

BenevolentAI **Interim results for the six months ended 30 June 2024**

Strengthened Executive Leadership and Board

Positive Top Line Phase I Data Reported for BEN-8744, Full Data to be Presented at Upcoming Leading Medical Conference

Advancements in Target Identification and Chemistry Collaborations Validate the Benevolent Platform™

Strong Business Development Activities Boosting Collaboration and Out-Licensing Opportunities

London, UK, 19 September 2024: BenevolentAI ("BenevolentAI" or "the Company" or "the Group") (Euronext Amsterdam: BAI), a leader in applying advanced AI to accelerate biopharma drug discovery, announces its unaudited interim results for the six months ended 30 June 2024.

Peter Allen, Chair, said:

"I was delighted to join the Board as Chair in May, along with the other new Non-Executive Directors, to support the leadership of the Company. BenevolentAI has consistently been a pioneer and leader in AI drug discovery and development, and we are committed to capitalising on the significant potential its leading platform is delivering. Going forward, we are fully focused on positioning the business for growth, ensuring we are executing, both in terms of our pipeline and business development ambitions."

Kenneth Mulvany, Deputy Chair and founder of BenevolentAI, said:

"As the founder of BenevolentAI, I am pleased to re-join the Board. The Company's technology platform was designed to fundamentally change our understanding of how diseases can be treated. I look forward to working with the Board and the leadership, with a renewed focus on business development and innovation in response to the rapid and promising evolution of the sector that BenevolentAI has helped shape."

Dr. Joerg Moeller, Chief Executive Officer (CEO) of BenevolentAI, said:

"I joined BenevolentAI as a strong advocate of AI as a driver of drug discovery and development, innovation and effectiveness. After a career in large pharma, coming into a company with a clear passion to help deliver treatments to patients in need and with a technology platform and capabilities allowing us to address the most challenging problems in pharma R&D, I am ever more convinced of the impact BenevolentAI can continue to make as a leader in AI enabled drug discovery and development."

"Our technology, one of the most established and validated AI drug discovery platforms, has the potential to generate considerable value, not only for BenevolentAI directly through our proprietary pipeline, but also for our partners."

"We were pleased to announce positive topline safety and pharmacokinetic data for our lead clinical asset and novel drug target, BEN-8744, for the treatment of ulcerative colitis and with potential for meaningful differentiation versus existing standard-of-care treatments and the possibility of indication expansion in Crohn's disease."

"Continued progress in our existing collaborations is evident, as exemplified by AstraZeneca adding two novel targets into its discovery portfolio in heart failure and systemic lupus during the period and our more recent collaboration with Merck KGaA, which is progressing well."

"With the renewed focus and the changes to the business development function, I am encouraged by the increase in the number and quality of discussions ongoing and that this change in approach will be beneficial for the Company in the near and longer term."

Key Business Highlights (including post period)

Leadership updates

- Appointment of Non-Executive Directors; Peter Allen as Chair, Ken Mulvany, founder of BenevolentAI, as Deputy Chair, Ian Nicholson, and Jeremy Sohn in May.
- Appointment of Dr. Joerg Moeller as CEO in January and Dr. James Malone as Chief Technology Officer in April. Co-founder Michael Brennan returned to the Company on a consultancy basis in June, and Dr. Ivan Griffin, co-founder, transitioned to the role of Chief Business Officer, in July.

Business Development

The BenevolentAI Platform™ represents a pioneering achievement in AI-enabled drug discovery. Engineered for versatility, it uniquely integrates capabilities in target identification, advanced chemistry, and indication expansion. This integration has directly contributed to the development of the only FDA-approved drug derived through AI technologies, distinguishing BenevolentAI as the sole technology provider with these validated capabilities.

Since assuming leadership, the new Board has driven focus and revitalised the approach of the Company's business development initiatives. During the period, BenevolentAI's business development team was strengthened and reorganised to enhance focus on execution. This restructuring, supported by the robust R&D leadership network led by Joerg Moeller and the Board, is aimed at accelerating the pursuit of strategic collaborations and out-licensing agreements.

Initial indicators are positive following this realignment. The Company has observed a significant increase in the pipeline of active collaborations and out-licensing discussions with large, mid-tier pharmaceutical companies and biotech firms.

However, despite these intensified efforts and the full focus of the business development team, the complex nature of such agreements demanding meticulous negotiation and precise strategic alignment, may make it challenging for the Company to sign an agreement in the current fiscal year. The Company remains committed to conclude a deal as soon as possible. BenevolentAI is dedicated to transparently managing stakeholder expectations and will provide further updates as more definitive information becomes available.

Capital markets adviser

In July, BenevolentAI appointed Deutsche Numis as the UK and pan-European capital markets adviser, marking a significant step in initiating more effective market engagement. This new appointment is crucial for aligning capital market activities with the Company's strategic, operational and financial goals.

Proprietary Pipeline Update

The Company made significant progress across its highly differentiated proprietary pipeline, which includes a mix of potential first-in-class and best-in-class drugs for high-impact and complex diseases. The therapeutic focus spans immunology, neurology and oncology. All the assets in the pipeline have been generated through the Company's advanced technology platform and validated at its state-of-the-art biology and chemistry laboratories located at the Babraham Campus in Cambridge, UK.

BEN-8744

- BEN-8744 is an orally administered, peripherally restricted PDE10 inhibitor in development as a potential first-in-class treatment for patients with moderate to severe ulcerative colitis (UC).
- PDE10 was identified using the Benevolent Platform™ as a novel drug target for the treatment of UC, offering potential significant differentiation from existing standard-of-care treatments.
- With a differentiated mechanism of action and potentially disease-modifying efficacy, BEN-8744 could also be investigated for broader inflammatory bowel disease indications. The Company has preclinical data showing a robust anti-inflammatory response in *ex-vivo* Crohn's disease patient biopsies, supporting the potential for indication expansion.
- In March, the Company announced positive topline safety and pharmacokinetic results from the Phase I clinical study of UC treatment in healthy volunteers. Notably, 20-40% of moderate

to severe UC patients fail to respond to standard of care treatments, which frequently carry severe adverse effects (black box) warnings. The complete study results will be presented at an upcoming leading medical conference.

- Extended regulatory toxicology studies and biomarker qualification studies are underway, supporting the extended dosing planned for further clinical development in patients.
- Out-licensing / partnering discussions are actively ongoing for this asset, bolstered by recent and significant early stage IBD deals.

BEN-34712

- BenevolentAI's oral, potent and selective brain penetrant RAR α β (retinoic acid receptor alpha beta) agonist under development as a treatment for amyotrophic lateral sclerosis (ALS) is progressing in IND-enabling studies, expected to be IND-ready in H2 2024. The programme has entered active partnering discussions under the new business development initiative set by the Board.

BEN-28010

- BenevolentAI's oral brain penetrant CHK1 inhibitor under development as a CNS penetrant drug for glioblastoma multiforme (GBM) and metastatic brain tumours has completed regulatory toxicology studies and is ready for onward partnering / out-licensing.

Pipeline Flexibility and Business Development Opportunities

The Company has invested in more than ten additional programmes that are regularly evaluated for their potential to replenish the pipeline. This robust portfolio management ensures that as certain programmes are successfully out-licensed, others are ready to advance into the business development cycle or further along the drug development pipeline.

This approach not only mitigates risk but also sustains a continuous flow of innovation and potential revenue streams, keeping investors informed of our proactive strategy to maintain and expand our market presence.

Collaborations

The BenevolentAI Platform™ has been instrumental in enabling collaborations with key industry players, demonstrating the platform's unique capacity and scope to drive innovation in drug discovery and development. Over this period, significant milestones have been achieved, further validating the impact of our AI-enabled approach in target identification and chemistry capabilities.

AstraZeneca – Target Identification (Target ID)

- The Target ID collaboration with AstraZeneca continues to show strong results, with two additional novel targets added to AstraZeneca's portfolio during the period – a heart failure (HF) target in May and a systemic lupus erythematosus (SLE) target in June. This brings the total number of milestones achieved in the original and extended collaborations to seven.

Merck KGaA – Chemistry

- The collaboration with Merck KGaA, initiated in September 2023, leverages BenevolentAI's platform to identify and develop small molecule drug candidates in oncology, neurology, and immunology. This partnership, still in its early stages, is progressing well and is expected to demonstrate the platform's strengths in AI-driven chemistry and early drug discovery.

Financial Highlights

- Reported operating loss reduction of 30% from £45.9 million (H1 2023) to £32.3 million, reflecting both the impact of reduced restructuring costs and the prioritisation of research and development activities.
- Revenue has decreased by 46% from £5.3 million in H1 2023 to £2.8 million, primarily due to the anticipated scaling down of the target identification efforts within our AstraZeneca collaboration with the newer Merck collaboration now generating revenue to replace it. Additional revenue is expected from the Merck collaboration in the second half of 2024 through to 2026, once the development milestones are received for work already completed. Since its inception in 2019, the AstraZeneca collaboration has generated approximately £32 million, and

BenevolentAI continues to be eligible for discovery, development, and commercial milestones, as well as tiered royalties on net sales.

- Reported research and development spend¹ reduction of 45% from £36.3 million (H1 2023) to £19.9 million, reflecting continued and focussed investment in the proprietary pipeline and innovation of the Benevolent Platform™ and excluding directly attributable cost of sales.
- Normalised research and development spend¹ reduction of 39% from £32.2 million (H1 2023) to £19.5 million, consistent with the reported research and development spend, but excludes the one-off costs of restructuring in the period.
- Normalised operating loss reduction of 26% from £40.6 million (H1 2023) to £30.0 million.
- Operating cash flow before changes in working capital reduced by 23% from £37.9 million (H1 2023) to £29.3 million.
- Cash, cash equivalent, and short-term deposits reduced by 48% from £72.9 million (FY 2023) to £38.1 million with the cash runway extended to late Q3 2025.

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000	% Change
Revenue	2,834	5,297	-46%
Cost of sales	(3,551)	(765)	364%
Reported research and development spend ¹	(19,927)	(36,282)	-45%
Normalised research and development spend ¹	(19,534)	(32,230)	-39%
Reported administrative expenses	(12,245)	(14,209)	-14%
Normalised administrative expenses	(10,282)	(12,971)	-21%
Reported operating loss	(32,311)	(45,850)	-30%
Normalised operating loss	(29,955)	(40,560)	-26%
Reported basic and diluted EPS, expressed in pence	(20.3p)	(31.2p)	-35%
Normalised basic and diluted EPS, expressed in pence	(18.4p)	(27.0p)	-32%
	30 June 2024	31 December 2023	
Cash, cash equivalents and short-term deposits	38,078	72,906	-48%

¹The comparative information for the six months to 30 June 2023 has been adjusted to reflect cost of sales being presented for the first time in the period. See note 3 of the interim condensed consolidated financial statements for further details.

The action taken by the Company, announced in April, has successfully resulted in reducing the Company's cash burn by around 20%, extending the cash runway to late Q3 2025 and before taking into consideration any unsigned revenue from the out-licensing of any proprietary pipeline asset or signing any new collaborations. The Company's overall headcount has reduced by c.30% with the company's headcount expected to be around 180 employees at the end of 2024.

Analyst and Investor briefing

Management will host an analyst briefing at 09:30am BST, 19 September 2024, at the offices of Deutsche Numis, 45 Gresham Street, London, EC2V 7BF. To register your interest in attending either

in person or virtually, analysts should contact BenevolentAI@icrinc.com. A recording of the webcast will be made available in the investor section of the Company's website shortly afterwards.

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About BenevolentAI

At BenevolentAI (AMS: BAI), we serve patients by leveraging our proprietary and validated Benevolent Platform™ that integrates AI and science to uncover new biology, predict novel targets and develop first-in-class or best-in-class drugs for complex diseases. By applying proprietary advanced AI tools, in combination with in-house scientific expertise and wet-lab facilities, BenevolentAI is well-positioned to identify and accelerate novel drug discovery.

The Company's business model presents multiple routes for value creation including discovery collaborations with pharma companies like AstraZeneca and Merck KGaA and advancing in-house pipelines to inflection points. Headquartered in London, with wet labs in Cambridge (UK), BenevolentAI is at the forefront of reshaping the future of drug discovery and delivering innovative medicines.

Forward-looking Statements

This release may contain forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "plans", "targets", "aims", "believes", "expects", "anticipates", "intends", "estimates", "will", "may", "should" and similar expressions. Forward-looking statements include statements regarding objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; economic outlook and industry trends; developments in BenevolentAI's markets; the impact of regulatory initiatives; and/or the strength of BenevolentAI's competitors. These forward-looking statements reflect, at the time made, BenevolentAI's beliefs, intentions and current targets/aims. Forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The forward-looking statements in this release are based upon various assumptions based on, without limitation, management's examination of historical operating trends, data contained in BenevolentAI's records, and third-party data. Although BenevolentAI believes these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond BenevolentAI's control. Forward-looking statements are not guarantees of future performance, and such risks, uncertainties, contingencies and other important factors could cause the actual outcomes and the results of operations, financial condition and liquidity of BenevolentAI or the industry to differ materially from those results expressed or implied by such forward-looking statements. The forward-looking statements speak only as of the date of this release. No representation or warranty is made that any of these forward-looking statements or forecasts will come to pass or that any forecast result will be achieved.

FINANCIAL REVIEW

Revenues

Revenue recognition follows the IFRS accounting basis which determines the revenue recognised in the period in respect of each performance obligation. The Group's revenues for the first half of 2024, were £2.8 million, a decrease of 46% from £5.3 million (H1 2023). The change reflects the facts that in the period January to June 2024, the Group was still in the early stages of delivery of the Merck collaboration, which started in September 2023. The Group is also in the final phase of the work for the AstraZeneca target identification collaboration, with the majority of work and revenue delivered in the prior year. Revenue from AstraZeneca in the period included milestone revenue from the selection of two targets in HF and SLE.

Cost of sales

Costs directly attributable to the revenue recognised from both collaborations are separately presented for the first time and include the prior period's comparison. Cost of sales consists of research and development expenditures that directly relate to work carried out on revenue generating collaboration agreements. This includes salary costs that are apportioned based on time spent by employees working on these agreements as well as the cost of materials and costs incurred including those under agreements with contract research organisations (CRO's). Cost of sales for the first half of 2024 has increased by 364% from £0.8 million (H1 2023) to £3.6 million, reflecting the costs of operating the chemistry collaboration which are similar to those incurred by the Group on a proprietary programme basis. Over the lifetime of the collaboration a positive gross margin is expected, but in the early stages, the cost of sales is anticipated to be higher than the revenue recognised on an accounting basis. Once subsequent stage gates are unlocked revenue can be recognised for work already completed, having a positive impact on the gross margin.

Alternative performance measures and normalised presentation

The normalised presentation of the Group's performance can be found in the interim condensed consolidated statement of comprehensive income and is explained further in note 2.4 of the financial statements.

Research and development (R&D) expenses

Normalised spend in research and development for the first half of 2024, excluding employee-related share-based payments, has decreased by 36% from £30.7 million (H1 2023) to £19.8 million. This is primarily driven by a reduction in cost base arising from each restructuring programme announced on 25 May 2023 and 23 April 2024 and reflects the Group's efforts to prioritise certain programmes in its proprietary pipeline.

Reported spend in research and development, excluding employee-related share-based payments, has decreased by 42% from £34.8 million (H1 2023) to £20.1 million due to planned reduction as described in the normalised spend section above and which includes a decrease of £3.7 million in restructuring cost reduction initiatives in the first half of 2024 compared with prior period.

For both normalised and reported spend in research and development, the comparative information for the six months to 30 June 2023 has been adjusted to reflect cost of sales being presented for the first time in the period. See note 3 of the interim condensed consolidated financial statements for further details.

Administrative costs

Normalised administrative costs for the first half of 2024, excluding employee-related share-based payments, has decreased by 17% from £11.9 million (H1 2023) to £9.9 million, reflecting the cost reductions made under each of the restructuring initiatives.

Reported administrative costs for the first half of 2024, excluding employee-related share-based payments, has decreased by 9% from £13.1 million (H1 2023) to £11.9 million due to a reduction of £0.8 million in restructuring programme expenses offset by a £1.5 million one-off charge relating to the fair value reduction in one of the Group's unlisted equity investments, not present in the comparative period.

Operating loss

Normalised operating loss for the first half of 2024 has decreased by 26% from £40.6 million (H1 2023) to £30.0 million.

Reported operating loss decreased by 30% from £45.9 million (H1 2023) to £32.3 million, reflecting the cost savings arising from the restructuring and a further decrease in employee-related share-based payment expenses of 92% from £2.6 million (H1 2023) to £0.2 million.

Finance income

Finance income for the first half of 2024 has decreased by 43% from £2.3 million (H1 2023) to £1.3 million, driven in part by there being no fair value revaluation of the warrant liabilities in the period (H1 2023: £0.3 million). Excluding the fair value revaluation of the warrant liabilities held, normalised finance income has decreased 35% from £2.0 million (H1 2023) to £1.3 million, reflecting interest income earned from the balance of bank deposits during the period.

Taxation

Taxation income for the first half of 2024 has decreased by 9% from £7.0 million (H1 2023) to £6.4 million. This reflects the lower level of eligible R&D expenditure incurred, further to the restructuring and pipeline prioritisation initiatives, and an increase in R&D collaboration work which receives a lower rate of recovery than that for which BenevolentAI bears the full cost. These changes are partly offset by a £2.2 million increase to the 2023 R&D tax receivable which has been recognised in the first half of 2024 due to a retroactive increase in the 2023 small and medium enterprise (SME) tax recovery being granted Royal Assent in February 2024. This is consistent with expectation and to information disclosed in the 2023 Annual Report and accounts. The 2023 claim submitted in June, for £12.1m, was received in July 2024, as claimed and inclusive of the increase described above.

Loss per share

Normalised basic loss per share for the first half of 2024 has decreased by 32% from 27.0p (H1 2023) to 18.4p, driven by the fall in operating costs and share-based payment expenses and reflecting the increase in weighted average ordinary shares outstanding at the end of 2023.

Current assets

Current assets at 30 June 2024 have decreased by 30% from £91.4 million (31 December 2023) to £63.8 million, largely driven by a £34.8 million decrease across cash, cash equivalents and short-term deposits due to funding of operations in the period.

Cash, cash equivalents and short-term deposits

Cash, cash equivalents and short-term deposits as at 30 June 2024 have decreased by 48% from £72.9 million (31 December 2023) to £38.1 million, reflecting proceeds from collaborations being more than offset by ordinary course working capital expenditure.

Current liabilities

Current liabilities at 30 June 2024 have decreased by 23% from £25.0 million (31 December 2023) to £19.3 million, reflecting the payment of trade payables during the period consistent with the reduction in spend across R&D and general and administrative costs, a release in deferred income of £1.4 million under collaboration agreements and net reduction of £0.7 million in the provision recognised in relation to the Group's restructuring programmes.

The restructuring programme provision includes expenditure that is necessarily entailed by each of the restructuring programmes announced on 25 May 2023 and 23 April 2024 that does not relate to the ongoing activities of the Group. It includes costs associated with contractual obligations that no longer provide economic benefit to the Group. During the period to 30 June 2024, the Group provided £0.8 million for the restructuring announced in April 2024 and utilised £1.5 million of the provision from the previous restructuring in May 2023 primarily on real-estate lease right sizing concluded in early 2024.

Cash flow

Cash expended from operating activities before taxation and non-normalised items has decreased 26% from £45.5 million (H1 2023) to £33.9 million for the first half of 2024, consistent with the reduced operating loss.

Cash expended from operating activities before taxation has decreased from 23% from £45.6 million (H1 2023) to £35.3 million for the first half of 2024.

Related party transactions

Transactions with related parties during the period under review are disclosed in note 13 to the condensed consolidated financial statements as of June 30, 2024.

Risk factors

The principal risk factors for the Company remain the same as those set out in the Risks section within the Annual Report for the year ended 2023, which are expected to remain consistent for the rest of 2024.

Going Concern

The interim condensed consolidated financial statements have been prepared on the going concern basis, which the Board of Directors considers appropriate as set out in note 2.2 in the interim condensed consolidated financial statements.

The Group has prepared cash flow forecasts, that provide a cash runway, excluding any unsigned revenue to late Q3 2025, approximately 15 months after the end of the reporting period of these condensed consolidated financial statements, being the period covered by Management's going concern assessment (the "assessment period").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2024

	Note	2024			2023		
		Normalised £'000	Non- normalised ¹ £'000	Unaudited Total £'000	Normalised £'000	Non- normalised ¹ £'000	Unaudited and adjusted Total £'000
Revenue	3	2,834	-	2,834	5,297	-	5,297
Cost of sales ²		(3,551)	-	(3,551)	(765)	-	(765)
Gross (loss)/profit		(717)	-	(717)	4,532	-	4,532
Research and development ("R&D") expenses ²		(19,534)	(393)	(19,927)	(32,230)	(4,052)	(36,282)
<i>Included within R&D expenses:</i>							
<i>Restructuring programme expenses</i>	11	-	(393)	(393)	-	(4,052)	(4,052)
<i>Employee-related share-based payment ("SBP") expenses</i>	12	220	-	220	(1,489)	-	(1,489)
Administrative expenses		(10,282)	(1,963)	(12,245)	(12,971)	(1,238)	(14,209)
<i>Included within administrative expenses:</i>							
<i>Restructuring programme expenses</i>	11	-	(427)	(427)	-	(1,238)	(1,238)
<i>Employee-related SBP expenses</i>	12	(375)	-	(375)	(1,111)	-	(1,111)
Other income		578	-	578	109	-	109
Operating loss		(29,955)	(2,356)	(32,311)	(40,560)	(5,290)	(45,850)
Finance income	4	1,344	-	1,344	1,980	336	2,316
Finance expense	5	(228)	-	(228)	(190)	-	(190)
Loss before taxation		(28,839)	(2,356)	(31,195)	(38,770)	(4,954)	(43,724)
Taxation	6	6,395	-	6,395	7,014	-	7,014
Loss for the period		(22,444)	(2,356)	(24,800)	(31,756)	(4,954)	(36,710)
Basic and diluted loss per share, expressed in pence				(20.3p)			(31.2p)
Weighted average ordinary shares outstanding				121,939,884			117,488,722
Loss for the period				(24,800)			(36,710)
Other comprehensive expense that may be reclassified subsequently to profit or loss:							
Foreign currency translation differences for foreign operations				8			(7)
Total comprehensive loss for the period				(24,792)			(36,717)

1. Non-normalised expenses are defined as those related to the restructuring programmes undertaken following the strategic plans announced on 23 April 2024 and 25 May 2023; the revaluation of investments which BAI does not manage directly; and the revaluation of the warrants. See note 2.3 for further details.

2. The comparative information for the six months to 30 June 2023 has been adjusted to reflect cost of sales being presented for the first time in the period. See note 3 for further details.

No dividend has been declared or paid in either reporting period.

The notes form an integral part of these condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024

	Note	30 June 2024 Unaudited £'000	31 December 2023 Audited £'000
Non-current assets			
Goodwill	9	23,479	23,479
Intangible assets		17	19
Property, plant and equipment		2,077	2,290
Investments	8	356	1,892
Right-of-use assets		4,025	4,592
Trade and other receivables		413	171
		30,367	32,443
Current assets			
Trade and other receivables		8,960	8,715
R&D tax receivable ¹		16,730	9,767
Short-term deposits		15,093	36,429
Cash and cash equivalents		22,985	36,477
		63,768	91,388
Total assets		94,135	123,831
Non-current liabilities			
Lease liabilities		3,824	3,823
Provisions	11	618	700
		4,442	4,523
Current liabilities			
Trade and other payables	10	7,727	10,356
Deferred income		10,207	11,595
Warrants		1	2
Lease liabilities		615	925
Provisions	11	789	2,159
		19,339	25,037
Total liabilities		23,781	29,560
Net assets		70,354	94,271
Equity			
Called up share capital		103	103
Share premium		976,784	976,784
Share-based payments reserve		161,874	160,999
Accumulated losses		(544,208)	(519,408)
Merger difference		(524,572)	(524,572)
Currency translation reserve		373	365
Total equity		70,354	94,271

1. £12.1 million has been received in July 2024 by the Group for the 2023 year, following and including the retroactive increase in recoverable rate that was substantively enacted on 22 February 2024, after the end of the 2023 reporting period.

The notes form an integral part of these condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024

	Called up share capital £'000	Share premium £'000	SBP reserve £'000	Accumulated losses £'000	Merger difference £'000	Currency translation reserve £'000	Total equity £'000
Balance at 1 January 2023	100	930,495	203,739	(456,091)	(524,572)	328	153,999
Loss for the period	-	-	-	(36,710)	-	-	(36,710)
Foreign exchange difference	-	-	-	-	-	(7)	(7)
Transactions with owners, recorded directly in equity							
Equity-settled employee-related SBP transactions	-	-	6,211	-	-	-	6,211
Total contributions by and distributions to owners	-	-	6,211	-	-	-	6,211
Balance at 30 June 2023	100	930,495	209,950	(492,801)	(524,572)	321	123,493
Balance at 1 January 2024	103	976,784	160,999	(519,408)	(524,572)	365	94,271
Loss for the period	-	-	-	(24,800)	-	-	(24,800)
Foreign exchange difference	-	-	-	-	-	8	8
Transactions with owners, recorded directly in equity							
Equity-settled employee-related SBP transactions	-	-	875	-	-	-	875
Total contributions by and distributions to owners	-	-	875	-	-	-	875
Balance at 30 June 2024	103	976,784	161,874	(544,208)	(524,572)	373	70,354

The notes form an integral part of these condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2024

	Note	2024 Unaudited £'000	2023 Unaudited £'000
Cash flows from operating activities			
Loss for the period		(24,800)	(36,710)
<i>Non-cash adjustments for:</i>			
Depreciation and amortisation charges		1,074	1,530
(Gain)/loss on disposal of tangible fixed assets		(11)	-
Equity-settled employee-related SBP expense	12	875	6,211
Foreign exchange loss/(gain)		102	391
Finance expense	5	228	190
Finance income	4	(1,344)	(2,316)
Reduction in value of investment		1,536	-
R&D expenditure tax credit		(6,963)	(7,146)
Operating cash flow before changes in working capital		(29,303)	(37,850)
Increase in trade and other receivables		(487)	(2,124)
Decrease in trade and other payables		(4,017)	(6,877)
(Decrease)/increase in provisions		(1,452)	1,258
Net cash from operating activities		(35,259)	(45,593)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(510)	(693)
Proceeds from sale of assets		32	-
Transfers into short-term deposits		(5,781)	(5,568)
Transfers from short-term deposits		27,117	24,155
Interest received on bank deposits	4	1,557	1,978
Net cash from investing activities		22,416	19,872
Cash flows from financing activities			
Principal repayment on lease liabilities		(326)	(966)
Interest repayment on lease liabilities		(184)	(176)
Payment of other finance expenses	5	(44)	(14)
Net cash from financing activities		(554)	(1,156)
Net (decrease)/increase in cash and cash equivalents		(13,398)	(26,877)
Cash and cash equivalents at 1 January		36,477	88,442
Effect of exchange rate fluctuations on cash held		(94)	(398)
Cash and cash equivalents at 30 June		22,985	61,167
Short-term deposits at 30 June		15,093	23,153
Cash, cash equivalents and short-term deposits at 30 June		38,078	84,320

The notes form an integral part of these condensed consolidated financial statements.

UNAUDITED NOTES TO THE FINANCIAL INFORMATION

1 Background to the Group

1.1 Corporate information

BenevolentAI (the “Company”), which is a Société Anonyme, is a publicly listed company on the Euronext Amsterdam, with the ticker symbol BAI.

The Company is limited by shares, incorporated under the laws of Luxembourg under registered number B255412, having its registered office 9, rue de Bitbourg, L-273 Luxembourg, Grand Duchy of Luxembourg.

The principal activity of the Company and its subsidiaries (collectively, the “Group” or “BAI Group”) is that of creating and applying AI and machine learning to transform the way medicines are discovered and developed.

1.2 Group structure

BAI Group is managed by its ultimate parent company BenevolentAI, with the following four operating subsidiaries under one segment. The US entity, Benevolent Technology Inc, ceased operations in the period further to the restructuring announced on 23 April 2024. The Group’s opportunity to deliver future value depends on a unified and amalgamated approach across the whole of the Group and could not be achieved independently by any individual entity or separately identifiable line of business.

	Registered office address ²	Principal business	Class of shares held	Ownership
BenevolentAI Limited	4-8 Maple Street, London, W1T 5HD, United Kingdom	Holding	Ordinary shares	100%
BenevolentAI Cambridge Limited ¹	4-8 Maple Street, London, W1T 5HD, United Kingdom	R&D	Ordinary shares	100%
BenevolentAI Bio Limited ¹	4-8 Maple Street, London, W1T 5HD, United Kingdom	R&D	Ordinary shares	100%
BenevolentAI Technology Limited ¹	4-8 Maple Street, London, W1T 5HD, United Kingdom	R&D	Ordinary shares	100%
Benevolent Technology Inc ¹	15 MetroTech Center, 8th FL, NY 11201, United States	Dormant	Ordinary shares	100%
BenevolentAI Energy Limited ¹	4-8 Maple Street, London, W1T 5HD, United Kingdom	Dormant	Ordinary shares	100%
Stratified Medical Limited ¹	4-8 Maple Street, London, W1T 5HD, United Kingdom	Dormant	Ordinary shares	100%

1. Held indirectly.

2. The registered office address for each subsidiary is also its principal place of business, with the exception of BenevolentAI Cambridge Limited which operates from the Babraham Campus, Cambridge, CB22 3AT, United Kingdom.

2 Accounting policies

2.1 Basis of preparation

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 (Interim Financial Reporting) as adopted by the EU, and applicable law. They have been prepared on a historical cost basis, except for financial instruments measured at fair value, and all amounts have been rounded to the nearest £’000.

At 30 June 2024, net assets totalled £70.4 million, with a combined cash and short-term deposits balance of £38.1 million. Management have reviewed the Group’s cash flow forecasts and believes it has sufficient cash for at least the next twelve months reporting date of these financial statements. The financial statements, therefore, continue to be prepared on the going concern basis.

The financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with annual consolidated financial statements for the year ended 31 December 2023.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 were authorised for issue in accordance with a Board resolution on 18 September 2024.

2.2 Going concern

The interim condensed consolidated financial statements have been prepared on the going concern basis, which the Board of Directors considers appropriate for the following reasons:

The Group has prepared cash flow forecasts, that provide a cash runway, excluding any unsigned revenue to late Q3 2025, approximately 15 months after the end of the reporting period of these condensed consolidated financial statements, being the period covered by Management’s going concern assessment (the “assessment period”).

The Group looks to sign additional collaborations in this period and, in the event of this being successfully concluded, would further extend the Group’s cash runway.

Additionally, downside scenarios have also been considered, with corresponding cost-saving mitigating actions that allow for an extension of the Group’s cash runway.

The Group’s cash, cash equivalents and short-term deposits position is £38.1 million (December 2023: £72.9 million).

The Group also benefits from cash inflows from the UK's R&D Tax credit scheme, with the most recent receipt being in July 2024 amounting to £12.1 million.

The downside scenarios consider a range of possible risks, including exposure to macroeconomic factors, such as inflation and supply chain risk. No combination of these factors indicates that additional funding will be needed throughout the assessment period, due to various mitigating actions that the Board of Directors could implement to preserve cash and therefore extend the cash runway, if needed. These mitigating actions include additional revenues from signing further collaborations or out-licensing of proprietary pipeline programmes, and/or a reduction in operating expenses which are within the control of the Board of Directors.

As described in the 2023 Annual Report and Accounts Financial review section, the Group continues to focus on signing a new collaboration, as well as out-licensing one of its proprietary assets, further supported through the revitalised approach to the Group's business development activities. However, despite these intensified efforts and the full focus of the business development team, the complex nature of such agreements demanding meticulous negotiation and precise strategic alignment, may make it challenging for the Group to sign an agreement in the current fiscal year. The Group remains committed to conclude a deal as soon as possible. The Group also continues to look for opportunities to reduce costs or reallocate to areas where it is believed the investment will generate the best shareholder value.

These cash flow forecasts indicate that the Group will have sufficient funds to meet its liabilities for the assessment period.

Beyond Q3-2025, the Group would require additional inflows to fund current operations and maximise the opportunity the Group sees within the AI-enabled drug discovery and development field. The Board of Directors remains confident that this is achievable through inflows from signing additional revenues and, if needed, additional funding and/or cost reduction measures.

2.3 Significant accounting policies

There were no significant changes in accounting policies applied in these interim condensed consolidated financial statements compared to those used in the most recent annual consolidated financial statements of 31 December 2023. New standards and interpretations applicable for the annual period beginning on 1 January 2024 did not have any material impact on these interim condensed consolidated financial statements.

Certain amendments to accounting standards have been published that are effective for annual periods beginning on or after 1 January 2025 and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these interim condensed consolidated financial statements, however, and does not expect them to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

2.4 Normalised operating loss

Normalised operating loss for the six months ended 30 June 2024 and 30 June 2023 is defined as operating loss excluding non-normalised transactions, defined as those related to the restructuring programmes undertaken following the strategic plans announced on 23 April 2024 and 25 May 2023; the revaluation of investments which BAI does not manage directly; and the revaluation of the warrants recognised as finance income. This is to show an underlying representation of operating losses for the respective periods and extends to normalised operating cash flows on the same basis.

Normalised operating losses, normalised operating cash flows and non-normalised transactions are each alternative performance measures ("APM"s) that are not calculated in accordance with IFRS and, therefore, may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to substitute or supersede, IFRS measures.

This APM, in our view, is an important metric for a biotech company in the development stage. Removing the non-normalised costs, given their material, isolated and one-off nature, enables users to better compare the Group's normal operating performance between reporting periods.

The following table presents a reconciliation of normalised operating loss, to the closest IFRS measures, for the six months ended 30 June:

	Note	2024 £'000	2023 £'000
Operating loss		(32,311)	(45,850)
<i>Adjustments for:</i>			
Restructuring programme expenses	11	820	5,290
Revaluation of investments		1,536	-
Total non-normalised operating charges		2,356	5,290
Normalised operating loss		(29,955)	(40,560)

Similarly, normalised operating cash flows are considered on the same basis and to the same effect. The following table presents a reconciliation to the closest IFRS measures for the six months ended 30 June:

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Loss for the period		(24,800)	(36,710)
<i>Non-cash adjustments for:</i>			
Non-normalised expenses		2,356	5,290
Depreciation and amortisation charges		1,074	1,530
Gain on disposal of property, plant and equipment		(11)	-
Equity-settled employee-related SBP expense	12	875	6,211
Foreign exchange gain		102	391
Finance expense		228	190
Finance income		(1,344)	(2,316)
R&D expenditure tax credit		(6,963)	(7,146)
Normalised operating cash flow before changes in working capital		(28,423)	(32,560)
Increase in trade and other receivables		(487)	(2,124)
Decrease in trade and other payables		(4,017)	(6,877)
Decrease in other provisions	11	(772)	(3,970)
Cash expended from operating activities before non-normalised items		(33,759)	(45,531)
Cash outflows in respect of non-normalised expenses		(1,500)	(62)
Net cash outflow from operating activities		(35,259)	(45,593)

3 Revenue

The Group initially recognises income under collaborations as deferred revenue, which the Group becomes entitled to recognise as revenue in line with the delivery efforts towards the completion of tasks and provision of the deliverables set out in the agreements, also called performance obligations. For the six months to 30 June 2024, this is represented by revenue of £2.8 million (H1 2023: £5.3 million) with £10.2 million deferred revenue recognised at the period end (31 December 2023: £11.6 million).

Merck collaboration

The new chemistry collaboration entered into with Merck in September 2023 utilises BenevolentAI's technology platform and chemistry capabilities to deliver novel drug candidates, initially for three targets in oncology, neurology and immunology, readying them for onward pre-clinical and clinical development.

The agreement includes payments to BenevolentAI, consisting of a low double-digit million-dollar upfront payment on signing and then discovery, development and commercial milestones. Tiered royalties will also be payable on net sales of any commercialised products.

Second AstraZeneca collaboration

Building on the success of the first target identification collaboration, the relationship with AstraZeneca was expanded into a new three-year partnership in 2022, focusing on systemic lupus erythematosus and heart failure. During the period ending June 2024, the Group announced AstraZeneca had added two targets, one for heart failure and one for systematic lupus erythematosus, to its discovery portfolio, the first two targets to be selected from the extended collaboration.

There is no related party revenue in the six months to 30 June 2024 (H1 2023: £nil).

Cost of sales

The cost of sales of £3.6 million (H1 2023: £0.8 million) reflects the directly attributable costs necessarily incurred towards producing the required output for each of the collaborations, as underlies the cost-to-cost method of revenue recognition. Given the magnitude of the balance in the six months to 30 June 2024, cost of sales has been presented separately in the statement of comprehensive income, with the results for the six months to 30 June 2023 including a cost of sales comparative that was previously classified under R&D expenses.

	For the six months ended 30 June 2023		
	Previously reported £'000	Prior period adjustments £'000	Adjusted £'000
Statement of comprehensive income			
Cost of sales	-	(765)	(765)
R&D expenses	(37,047)	765	(36,282)

4 Finance income

	For the six months ended 30 June	
	2024 £'000	2023 £'000
Interest income on bank deposits	1,344	1,978
Unwinding of rent deposits	-	2
Fair value revaluation of warrants	-	336
	1,344	2,316

5 Finance expense

	For the six months ended 30 June	
	2024 £'000	2023 £'000
Interest expense on lease liabilities	184	176
Other finance expenses	44	14
	228	190

6 Taxation

	For the six months ended 30 June	
	2024 £'000	2023 £'000
R&D tax credit	6,395	7,014

The R&D tax credit represents estimated tax credits arising from the UK's small and medium-sized enterprises R&D tax relief regime, which are settled in the following year.

The UK R&D tax credit rate used in the calculation of R&D receivable at 31 December 2023, equal to £9.8 million, was based on 14.5% applied to expenditure for the period to 31 March 2023 and 10% for the period of expenditure from 1 April 2023. These were the rates effective and substantively enacted at 31 December 2023. On 22 February 2024, Royal Assent was granted to apply the 14.5% research intensive industry rate for those companies meeting the UK tax authority's R&D tax scheme criteria with retroactive effect from 1 April 2023. The Group meets the criteria set out, with the impact being an additional £2.3 million in R&D tax receivable recoverable for the period from 1 April 2023 to 31 December 2023, recognised in the six months to 30 June 2024.

The total expected R&D tax credit receivable for 2023 remains outstanding at the period end and has since been received in July 2024, equal to £12.1 million (2023: £16.1 million).

7 Loss per share

Loss per ordinary share has been calculated by dividing the loss attributable to equity holders of BenevolentAI after taxation for each financial period by the weighted average number of ordinary shares in issue during the financial period. The weighted average number of shares is calculated from the number of ordinary BenevolentAI shares in circulation at the beginning of the period adjusted by the number of ordinary shares issued during the period and multiplied by a time-weighting factor. The time-weighting factor reflects the ratio of the number of days on which ordinary shares were issued and the total number of days of the period.

	Note	For the six months ended 30 June	
		2024 £'000	2023 £'000
Basic and diluted loss per share, expressed in pence		(20.3p)	(31.2p)
Weighted average ordinary shares outstanding		121,939,884	117,488,722
Total loss for the period		(24,800)	(36,710)
<i>Adjustments for:</i>			
Non-normalised items within operating expenses	2.4	2,356	5,290
Fair value of warrants within finance income	4	-	(336)
Normalised total loss		(22,444)	(31,756)
Normalised basic and diluted loss per share		(18.4p)	(27.0p)

The dilutive shares and other instruments total 145,126,303 (H1 2023: 145,126,303), including 20,686,419 treasury shares (H1 2023: 25,137,581) and 2,500,000 Sponsor shares (H1 2023: 2,500,000). Outstanding equity awards, including those which are yet to vest, are included in note 11. A loss, however, cannot be further diluted beyond the basic per share calculation. As such, the loss per share is an equal value for both a basic and diluted view.

8 Investments

	30 June 2024 £'000	31 December 2023 £'000
Investments	356	1,892

Unlisted investments

The Group's unlisted investments include 315,465 (31 December 2023: 315,465) ordinary £0.001 shares in Adarga Limited, equal to a 2.03% equity stake (31 December 2023: 3.09%). The investment is carried at a fair value of £0.4 million (31 December 2023: £1.9 million), being the value of the most observable recent price-setting transaction which occurred during the period ended 30 June 2024. It is, therefore, classified as Level 2 in the fair value hierarchy defined under IFRS 13. As the result of a review for the need for impairment, £1.5 million (2023: £nil) has been recognised in administrative expenses in the consolidated statement of comprehensive income.

9 Goodwill

Management believes that the quoted share price of the Group best represents the fair value of the Cash Generating Unit ("CGU") in the eyes of active market participants. For the purposes of measuring Fair Value Less Costs of Disposal ("FVL COD"), both the effects of control premium and the costs of disposal have been disregarded, with the former expected to be far in excess of the latter.

The recoverable amount of the CGU was determined on the basis of the FVL COD using the Group's quoted market value, with the closing share price at 30 June being £0.414 (€0.488 per share), presenting an indicator of impairment and need for review. Since the period end the quoted market value has increased to £0.665 (€0.79 per share), at the point of publishing the condensed consolidated financial statements, equivalent to an overall £81.1 million fair value of the CGU (31 December 2023: £114.2 million).

This exceeds the Group's net assets of £70.4 million, inclusive of the goodwill amount, such that no impairment has been recognised to the current carrying value of the goodwill. Under IAS 36, the recoverable amount of the CGU is the higher of its FVL COD and value in use. Management has also carried out its own internal valuations, representing the value in use of the CGU. This sits significantly in excess of its FVL COD.

10 Trade and other payables

	30 June 2024 £'000	31 December 2023 £'000
Trade payables	4,901	6,851
Taxation and social security	1,890	2,281
Other payables	642	802
Accruals	294	422
	7,727	10,356

11 Provisions

	Dilapidation on leased office premises £'000	Tax related to SBP £'000	Restructuring programmes £'000	Total £'000
Balance at 31 December 2023	628	1,381	850	2,859
Current	59	1,250	850	2,159
Non-current	569	131	-	700
Balance at 1 January 2024	628	1,381	850	2,859
Restructuring provision recognised	-	-	925	925
Provisions released	-	(721)	(105)	(877)
Provisions utilised	(51)	-	(1,500)	(1,500)
Balance at 30 June 2024	577	660	170	1,407
Current	8	611	170	789
Non-current	569	49	-	618

The dilapidation provision reflects the projected costs for future restorative measures to discharge any relevant dilapidations obligations pertaining to each leased office or laboratory premises. The utilisation in the period reflects the reduction in scope of an ongoing lease, committed to in the previous year but completed only in January 2024.

The provision related to the employer tax arising from share-based payments is recognised in line with the relative portion of fair value charged for each tranche as at the balance sheet date under the two share incentive schemes, as a function of the share price and prevailing tax rates. The non-current portion relates to tranches which have an expected vesting date greater than twelve months from the end of the period. These two share incentive schemes are discussed further in note 12.

As part of the update to the Group's business priorities announced on 23 April 2024, following on from the strategic plan announced on 25 May 2023, the Group considered its cost base and organisational structure and began reducing its headcount accordingly. The provision for each restructuring programme reflects all expected expenditure, necessarily entailed by the restructuring that does not relate to the ongoing activities of the Group, including costs associated with contractual obligations that no longer provide economic benefit to the Group.

12 Share based payments ("SBP")

12.1 BenevolentAI Equity Incentive Scheme (BEIS)

Under the BEIS, employees were offered options or restricted stock units ("RSUs") upon joining. RSUs operate in such a way as to give the same economic benefit as options, reflecting the requirements of certain jurisdictions.

This scheme is now in run off since the closing of the Transaction in 2022 and is effectively closed to new entrants, with the only vesting continuing for awards already granted. During the six months to 30 June 2024, therefore, no awards were granted. 118,461 options and 179,549 RSUs under the BEIS were forfeited over the course of the period. No options were exercised, nor RSU agreements settled, during the period.

12.2 Long Term Incentive Plan (LTIP)

Under the LTIP, RSUs and performance stock units ("PSUs") are granted to eligible employees and may be subject to one or more performance conditions.

During the period, 570,601 RSUs and 197,475 PSUs were granted under the LTIP. 350,673 RSUs and 328,691 PSUs were forfeited due to the grantees no longer being employed by the Group or forfeiting their awards.

Equity awards held in BenevolentAI	BEIS		LTIP	
	Number of Awards	Weighted average exercise price (£)	Number of Awards	Weighted average exercise price (£)
Awards outstanding at 1 January 2023	19,371,596	0.1	1,759,581	-
Granted	-	-	326,316	-
Exercised/settled	-	-	-	-
Forfeited	(286,309)	0.0	(120,605)	-
Outstanding at 30 June 2023	19,085,287	0.1	1,965,292	-
Exercisable at 30 June 2023	-	-	-	-
Awards outstanding at 1 January 2024	10,770,196	0.2	4,145,853	-
Granted	-	-	768,076	-

Exercised/settled	-	-	-	-
Forfeited	(298,011)	0.0	(679,364)	-
Outstanding at 30 June 2024	10,472,185	0.2	4,234,565	-
Exercisable at 30 June 2024	-	-	-	-

	For the six months ended 30 June	
	2024	2023
Employee-related share based payment	£'000	£'000
SBP expenses	875	6,211
(Credit)/charge for social security provision in relation to equity-settled SBP	(720)	(3,611)
	155	2,600

13 Related party transactions

Identity of related parties with which the Group has transacted

Outside of remuneration as disclosed in the Annual Report 2023, there have been no related party transactions in the first six months of 2024. There has been a change in the composition of the related parties defined in the Annual Report 2023, with four of the Non-Executive Directors stepping down and four new Non-Executive Directors being appointed including Ken Mulvany, co-founder, effective from 2 May 2024.

Transactions with key management personnel (“KMPs”)

The remuneration of the KMPs of the Group, defined as the Board of Directors inclusive of CEO, include remuneration paid by subsidiary undertakings in the current and prior financial periods. Further disclosure related to remuneration of KMPs is included in the Remuneration Committee report in the Annual Report 2023.

14 Subsequent events

There are no subsequent events to report under IAS 10.

In a move to better enhance operational efficiency and strategic focus, the Board initiated a leadership review to better support BenevolentAI's ambitious growth plans. The results of the review include Ms. Catherine Isted stepping down from her role as Chief Financial Officer.

15 Chief Executive Officer and Group Finance Director responsibility statement

We confirm, to the best of our knowledge, that:

1. The condensed consolidated financial statements of BenevolentAI for the period from 1 January 2024 to 30 June 2024 have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position, profit or loss of BenevolentAI and the Group taken as a whole; and
2. This report, in conjunction with the Annual Report 2023, include a fair review of the development and performance of the business and position of BenevolentAI and the Group taken for the first six months of the year, together with a description of the principal risks and uncertainties they face for the remaining six months of the year and related party transactions.

Joerg Moeller, Chief Executive Officer

Tom Holgate, Group Finance Director