

## Aerpio Reports Second Quarter 2017 Financial Results

*Commenced Trading on the OTCQB<sup>®</sup> Market*

*Continue to Dose Patients in the TIME-2b Clinical Trial of AKB-9778 in Patients with Diabetic Retinopathy*

CINCINNATI--([BUSINESS WIRE](#))-- Aerpio Pharmaceuticals, Inc. (OTCQB:ARPO), a biopharmaceutical company focused on advancing first-in-class treatments for ocular diseases, today reported financial results for the second quarter ended June 30, 2017.

### Second Quarter 2017 Financial Highlights

- As of June 30, 2017, cash and cash equivalents totaled \$29.8 million.
- Research and development expenses were \$3.1 million for the second quarter of 2017, as compared to \$2.9 million for the same period in 2016.
- General and administrative expenses were \$2.4 million for the second quarter of 2017, as compared to \$1.5 million for the same period in 2016.

### SUMMARY STATEMENT OF OPERATIONS

	Three Months				Six Months Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>Change</u>		<u>2017</u>	<u>2016</u>	<u>Change</u>	
			\$	%			\$	%
<b>Operating expenses:</b>								
<b>Research and development</b>	3,169	2,903	266	9.2%	5,425	5,893	(468)	-7.9%
<b>General and administrative</b>	2,415	1,474	941	63.8%	4,919	2,690	2,229	82.9%
<b>Total operating expenses</b>	5,584	4,377	1,207	27.6%	10,344	8,583	1,761	20.5%
<b>Other (expense) income, net</b>	64	(8)	72	-900.0%	(173)	3	(176)	
<b>Net Loss and comprehensive loss</b>	<u>(5,520)</u>	<u>(4,385)</u>	<u>(1,135)</u>		<u>(10,517)</u>	<u>(8,580)</u>	<u>(1,937)</u>	

### ***Research and Development***

Research and development expenses for the three months ended June 30, 2017 increased \$0.3 million, or 9.1%, compared to the three months ended June 30, 2016. This increase was the result of increased expenses associated with our lead program AKB-9778 as we prepared to initiate the double-blind Phase 2b diabetic retinopathy (DR) clinical trial, offset by a decrease in spending on our pipeline programs – AKB-4924 and ARP-1536.

The \$0.8 million increase in spending in our lead program, AKB-9778, for the three months ended June 30, 2017 from the corresponding period in 2016 is primarily attributed to expenses associated with initiating the Phase 2 DR clinical trial including the cost of drug product of approximately \$2.0 million offset by a decrease in pre-clinical and diabetic macular edema (DME) Phase 2a study expenses incurred in the prior period of \$1.2 million.

The \$0.5 million decrease in spending on our pipeline programs, for the three months ended June 30, 2017 from the corresponding period in 2016 is primarily due to our decision to focus on the lead program while pursuing alternative strategies to fund further development activities for one or both the pipeline programs. During the 2016 period, healthy volunteers were enrolled in the AKB-4924 Phase 1a and ARP-1536 cell line development expenses were incurred.

Research and development expenses for the six months ended June 30, 2017 decreased \$0.5 million, or 7.9%, compared to the six months ended June 30, 2016. This decrease resulted from decreased expenses associated with our pipeline programs – AKB-4924 and ARP-1536, offset by an increase in spending on our lead program AKB-9778, as we prepared to initiate the double-blind Phase 2b DR clinical trial in June 2017.

### ***General and Administrative***

General and administrative expenses in the three months ended June 30, 2017, increased \$0.9 million, or 63.8%, compared to the three months ended June 30, 2016. This increase was primarily attributable to personnel and related expenses, including costs to recruit additional resources as well as professional services, including legal, accounting, insurance and other professional service expenses associated with the Merger, related transactions and operating as a public reporting company.

General and administrative expenses in the six months ended June 30, 2017, increased \$2.2 million, or 83.7%, compared to the six months ended June 30, 2016. This increase was primarily attributable to personnel and related expenses, including costs to recruit additional resources as well as professional services including, legal, accounting, insurance and other professional service expenses associated with the Merger, related transactions and operating as a public reporting company.

## SUMMARY CASH FLOW

	<b>Six Months Ended June 30,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Net Cash provided (used) by Operations</b>	<b>\$ (10,252)</b>	<b>\$ (7,845)</b>
<b>Net Cash provided (used) by Investing Activities</b>	<b>(7)</b>	<b>(113)</b>
<b>Net Cash provided (used) by Financing Activities</b>	<b><u>37,497</u></b>	<b><u>4,417</u></b>
<b>Net Increase / (Decrease) in Cash and cash equivalents</b>	<b><u>\$ 27,238</u></b>	<b><u>\$ (3,541)</u></b>

### *Operating Activities*

For the six months ended June 30, 2017, operating activities used approximately \$10.2 million in cash, primarily as a result of our net loss of \$10.5 million, and approximately \$0.3 million from changes in working capital offset by approximately \$0.6 million in non-cash charges that consisted of stock compensation expense, non-cash interest expense, amortization of debt issuance costs and depreciation expense. For the six months ended June 30, 2016, operating activities used approximately \$7.8 million in cash, primarily as a result of our net loss of \$8.6 million, offset by approximately \$0.6 million net change in our working capital, and \$0.4 million of non-cash charges consisting of stock compensation expense, non-cash interest expense, amortization of debt issuance costs and depreciation expense.

### *Investing Activities*

Cash used in investing activities for both six month periods ended June 30, 2017 and 2016 was due to capital expenditures to support our operations. In addition, in the six months ended June 30, 2016, we acquired approximately \$0.1 million of laboratory equipment to support internal drug development capabilities

### *Financing Activities*

During the six months ended June 30, 2017, we received net proceeds of \$37.2 million from the sale of common stock at \$5.00 per share, issued in the Offering and \$0.3 million in January from an extension to the Aerpio senior secured convertible notes.

## **About Aerpio Pharmaceuticals**

Aerpio Pharmaceuticals, Inc. is a biopharmaceutical company focused on advancing first-in-class treatments for ocular diseases. The Company's lead compound, AKB-9778, is a small molecule

activator of the Tie2 pathway and is in clinical development for the treatment of non-proliferative diabetic retinopathy. For more information please visit [www.aerpio.com](http://www.aerpio.com).

### **About AKB-9778**

AKB-9778 is being developed as a subcutaneous injection for the treatment of non-proliferative diabetic retinopathy. AKB-9778 binds to and inhibits the intracellular domain of VE-PTP, the most critical negative regulator of Tie2. AKB-9778 has demonstrated the ability to activate the Tie2 receptor irrespective of extracellular levels of its binding ligands, angiopoietin-1 (agonist) or angiopoietin-2 (antagonist) and may be the most efficient pharmacologic approach to activating Tie2.

### **About Diabetic Retinopathy**

Diabetic Retinopathy (DR) is a complication of diabetes caused by damage to blood vessels in the retina. Severity of DR ranges from mild non-proliferative diabetic retinopathy (nPDR) to more advanced proliferative diabetic retinopathy (PDR), the hallmark of which is the development of new abnormal blood vessels.

### **Forward Looking Statements**

This press release contains forward-looking statements. Statements in this press release that are not purely historical are forward-looking statements. Such forward-looking statements include, among other things, the development of the Company's product candidates, including AKB-9778 for non-proliferative diabetic retinopathy or otherwise, the therapeutic potential of the Company's product candidates, including AKB-9778, the timing of trading of the Company's common stock on the OTCQB and the Company's use of proceeds from its private placement. Actual results could differ from those projected in any forward-looking statements due to several risk factors. Such factors include, among others, the ability to raise the additional funding needed to continue to develop AKB-9778 or other product development plans, the inherent uncertainties associated with the FDA and drug development process, competition in the industry in which the Company operates and overall market conditions. These forward-looking statements are made as of the date of this press release, and the Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements, except as required by law. Investors should consult all the information set forth herein and should also refer to the risk factor disclosure set forth in the reports and other documents the Company files with the SEC available at [www.sec.gov](http://www.sec.gov).

### **Contacts**

#### **Investor & Media:**

**Aerpio Pharmaceuticals, Inc.**

Dhaval Desai

Vice President of Medical Affairs

[ddesai@aerpio.com](mailto:ddesai@aerpio.com)

or

**Burns McClellan, on behalf of Aerpio Pharmaceuticals, Inc.**

Media:

Justin Jackson

[jjackson@burnsmc.com](mailto:jjackson@burnsmc.com)

or

Investors:

Ami Bavishi

[abavishi@burnsmc.com](mailto:abavishi@burnsmc.com)