



Ark Therapeutics Group plc

Interim Results for the First Half of 2010

London, UK, 25 August 2010 – Ark Therapeutics Group plc today announces its interim results for the six months ended 30 June 2010.

INTERIM MANAGEMENT REPORT

Chairman and Chief Executive's Review

The first half of 2010 has been a period of great uncertainty for all stakeholders of Ark following the European Medicines Agency's ("EMA") recommendation that a further clinical trial was needed before Cerepro® could be approved and the subsequent initiation of a far-reaching strategic review. The results of this review were announced on 5 May 2010, with the Board concluding that shareholders' interests were best served by a change of strategy to one of selective partnering of programmes together with a plan to monetise certain of the Company's assets.

On 13 July 2010 the Company provided a detailed announcement on progress including an update on the Company's key programmes, intellectual property and changes to the Board. Also, as stated at that time, negotiations are continuing with a number of companies regarding the potential sale of the Company's woundcare subsidiary, as well as for a more formal collaboration partnership in respect of the manufacturing operations in Finland. As part of the July update, the Company announced that Iain Ross had been appointed as a consultant to the Company and since that time he has been working with Martyn Williams, CEO and the Board on identifying and implementing the strategic initiatives required to restore shareholder value. Mr Ross has presented his findings and recommendations to the Board and the Company confirms that the outcome of this review as finally agreed by the Board will be announced on 9 September 2010.

End of Offer Period

The Company also confirms that it is no longer in discussions regarding a potential offer for the Company. A number of discussions have been formally terminated in the last week and there has been no further dialogue with other parties whose approaches were deemed not to reflect the value of the Company's assets or were unable to make an indicative proposal. Therefore, the Company no longer remains in an offer period. As a result the Company is no longer required to hold a general meeting for the purposes of approving Iain Ross' appointment to the Board. As such, it is proposed that the general meeting scheduled for 6 September 2010 be adjourned sine die. The appointment of Mr Ross as a Non-Executive Director will be confirmed following the 9 September 2010 update, subject to re-appointment at next year's Annual General Meeting in accordance with the Company's articles.

Financial Review

Revenues of £1.373m were recorded in the six months ended 30 June 2010 (six months ended 30 June 2009: £0.665m). Sales in the UK of woundcare products were £0.967m (six months ended 30 June 2009: £0.665m), the increase of 45% in the period reflecting the strong growth in KerraMax® sales following the launch in the second half of 2008 and the growth in Kerraped® and Flaminal® sales. Contract manufacturing revenue in the period totalled £0.406m (six months ended 30 June 2009: £nil).

Expenditure on research and development for the period totalled £6.1m (six months ended 30 June 2009: £8.0m), the decrease in the period is principally due to lower expenditure on Trinam® drug and collar manufacture for the clinical study, Trinam® licensing and Vitor™. In addition, the restructuring measures introduced at the beginning of the period resulted in lower headcount and operational support expenditure. These reductions in expenditure were offset in part by increased depreciation in the period following the commissioning of our biologics manufacturing facility in April 2009.

Selling, marketing and distribution costs for the period which relate principally to the woundcare products were £0.9m (six months ended 30 June 2009: £0.8m).

Other administrative expenses for the period totalled £2.9m (six months ended 30 June 2009: £2.8m). One-off costs associated with termination of employment in the period were largely offset by the costs savings as a result of the restructuring measures in the period.

Share-based compensation charges for the period were £0.1m (six months ended 30 June 2009: £0.4m). The large decrease in the charge arose from a reassessment of the probability of certain performance criteria being achieved on outstanding options, LTIPs and shares held in the Family Benefit Trust and it also reflects a reduction in headcount.

In the six months ended 30 June 2010, the Group earned interest of £0.1m on its cash deposits (six months ended 30 June 2009: £0.5m), the decrease reflecting lower interest rates and cash balances.

Other income for the period totalled £0.2m (six months ended 30 June 2009: £0.1m). Other expenses totalled £1.1m (six months ended 30 June 2009: £2.3m) and comprised exchange differences on translation of inter-company loans, fair value adjustments on Euro and US denominated cash balances. The exchange differences amounted to £0.8m and fair value adjustments totalled £0.2m for the six months ended 30 June 2010, reflecting the strengthening of Sterling over the same period (six months ended 30 June 2009: unrealised exchange gains amounted to £1.6m and fair value adjustments on Euro and US denominated cash balances of £0.6m).

Total net assets (defined as total assets less total liabilities) have decreased from £42.7m at 30 June 2009 to £26.1m at 30 June 2010, principally due to the decrease in cash and cash equivalents and money market investments (£14.1m at 30 June 2010 versus £28.6m at 30 June 2009). Property, plant and equipment at 30 June 2010 totalled £9.9m (30 June 2009: £12.5m).

Net cash outflow from operating activities for the period was £7.4m (six months ended 30 June 2009: £12.0m).

Risks and Uncertainties

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The risks which were identified and outlined in the Annual Report and Accounts 2009 in the Directors' Report on page 24, which does not form part of this interim statement, and which include clinical and regulatory risk, competition and intellectual property risk, and economic, financial and counterparty risk, have not changed and therefore remain relevant for the remaining six months of 2010.

Andrew Christie, Chairman

Martyn Williams, Chief Executive Officer

25 August 2010

Condensed consolidated income statement
For the six months ended 30 June 2010 (unaudited)

| | Note | Six months ended 30 June 2010 £'000 | Six months ended 30 June 2009 £'000 | Year ended 31 December 2009 £'000 |
|---|------|---|---|---|
| Revenue | 3 | 1,373 | 665 | 2,964 |
| Cost of sales | | (639) | (361) | (1,042) |
| Gross profit | | 734 | 304 | 1,922 |
| Research and development expenses | | (6,074) | (7,951) | (15,562) |
| Selling, marketing and distribution costs | | (925) | (844) | (1,718) |
| Other administrative expenses | | (2,919) | (2,787) | (5,256) |
| Share-based compensation | | (85) | (422) | (437) |
| Administrative expenses | | (3,004) | (3,209) | (5,693) |
| Other income | | 162 | 90 | 550 |
| Other expenses | | (1,069) | (2,292) | (1,262) |
| Operating loss | | (10,176) | (13,902) | (21,763) |
| Investment income | | 84 | 490 | 641 |
| Finance costs | | (12) | (17) | (31) |
| Loss on ordinary activities before taxation | | (10,104) | (13,429) | (21,153) |
| Taxation | | 670 | 788 | 1,287 |
| Loss on ordinary activities after taxation, being retained loss for the period | | (9,434) | (12,641) | (19,866) |
| Loss per share (basic and diluted) | 4 | 5 pence | 6 pence | 10 pence |

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2010 (unaudited)

| | Six months ended 30 June 2010 £'000 | Six months ended 30 June 2009 £'000 | Year ended 31 December 2009 £'000 |
|--|---|---|---|
| Loss on ordinary activities after taxation, being retained loss for the period | (9,434) | (12,641) | (19,866) |
| Exchange differences on translating foreign operations recognised directly in equity | (91) | (136) | (124) |
| Total comprehensive income for the period | (9,525) | (12,777) | (19,990) |

All results relate wholly to continuing activities. All results are attributable to equity holders of the parent.

**Condensed consolidated balance sheet
As at 30 June 2010 (unaudited)**

| | 30 June 2010 £'000 | 30 June 2009 £'000 | 31 December 2009 £'000 |
|--------------------------------------|-----------------------------------|--------------------------|------------------------------|
| Non-current assets | | | |
| Goodwill | 2,411 | 2,455 | 2,522 |
| Other intangible assets | 747 | 1,166 | 992 |
| Property, plant and equipment | 9,865 | 12,495 | 12,115 |
| | 13,023 | 16,116 | 15,629 |
| Current assets | | | |
| Inventories | 480 | 488 | 429 |
| Derivative financial instruments | - | 181 | - |
| Trade and other receivables | 1,470 | 1,270 | 2,678 |
| Research and development tax credits | 1,972 | 2,513 | 1,302 |
| Current tax receivable | - | 19 | 17 |
| Money market investments | 9,544 | 24,637 | 14,590 |
| Cash and cash equivalents | 4,543 | 4,009 | 6,866 |
| | 18,009 | 33,117 | 25,882 |
| TOTAL ASSETS | 31,032 | 49,233 | 41,511 |
| Non-current liabilities | | | |
| Deferred income | 1,309 | 1,663 | 1,437 |
| Obligations under finance leases | 43 | 51 | 48 |
| Loans | 524 | 493 | 630 |
| | 1,876 | 2,207 | 2,115 |
| Current liabilities | | | |
| Trade and other payables | 2,824 | 4,001 | 3,320 |
| Current tax payable | 6 | - | - |
| Deferred income | 152 | 202 | 440 |
| Obligations under finance leases | 20 | 29 | 36 |
| Loans | 49 | 51 | 54 |
| | 3,051 | 4,283 | 3,850 |
| TOTAL LIABILITIES | 4,927 | 6,490 | 5,965 |
| Equity | | | |
| Share capital | 2,090 | 2,071 | 2,071 |
| Share premium | 118,874 | 118,630 | 118,630 |
| Merger reserve | 38,510 | 38,510 | 38,510 |
| Foreign currency translation reserve | 139 | 194 | 221 |
| Share-based compensation | 4,498 | 4,422 | 4,422 |
| Reserve for own shares | (2,287) | (2,024) | (2,023) |
| Retained loss | (135,719) | (119,060) | (126,285) |
| TOTAL EQUITY | 26,105 | 42,743 | 35,546 |
| TOTAL LIABILITIES AND EQUITY | 31,032 | 49,233 | 41,511 |

**Condensed consolidated statement of changes in equity
For the six months ended 30 June 2010 (unaudited)**

| | Share capital | Share premium | Merger reserve | Foreign currency translation reserve | Share-based compensation | Reserve for own shares | Retained loss | Total |
|--|---------------|---------------|----------------|--------------------------------------|--------------------------|------------------------|---------------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 31 December 2008 | 2,052 | 117,899 | 38,510 | 313 | 4,017 | (1,274) | (106,419) | 55,098 |
| Total comprehensive income for the period | - | - | - | (119) | (17) | - | (12,641) | (12,777) |
| Share-based compensation | - | - | - | - | 422 | - | - | 422 |
| Issue of share capital | 18 | 732 | - | - | - | - | - | 750 |
| Share issue expenses | - | - | - | - | - | - | - | - |
| Equity share options issued | 1 | (1) | - | - | - | - | - | - |
| Purchase of own shares by Family Benefit Trust | - | - | - | - | - | (750) | - | (750) |
| Balance as at 30 June 2009 | 2,071 | 118,630 | 38,510 | 194 | 4,422 | (2,024) | (119,060) | 42,743 |
| Total comprehensive income for the period | - | - | - | 27 | - | - | (7,225) | (7,198) |
| Share-based compensation | - | - | - | - | - | - | - | - |
| Issue of share capital | - | - | - | - | - | - | - | - |
| Share issue expenses | - | - | - | - | - | - | - | - |
| Equity share options issued | - | - | - | - | - | - | - | - |
| Purchase of own shares by Family Benefit Trust | - | - | - | - | - | 1 | - | 1 |
| Balance as at 31 December 2009 | 2,071 | 118,630 | 38,510 | 221 | 4,422 | (2,023) | (126,285) | 35,546 |
| Total comprehensive income for the period | - | - | - | (82) | (9) | - | (9,434) | (9,525) |
| Share-based compensation | - | - | - | - | 85 | - | - | 85 |
| Issue of share capital | 19 | 244 | - | - | - | - | - | 263 |
| Share issue expenses | - | - | - | - | - | - | - | - |
| Equity share options issued | - | - | - | - | - | - | - | - |
| Purchase of own shares by Family Benefit Trust | - | - | - | - | - | (264) | - | (264) |
| Balance as at 30 June 2010 | 2,090 | 118,874 | 38,510 | 139 | 4,498 | (2,287) | (135,719) | 26,105 |

Condensed consolidated cash flow statement
For the six months ended 30 June 2010 (unaudited)

| | Six months ended 30 June 2010 £'000 | Six months ended 30 June 2009 £'000 | Year ended 31 December 2009 £'000 |
|---|--|---|---|
| Operating loss | (10,176) | (13,902) | (21,763) |
| Adjustment for non-cash items | | | |
| Depreciation and amortisation | 1,387 | 1,350 | 3,060 |
| Fair value gain on cash flow hedge | - | 429 | 610 |
| Share-based compensation | 85 | 422 | 437 |
| Government grants and other deferred income | (267) | (78) | (550) |
| Unrealised exchange losses | 853 | 1,586 | 1,033 |
| Changes in working capital | | | |
| Decrease/(increase) in receivables | 1,187 | (29) | (1,500) |
| (Increase)/decrease in inventories | (51) | (9) | 50 |
| Decrease in payables | (487) | (1,783) | (2,582) |
| Net cash used in operations | (7,469) | (12,014) | (21,205) |
| Research and development tax credit received | - | - | 1,725 |
| Income taxes received | 23 | 13 | 2 |
| Net cash used in operating activities | (7,446) | (12,001) | (19,478) |
| Investing activities | | | |
| Interest received | 105 | 1,322 | 1,561 |
| Net maturities of money market investments | 5,046 | 8,872 | 18,919 |
| Purchases of property, plant and equipment | (60) | (1,290) | (1,364) |
| Purchases of intangible assets | - | - | (213) |
| Net cash generated from investing activities | 5,091 | 8,904 | 18,903 |
| Financing activities | | | |
| Proceeds from borrowings | - | 40 | 151 |
| Repayments of borrowings | (70) | (66) | (69) |
| Proceeds on issue of shares | - | - | 1 |
| Finance costs | (13) | (13) | (20) |
| Grants received | - | 10 | 214 |
| Net cash (used in)/generated from financing activities | (83) | (29) | 277 |
| Net decrease in cash and cash equivalents | (2,438) | (3,126) | (298) |
| Cash and cash equivalents at beginning of period | 6,866 | 7,137 | 7,137 |
| Effect of exchange rate changes | 115 | (2) | 27 |
| Cash and cash equivalents at end of period | 4,543 | 4,009 | 6,866 |

Notes to the financial information

1 General information

This interim financial information was authorised for issue on 25 August 2010. The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2009 has been delivered to the Registrar of Companies. The Auditors' report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

A copy of the interim results for the six months ended 30 June 2010 can be found on the Company's website at www.arktherapeutics.com.

2 Basis of preparation

The annual financial statements of Ark Therapeutics Group plc 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 report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

In determining the appropriate basis of preparation of the interim statement, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the interim statement.

As at 30 June 2010, the Group had net assets of £26.1m including cash and money market investments of £14.1m .

In March 2010 the Group withdrew the Marketing Application Authorisation for Cerepro®. Following this decision, management has implemented a strategic review and a restructuring plan in order to reduce the cost base of the Group and to monetise certain assets.

Management prepares detailed cash flow forecasts which are reviewed by the Board on a regular basis. The forecasts include assumptions regarding future income and expenditure together with various scenarios which reflect opportunities, risks and appropriate mitigating actions. These scenarios recognise the current regulatory and commercial status of the Group's product portfolio, and the outcome of the strategic review and restructuring, considering the various options available to the Group at present and resulting actions, taking into account existing cash resources. Whilst there are inherent uncertainties regarding the cash flows associated with product development and commercialisation, the Directors are satisfied that there is sufficient discretion and control as to the timing and quantum of cash outflows to ensure that the Group is able to meet its liabilities as they fall due for the foreseeable future.

Therefore, having made relevant enquiries, including consideration of the Group's current cash resources and the cash flow forecasts, the Board has a reasonable expectation that, at the time of approving the interim statement, the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the interim statement.

The longer term sustainability of the Group will be dependent upon generating cash flows from successful development and commercialisation of the Group's product portfolio and manufacturing assets. Until the point of sustainability is reached, the Group will continue to focus on the stated plan to monetise Group assets to raise additional capital including generating cash through a potential sale of its woundcare subsidiary, further manufacturing contracts, licensing deals and collaboration arrangements.

The same accounting policies, presentation and methods of computation have been followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements for the year ended 31 December 2009. Seasonal changes to the Group's operations are not material.

3 Business and geographical segments

In accordance with IFRS 8, the Group is required to define its operating segments based on, inter alia, the internal reports presented to its chief operating decision maker in order to allocate resources and assess performance. These reports focus on the Group's only business activity, being the discovery, development and commercialisation of products in areas of specialist medicine, with particular focus on vascular disease and cancer, and therefore no segmental information has been shown.

The principal sources of revenue for the Group are as follows:

| | Six months ended 30 June 2010 £'000 | Six months ended 30 June 2009 £'000 | Year ended 31 December 2009 £'000 |
|---|--|---|--|
| UK | | | |
| Sales of woundcare products | 967 | 665 | 1,576 |
| Rest of Europe | | | |
| Revenue from out-licensing deals (Boehringer Ingelheim) | - | - | 1,167 |
| Contract Manufacturing | 406 | - | 186 |
| Other | - | - | 35 |
| Total Revenues | 1,373 | 665 | 2,964 |

Revenue from a single customer within contract manufacturing totalled £338,000 in the six months ended 30 June 2010.

An analysis of the Group's geographical non-current assets is shown below:

| | 30 June 2010 £'000 | 30 June 2009 £'000 | 31 December 2009 £'000 |
|--|-----------------------------------|--------------------------|------------------------------|
| UK | 10,940 | 12,502 | 11,890 |
| Finland | 11,570 | 14,258 | 13,971 |
| Inter-segment eliminations (being inter-company loans) | (9,487) | (10,644) | (10,232) |
| | 13,023 | 16,116 | 15,629 |

Non-current assets comprise goodwill, property, plant and equipment, other intangible assets and inter-company loans and are attributed to the location where they are situated.

4 Loss per share

International Accounting Standards require presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Since the Group is loss making, there is no such dilutive impact.

The calculation of basic and diluted loss per ordinary share is based on the loss of £9,434,000 for the six months ended 30 June 2010 (six months ended 30 June 2009 - £12,641,000; year ended 31 December 2009 - £19,866,000) and on 208,805,012 ordinary shares (June 2009 - 207,025,649; December 2009 - 207,081,720) being the weighted average number of ordinary shares in issue.

5 Non-cash investing and financing activities

On 5 January 2010 the Ark Therapeutics Group plc Family Benefit Trust (the "FBT") subscribed for 1,640,000 ordinary shares in the Company at a cost of £263,000. The Company financed the share purchase by way of a contribution, totalling £131,000, and the remainder by way of a loan.

6 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following transactions with Company Directors took place during the period at arm's length:

| | Six months ended 30 June 2010 £'000 | Six months ended 30 June 2009 £'000 | Year ended 31 December 2009 £'000 |
|---|--|---|---|
| Consultancy fees earned in period | | | |
| S Ylä-Herttua | 38 | 38 | 75 |
| Consultancy fees owed as at period end | | | |
| S Ylä-Herttua | 19 | 38 | 75 |

The remuneration of key personnel in the period was in line with the amounts disclosed in the annual report for the year ended 31 December 2009, other than £390k notice period and compensation for loss of office paid to Dr Nigel Parker following his departure as CEO. In addition, Dr Nigel Parker has earned £5.6k since leaving office as a Director pursuant to a consultancy agreement formalised on 12 August 2010.

Statement of Directors' responsibilities

We confirm to the best of our knowledge:

- (a) the condensed set of financial statements which has been prepared in accordance with IAS 34 "Interim Financial Reporting" gives a true and fair view of the assets, liabilities, financial position and loss for the period;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors of Ark Therapeutics Group plc are listed in the Ark Therapeutics Group plc annual report for the year ended 31 December 2009, with the exception of the following changes during the period:

- (i) with effect from 5 May 2010 Dr Nigel Parker resigned from the Board and Martyn Williams was appointed as Chief Executive Officer; and
- (ii) with effect from 17 August 2010 Sir Mark Richmond and Dr Wolfgang Plischke resigned from the Board.

A list of current Directors is maintained on the Company's website: www.arktherapeutics.com.

By order of the Board

Martyn Williams
Chief Executive Officer

25 August 2010

Independent review report to Ark Therapeutics Group plc

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 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 6. 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.

This report is made solely to the Company 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 Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

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 and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with 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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 Ireland) 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 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
Cambridge, United Kingdom

25 August 2010

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.