antibodies' growth strategy is based on enabling Pharma and Biotech companies get to the clinic more effectively, using molecules with optimized therapeutic profile and enhanced potential for successful development and approval and, ultimately, on speeding up the drug discovery and development process. Fusion's use of SHM to create a fully human antibody library to capture the human antibody repertoire will address a continuing market need in antibody discovery,

Fusion Antibodies' emphasis on antibody therapeutics is based on the size and growth rate in the sector, with the market valued at $135.4 billion in 2018 and forecast to surpass $300 billion by 2025, a CAGR of 14.26%. As of May 2021, there were 100 approved antibody therapies on the market and more than 570 antibody therapies in clinical development.

Operational Review

The Board is pleased to report that the six-month period ending 30 September 2021 has seen good operational progress with two major new commercial collaborations and increased investment in our R&D programmes. The global pandemic has continued to present operational challenges, not least of which has been to ensure the safety of our staff on and off the premises while we continued to operate throughout the period.

The absence of international travel during H1 FY2022 has continued to change the way we and our clients do business as conferences are attended virtually and client visits to the Fusion laboratories have not been possible. In light of these circumstances, the Directors are pleased with the strong revenue growth in H1 FY2022 compared with H1 FY2021 and are delighted with the exciting new collaborations recently entered into with Eurofins Discovery, an established global CRO provider of testing and laboratory services, for the supply of our services to its customers, and with a US based biotechnology company for a research and development project using RAMP^{TM}. We believe that both of these collaborations demonstrate that Fusion is seen as having sector-leading technology and skills and we hope to build on these successes. As international travel restrictions ease, our representatives plan to attend conferences and hold meetings in person from now onwards.

As well as underlying revenues of £2.3 million, the Company also secured the receipt of a £150,000 success milestone arising from a humanised antibody project carried out in 2018 for a client which subsequently developed and commercialised the drug by way of transfer of rights for value to a third party. This is the first such receipt by the Company and, although the Directors do not expect further milestone receipts in the near term, there are a further five contracts in place with potential milestones of up to £1.4 million in aggregate.

In order to maintain our sector-leading expertise and expand our range of services, the Company continues to invest resources into research and development ("R&D") programmes and pipeline to enable the development of new services and technology platforms which will become key future growth drivers for the business. The next service in the Company's R&D pipeline is the Mammalian Antibody Library Discovery Platform ("the Library"), branded OptiMAL^{TM}. The Library will provide an important new offering to the antibody discovery service; the Directors believe it will represent a technologically advanced solution when compared to traditional discovery methods and to other library offerings already available in the market. We are also investing in further optimisation of the RAMP^{TM} platform and our B-cell cloning capabilities.

Development of the Library programme continued throughout the period with two project areas: a SARS-CoV-2 strand which has been evolving as new variants of concern have arisen; and, secondly, several known oncology targets. These projects form the ongoing development work to demonstrate the full process required to create a final library and the ability to select human antibodies specific to a therapeutic target. We are pleased to report that several preliminary libraries have been created with work ongoing to optimise the Library's genetic content. The development of screening protocols is progressing with the current challenge being the structure, modification and quality of the target antigen at the required sensitivity. To meet this challenge, the Company's in-house antibody engineering expertise has been harnessed to design fluorescent antigens that will increase the efficiency of selection and these are currently being tested. This antigen approach will be used to test the Library against the new Omicron variant. It is intended that, once introduced, the Library will complement and be offered alongside the Company's existing discovery services and provide our clients with a method of speeding up their drug discovery programme.

Financial Review

Revenues for the six-month period ending 30 September 2021 were £2.44 million (H1 FY2021: £1.90 million). Included in the H1 FY2022 revenues was the one-off £150,000 milestone, as mentioned above. The underlying revenues of £2.3 million represent a 20% increase over H1 FY2021.

The 46% gross profit percentage on underlying revenues was similar to that in the prior period (H1 FY2021: 46%).

R&D expenditure in H1 FY2022 was £424,000, an increase of more than 50% over the comparable period in FY2021, reflecting the investment, in particular, in the Library project.

SG&A expenditure of £1.5 million was £0.3 million higher than in H1 FY2021 due in part to professional fees incurred in relation to the two major collaboration agreements and increased depreciation costs.

Operating loss for the period resulting from the above was £0.65 million (H1 FY2021: £0.56 million loss), or £0.8 million excluding the one-off milestone.

Cash used in operations was £0.5 million compared with £0.7 million used in H1 FY2021. The H1 FY2022 operational outflow includes the £0.4 million investment in research & development as well as £0.2 million increased working capital to support the growth in H1 FY2021. The Company has increased holding levels of consumable stocks to mitigate against current supply chain risks caused by both the pandemic and Brexit. After investing £0.2 million in plant and equipment, the total outflow was £0.7 million and the closing cash balance at 30 September 2021 was £2.0 million.

Key Performance Indicators

The key performance indicators (KPIs) regularly reviewed by the board are:

KPI	**H1 2022**	H1 2021
Underlying revenue growth	**20%**	9%
EBITDA*	**(£0.275m)**	(£0.218m)
Cash used in operations	**(£0.505m)**	(£0.727m)

* Earnings before interest, tax, depreciation and amortisation

The investment in R&D and the impact on EBITDA is set out in Note 13 to these statements. EBITDA for the period was a loss of £275,000 (H1 FY2021: £218,000 loss) and adjusting for research and development expenditure shows a positive EBITDA from the revenue generating client services of the Company: EBITDA excluding R&D was £149,000 for the period (H1 FY2021: £53,000).

Outlook

The Directors have been encouraged by the positive first half of FY2022 and in particular the two major contracts which were secured which, taken together with the remaining pipeline of projects with other customers, give the Board confidence that revenues for the full year will be in line with current expectations. However, the pandemic and the status of the Brexit negotiations, particularly as they relate to Northern Ireland, continue to provide significant uncertainties.

Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules of the of the United Kingdom's Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and gives a true and fair view of the assets, liabilities, financial positions and profit for the period of the Company; and

- The interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being a disclosure of related party transactions and changes therein since the previous annual report.

By order of the Board

Dr Simon Douglas
Non-executive Chairman

6 December 2021

Condensed Statement of Comprehensive Income

For the six months ended 30 September 2021

	Notes	**6 months to 30.09.21 Unaudited £'000**	6 months to 30.09.20 Unaudited £'000	Year to 31.03.21 Audited £'000
Revenue		**2,441**	1,905	4,165
Cost of sales		**(1,240)**	(1,032)	(2,141)
Gross profit		**1,201**	873	2,024
Other operating income	10	**46**	43	194
Administrative expenses	3	**(1,896)**	(1,479)	(3,467)
Operating loss		**(649)**	(563)	(1,249)
Finance income	4	**1**	1	3
Finance costs	4	**(3)**	(10)	(18)
Loss before tax		**(651)**	(572)	(1,264)
Income tax credit/(charge)	5	**67**	101	(1,635)
Loss for the period		**(584)**	(471)	(2,899)
Total comprehensive expense for the period		**(584)**	(471)	(2,899)

		Pence	Pence	Pence
Basic loss per share	6	**(2.3)**	(1.9)	(11.4)

Condensed Statement of Financial Position

As at 30 September 2021

	Notes	**As at 30.09.21 Unaudited £'000**	As at 30.09.20 Unaudited £'000	As at 31.03.21 Audited £'000
Assets				
Non-current assets				
Intangible assets		**1**	3	2
Property, plant and equipment	7	**941**	1,401	1,123
Deferred tax assets		**-**	2,045	-
		942	3,449	1,125
Current assets				
Inventories		**562**	373	480
Trade and other receivables		**1,715**	1,171	1,440
Current tax receivable		**166**	69	99
Cash and cash equivalents		**1,987**	3,243	2,686
		4,430	4,856	4,705
Total assets		**5,372**	8,305	5,830
Liabilities				
Current liabilities				
Trade and other payables		**954**	607	833
Borrowings	8	**128**	161	163
		1,082	768	996
Net current assets		**3,348**	4,088	3,709
Non-current liabilities				
Borrowings	8	**24**	148	67
Provisions for other liabilities and charges		**20**	20	20
Total liabilities		**1,126**	936	1,083
Net assets		**4,246**	7,369	4,747

Equity				
Called up share capital	12	**1,037**	1,017	1,024
Share premium reserve		**7,611**	7,535	7,547
(Accumulated losses)/retained earnings		**(4402)**	(1,183)	(3,824)
Equity		**4,246**	7,369	4,747

Condensed Statement of Changes in Equity

For the six months ended 30 September 2021

6 months ended 30 September 2021 Unaudited	**Called up share capital £'000**	**Share premium reserve £'000**	**Accumulated losses £'000**	**Equity £'000**
At 1 April 2021	**1,024**	**7,547**	**(3,824)**	**4,747**
Loss for the period	**-**	**-**	**(584)**	**(584)**
Issue of share capital	**13**	**64**	**-**	**77**
Share options - value of employee services	**-**	**-**	**6**	**6**
Total transactions with owners, recognised directly in equity	**13**	**64**	**6**	**83**
At 30 September 2021	**1,037**	**7,611**	**(4,402)**	**4,246**

6 months ended 30 September 2020 Unaudited	Called up share capital £'000	Share premium reserve £'000	Retained earnings £'000	Equity £'000
At 1 April 2020	884	4,872	(944)	4,812
Loss for the period	-	-	(471)	(471)
Issue of share capital	133	2,867	-	3,000
Cost of issuing share capital	-	(204)	-	(204)
Share options - value of employee services	-	-	21	21
Tax credit relating to share option scheme	-	-	211	211
Total transactions with owners, recognised directly in equity	133	2,663	232	3,028
At 30 September 2020	1,017	7,535	(1,183)	7,369

Year ended 30 March 2021 Audited	Called up share capital	Share premium reserve	(Accumulated losses)/ Retained earnings	Equity

	£'000	£'000	£'000	£'000
At 1 April 2020	884	4,872	(944)	4,812
Loss for the year	-	-	(2,899)	(2,899)
Issue of share capital	140	2,879	-	3,019
Cost of issuing share capital	-	(204)	-	(204)
Share options - value of employee services	-	-	19	19
Total transactions with owners, recognised directly in equity	140	2,675	19	2,834
At 31 March 2021	1,024	7,547	(3,824)	4,747

Statement of Cash Flows

For the six months ended 30 September 2021

	6 months to 30.09.21 Unaudited £'000	6 months to 30.09.20 Unaudited £'000	Year to 31.03.21 Audited £'000
Cash flows from operating activities			
Loss for the period	**(584)**	(471)	(2,899)
Adjustments for:			
Share based payment expense	**7**	21	19
Depreciation	**373**	344	712
Amortisation of intangible assets	**1**	1	2
Finance income	**(1)**	(1)	(3)
Finance costs	**3**	10	18
Income tax (credit)/charge	**(67)**	(101)	1,635
(Increase) in inventories	**(82)**	(33)	(140)
(Increase)/decrease in trade and other receivables	**(275)**	(276)	(553)
(Decrease)/increase in trade and other payables	**120**	(221)	5
Cash used in operations	**(505)**	(727)	(1,204)
Income tax received	**-**	-	68
Net cash used in operating activities	**(505)**	(727)	(1,136)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(191)**	(275)	(365)
Finance income - interest received	**1**	1	3
Net cash used in investing activities	**(190)**	(274)	(362)
Cash flows from financing activities			
Proceeds from issue of share capital	77	2,796	2,815
Proceeds from new borrowings	-	-	14

Repayments of borrowings	**(78)**	(85)	(164)
Finance costs - interest paid	**(3)**	(4)	(18)
Net cash generated (used in)/generated from financing activities	**(4)**	2,707	2,647
Net (decrease)/increase in cash and cash equivalents	**(699)**	1,706	1,149
Cash and cash equivalents at the beginning of the period	**2,686**	1,537	1,537
Cash and cash equivalents at the end of the period	**1,987**	3,243	2,686

Notes to the Interim Results

For the six months ended 30 September 2021

1 Basis of Preparation

The condensed financial statements comprise the unaudited results for the six months to 30 September 2021 and 30 September 2020 and the audited results for the year ended 31 March 2021. The financial information for the year ended 31 March 2021 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2021 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2021 was unmodified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The condensed financial statements for the period ended 30 September 2021 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' in conformity with the Companies Act 2006. The information in these condensed financial statements does not include all the information and disclosures made in the annual financial statements.

Going concern

At 30 September 2021 the Company had a cash balance of £1.99 million. The Directors have reviewed detailed projections for the Company. These projections are based on estimates of future performance and have been adjusted to reflect various scenarios and outcomes that could potentially impact the forecast outturn. Based on these estimates, the Directors have

a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the reporting date. Accordingly, they have prepared these condensed financial statements on the going concern basis.

Accounting policies

The condensed financial statements have been prepared in a manner consistent with the accounting policies set out in the financial statements for the year ended 31 March 2021 and on the basis of the International Financial Reporting Standards (IFRS) in conformity with the Companies Act 2006 that the Company expects to be applicable at 31 March 2021. IFRS are subject to amendment and interpretation by the International Accounting Standards Board (IASB).

2 Segmental information

For all the financial periods included in these condensed financial statements, all the revenues and costs relate to the single operating segment of research, development and manufacture of recombinant proteins and antibodies.

3 Administrative expenses

	6 months to 30.09.21 Unaudited £'000	6 months to 30.09.20 Unaudited £'000	Year to 31.03.21 Audited £'000
Research & development	**424**	271	613
Selling, general and administration	**1,472**	1,208	2,854
	1,896	1,479	3,467

4 Finance income and costs

Income	**6 months to 30.09.21 Unaudited £'000**	6 months to 30.09.20 Unaudited £'000	Year to 31.03.21 Audited £'000
Bank interest receivable	**1**	1	3

Cost	**6 months to 30.09.21 Unaudited £'000**	6 months to 30.09.20 Unaudited £'000	Year to 31.03.21 Audited £'000

Interest expense on other borrowings	**3**	10	18

5 Income tax (credit)/charge

	6 months to 30.09.21 Unaudited £'000	6 months to 30.09.20 Unaudited £'000	Year to 31.03.21 Audited £'000
Current tax	**(67)**	(31)	(129)
Deferred tax	**-**	(70)	1,764
Total tax (credit)/charge	**(67)**	(101)	1,635

6 Earnings per share

The calculation of earnings per share is based on loss after tax from continuing operations for six months to 30 September 2021 of £584,000 (6 months to 30 September 2020: £471,000 loss, year to 31 March 2021: £2,899,000 loss).

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

	6 months to 30.09.21 Unaudited Number	6 months to 30.09.20 Unaudited Number	Year to 31.03.21 Audited Number
Issued ordinary shares at the end of the period	**25,918,280**	25,437,025	25,610,359
Weighted average number of shares in issue during the period	**25,821,959**	24,875,220	25,458,761

Basic earnings per share is calculated by dividing the basic earnings for the period by the weighted average number of shares in issue during the period.

7 Property, plant and equipment

	Right of use assets £'000	Leasehold property £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost					
At 1 April 2021	240	784	2,181	247	3,452
Additions	-	-	152	39	191
Disposals	-	-	-	-	-

At 30 September 2021	240	784	2,333	286	3,643
Accumulated depreciation					
At 1 April 2021	139	583	1,446	161	2,329
Disposals	-	-	-	-	-
Depreciation charged in the period	34	88	222	29	373
At 30 September 2021	173	671	1,668	190	2,702
Net book value					
At 30 September 2021	**67**	**113**	**665**	**96**	**941**
At 31 March 2021	101	201	735	86	1,123

8 Borrowings

	At 30 September 2021 £'000	At 30 September 2020 £'000	At 31 March 2021 £'000
At 1 April	**230**	380	380
Additions in period	**-**	14	14
Interest	**3**	10	18
Repayments	**(81)**	(95)	(182)
At period end	**152**	309	230
Amounts due in less than 1 year	**128**	161	163
Amounts due after more than 1 year	**24**	148	67
	152	309	230

Borrowings are secured by a fixed and floating charge over the whole undertaking of the Company, its property, assets and rights in favour of Northern Bank Ltd trading as Danske Bank.

9 Retirement benefits obligations

The Company operates a defined contribution scheme, the assets of which are managed separately from the Company.

10 Transactions with related parties

The Company had the following transactions with related parties during the period:

Invest Northern Ireland is a shareholder in the Company. The Company leases its premises from Invest Northern Ireland and received invoices for rent and estate services amounting to £41,000 (6 months ended 30 September 2020: £40,000, year ended 31 March 2021: £78,000). A balance of £nil (30 September 2020: £nil, 31 March 2021: £nil) was due and payable to Invest NI at the reporting date. The Company received

various grants during the period from Invest NI amounting to £21,000 (6 months ended 30 September 2020: £43,000, year ended 31 March 2021 £194,000).

The total amount of other operating income for the period was £46,000, comprising £21,000 of grants received from Invest Northern Ireland and £25,000 of Covid-19 support from the Department of Finance.

11 Events after the reporting date

There have been no events from the reporting date to the date of approval which need to be reported.

12 Share capital

During the period the Company issued 307,921 Ordinary Shares of 4 pence each for proceeds of £77,000 before related expenses.

13 Reconciliation of loss to EBITDA and EBITDA excluding R&D expenditure

	6 months to 30.09.21 Unaudited £'000	6 months to 30.09.20 Unaudited £'000	Year to 31.03.21 Audited £'000
Loss before tax	**(651)**	(572)	(1,264)
Finance income/expense	**2**	9	15
Operating loss	**(649)**	(563)	(1,249)
Depreciation and amortisation	**374**	345	714
EBITDA	**(275)**	(218)	(535)
Expenditure on research and development	**424**	271	613
EBITDA excluding research and development	**149**	53	78

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