



Aerpio Reports Third Quarter 2017 Financial Results

November 13, 2017

Strengthened Senior Leadership Team with the Appointment of Stephen Hoffman, M.D., Ph.D., as Chief Executive Officer Effective December 1, 2017

TIME-2b Clinical Trial of AKB-9778 in Patients with Diabetic Retinopathy Remains on Track

CINCINNATI--(BUSINESS WIRE)--Nov. 13, 2017-- Aerpio Pharmaceuticals, Inc. (OTCQB:ARPO), a biopharmaceutical company focused on advancing first-in-class treatments for ocular diseases, today reported financial results for the third quarter ended September 30, 2017.

"Aerpio has made tremendous progress in recent months towards the Company's vision of becoming a leader in developing and commercializing first-in-class treatments for sight-threatening diseases," said Dr. Joseph Gardner, Chief Executive Officer. "We continue to advance the TIME-2b study of our lead candidate, AKB-9778, to address the significant unmet need of patients with diabetic retinopathy. We are very pleased with the excitement within the clinical community about AKB-9778 based on our candidate's differentiated mechanism of action and previous preclinical and clinical proof of concept data."

Recent Highlights and Anticipated Near-Term Milestones

- Continued patient dosing in the TIME-2b study, a Phase 2b clinical trial designed to assess the efficacy and safety of Aerpio's lead candidate AKB-9778 for patients with moderate to severe non-proliferative diabetic retinopathy.
- Patient enrollment remains on track.
- Appointed Stephen Hoffman, M.D., Ph.D., as Chief Executive Officer effective December 1, 2017.
- Commenced trading under the ticker symbol "ARPO" on the OTC Market Group's OTCQB® Market.

Third Quarter 2017 Financial Highlights

- As of September 30, 2017, cash and cash equivalents totaled \$24.8 million. The following table sets forth our results of operations for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating expenses:				
Research and development	\$ 2,942,170	\$ 3,481,261	\$ 8,366,869	\$ 9,374,383
General and administrative	1,814,068	1,264,054	6,732,816	3,953,808
Total operating expenses	4,756,238	4,745,315	15,099,685	13,328,191
Loss from operations	(4,756,238)	(4,745,315)	(15,099,685)	(13,328,191)
Grant income	46,824	26,561	93,720	116,185
Interest income (expense), net	59,847	(166,847)	(159,612)	(254,552)
Other income, net	—	—	—	997
Total other income (expense), net	106,671	(140,286)	(65,892)	(137,370)
Net and comprehensive loss	<u>\$ (4,649,567)</u>	<u>\$ (4,885,601)</u>	<u>\$ (15,165,577)</u>	<u>\$ (13,465,561)</u>

Research and Development

Research and development expenses for the three months ended September 30, 2017 decreased approximately \$0.5 million or 15%, compared to the three months ended September 30, 2016. Research and development expenses for the nine months ended September 30, 2017 decreased approximately \$1.0 million, or 11%, compared to the nine months ended September 30, 2016. The decrease in both periods was the result of decreased spending on our pipeline programs AKB-4924 and ARP-1536, partially offset by an increase in spending on our lead program AKB-9778, currently in Phase 2b development.

General and Administrative

General and administrative expenses increased \$0.6 million, or 44%, and \$2.8 million, or 70% in the three and nine months ended September 30, 2017, respectively, compared with the corresponding period in 2016. The increase in both periods 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 in March 2017, related transactions and operating as a public company.

The following table summarizes our cash flows for the periods presented:

	Nine Months Ended September 30,	
	2017	2016
Net cash used in operating activities	\$(14,271,082)	\$(12,676,283)
Net cash used in investing activities	(6,547)	(113,297)
Net cash provided by financing activities	<u>37,496,845</u>	<u>8,953,719</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 23,219,216</u>	<u>\$ (3,835,861)</u>

Operating Activities

For the nine months ended September 30, 2017, operating activities used approximately \$14.3 million in cash, primarily as a result of our net loss of approximately \$15.2 million, offset by approximately \$0.7 million in non-cash charges that consisted primarily of stock compensation expense, non-cash interest expense, amortization of debt issuance costs and depreciation expense, as well as approximately \$0.2 million from changes in working capital.

For the nine months ended September 30, 2016, operating activities used approximately \$12.7 million in cash, primarily as a result of our net loss of approximately \$13.5 million, offset by approximately \$0.8 million of non-cash charges 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 nine month periods ended September 30, 2017 and 2016 was due to capital expenditures to support our operations.

Financing Activities

During the nine months ended September 30, 2017, we received net proceeds of \$37.5 million from the sale of common stock at \$5.00 per share, in March 2017 and \$0.3 million in January 2017 from an extension to the Aerpio senior secured convertible notes. During the nine months ended September 30, 2016, we received \$8.9 million from the issuance of and 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.

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, projections regarding future revenues and financial performance, the Company's long-term growth, 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 patient enrollment, 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.



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