Company Number 09481161

MEREO BIOPHARMA GROUP PLC

Annual Report and Accounts
Year ended December 31, 2025

MEREO BIOPHARMA GROUP PLC
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Directors	Dr. Denise Scots-Knight (Chief Executive Officer) Michael Wyzga (Chairman) Dr. Jeremy Bender Dr. Anders Ekblom Dr. Pierre Jacquet Dr. Annalisa Jenkins Dr. Deepika Pakianathan Justin Roberts Dr. Daniel Shames Marc Yoskowitz
Company Secretary	Charles Sermon
Registered Office	4th Floor, One Cavendish Place London W1G 0QF
Company Number	09481161
Independent Auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading RG1 3JH
Solicitors	Latham & Watkins LLP 99 Bishopsgate London EC2M 3XF
Registrars	MUFG Corporate Markets 10th Floor, Central Square 29 Wellington Street Leeds LS1 4DL

Introduction

Mereo BioPharma Group plc (the “Company”, “Mereo” or “Parent Company”) is a public limited company incorporated under the laws of England and Wales and is listed on the Nasdaq Capital Market (“Nasdaq”). The Company is a “quoted company” for the purposes of the Companies Act 2006 (the “Companies Act”).

The Board of Directors (the “Board” or “Directors”) present their strategic report together with the directors’ remuneration report, directors’ report, audited consolidated financial statements of Mereo BioPharma Group plc and its subsidiaries, audited financial statements of the Parent Company and auditor's report for the year ended December 31, 2025 (where the "Company" or the "Group" is referred to throughout the consolidated financial statements, this refers to Mereo BioPharma Group plc and its consolidated subsidiaries and where the "Company" is referred to in the company only accounts, this refers to Mereo BioPharma Group plc only).

The Company has also filed with the U.S. Securities and Exchange Commission (the “SEC”) its Annual Report on Form 10-K for the year ended December 31, 2025, which contains additional disclosures regarding some of the matters discussed in this report.

Business overview and strategy

We are a biopharmaceutical company focused on the development of innovative therapeutics for rare diseases. We have developed a portfolio of late-stage clinical product candidates. Our late-stage rare disease product candidates are setrusumab for the treatment of osteogenesis imperfecta ("OI") and alvelestat for the treatment of severe alpha-1 antitrypsin deficiency-associated lung disease ("AATD-LD"). Setrusumab has received orphan designation for OI from the European Commission ("EC") and the U.S. Food and Drug Administration ("FDA"), PRIority MEdicinePriority Medicines scheme ("PRIME") designation from the European Medicines Agency ("EMA") and has Breakthrough Therapy designation and rare pediatric disease designation from the FDA. Alvelestat has received orphan designation for AATD from the EC and the FDA, and Fast Track designation for the treatment of AATD-LD from the FDA. We also have an early-stage rare disease program, vantictumab, for the treatment of a second bone disease, autosomal dominant osteopetrosis Type 2 ("ADO2"). The global development of vantictumab is being funded and led by our partner, āshibio, Inc. ("āshibio") and we retain the European commercial rights.

On December 29, 2025, the Company announced the results from the Phase 3 Orbit and Cosmic studies evaluating setrusumab in pediatric and young adult patients with OI. Neither study achieved statistical significance against the primary endpoints of reduction in annualized clinical fracture rate compared to placebo or bisphosphonates, respectively. Both studies achieved their secondary endpoints of improvements in bone mineral density ("BMD") against comparators (placebo and bisphosphonates) with strong statistical significance. There was no change in the safety profile observed.

In the Orbit study, participants experienced statistically significant and substantial improvements in BMD compared to placebo, at levels consistent with the treatment effect observed in Phase 2 studies. These BMD changes were not accompanied by a corresponding reduction in annualized fracture rates and there was a low fracture rate in the placebo group.

In the pediatric Cosmic study, patients had a substantially higher baseline fracture rate compared to the patients enrolled in Orbit. In this younger patient population, meaningful improvements in BMD were associated with a reduction in annualized fracture rate for setrusumab treated patients over bisphosphonates treated patients, though the reduction did not meet statistical significance.

Following the top-line data release, additional analyses from both studies indicate that in pediatrics and teens, setrusumab results in a reduction in vertebral fractures, and has a positive impact on pain and mobility/sports activity. The data continue to be analyzed and once completed, we expect to determine the next steps, including potential regulatory interactions.

Our strategy is to selectively acquire and develop product candidates for rare diseases that have already received significant investment from large pharmaceutical and biotechnology companies and that have substantial pre-clinical, clinical and manufacturing data packages. Since our formation in March 2015, we have successfully executed on this strategy by acquiring all of our clinical-stage product candidates of which three were in rare diseases. We have successfully completed large, randomized Phase 2 clinical trials for four of our product candidates and the Phase 1b portion of a Phase 1b/2 for a fifth product candidate, and we and our partner Ultragenyx Pharmaceutical Inc. ("Ultragenyx") recently announced the results from two Phase 3 studies for our lead program setrusumab in OI.

Rare diseases represent an attractive development and, in some cases, commercialization opportunity for us since they typically have high unmet medical need and can utilize regulatory pathways that facilitate acceleration to approval and to the potential market. Development of products for rare diseases involves close collaboration with key opinion leaders and investigators, and close coordination with patient organizations. Rare disease patients are typically treated at a limited number of specialized sites which helps identification of the patient population and enables a small, targeted sales infrastructure to commercialize the products in key markets.

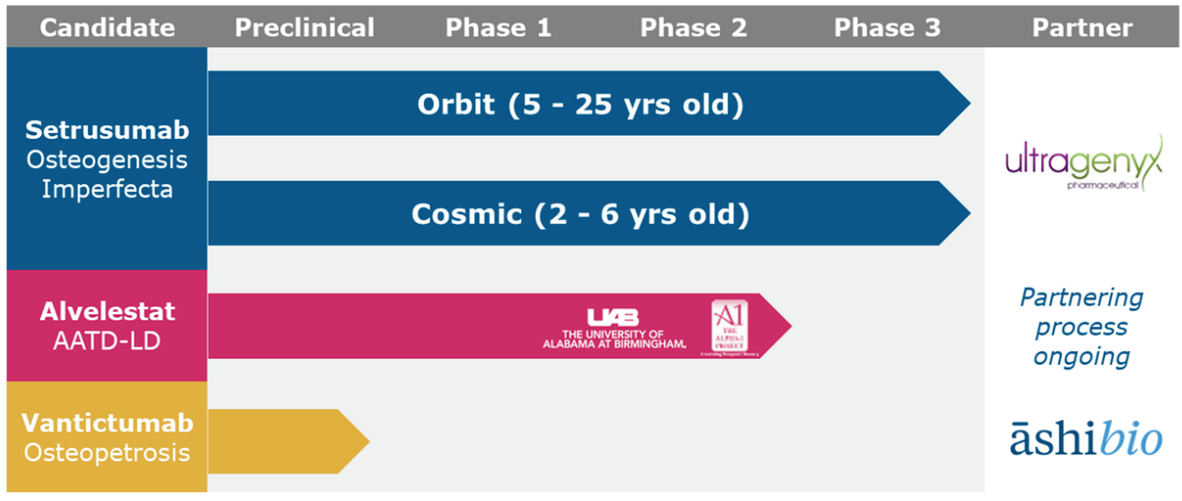
Our Strategy

We intend to become a leading biopharmaceutical company developing innovative therapeutics that aim to improve outcomes for patients with rare diseases. The key elements of our strategy to achieve this goal include:

- ***Rapidly develop and potentially commercialize our rare disease product candidates.*** Our late-stage rare disease product candidates setrusumab and alvelestat have been acquired or in-licensed from pharmaceutical companies following strategic de-prioritization. Prior to this they have received significant investment in preclinical, toxicology, clinical studies and CMC. We have built expertise in the areas of patient identification, clinical study design and regulatory strategy. This combination of prior investment and our expertise has allowed us to rapidly develop our two late-stage rare disease product candidates. For example, setrusumab has completed a Phase 2 in adult OI patients and we and our partner Ultragenyx recently reported data from two Phase 3 studies in pediatric and young adult OI patients, and alvelestat has completed two Phase 2 studies and is ready to progress into Phase 3. We may seek to partner our rare disease product candidates for further development where it makes strategic sense to do so, including potentially seeking partnerships on a regional basis. However, as commercialization of rare disease products can be achieved using a highly specialized and focused infrastructure, we may seek to commercialize our rare disease product candidates, once approved, in select markets. For example, as part of our partnership with Ultragenyx, we have the retained the commercial rights to setrusumab in Europe and the U.K., and we have out-licensed our early-stage rare disease product candidate vantictumab to āshibio, while retaining rights to commercialize in Europe and the U.K.
- ***Continue to be a partner of choice for pharmaceutical and biotechnology companies.*** We believe that we are a preferred partner for pharmaceutical and biotechnology companies as they seek to unlock the potential in their development pipelines and deliver therapeutics to patients in areas of high unmet medical need. We have strong relationships with these companies, as evidenced by our agreements with Novartis AG ("Novartis") and AstraZeneca AB ("AstraZeneca"), as well as our partnership with Ultragenyx, and a track record of structuring transactions that enable us to leverage our core capabilities while creating value for all stakeholders. We intend to continue to enter into strategic relationships that align our interests with those of pharmaceutical and biotechnology companies and that we believe to be mutually beneficial.
- ***Leverage our expertise in business development.*** Our senior management team has extensive relationships with large pharmaceutical and biotechnology companies. These relationships are important to us as we seek to form strategic partnerships on our product candidates, such as our partnership with Ultragenyx, and to grow our pipeline of product candidates in rare diseases.
- ***Explore out-licensing or sale opportunities with third parties for further clinical development and/or commercialization of our non-core and non-rare disease programs.*** In March 2018, we reported top-line Phase 2b data for leflutrozole for the treatment of hypogonadotropic hypogonadism ("HH") and in December 2018, we reported positive results from the safety extension study for leflutrozole. In December 2023, leflutrozole was partnered on a global basis with ReproNovo SA ("ReproNovo") and ReproNovo has commenced a Phase 2 clinical trial for leflutrozole for the treatment of infertility in men with low serum testosterone. Navicixizumab, for the treatment of late line ovarian cancer has completed a Phase 1 study and was partnered on a global basis with Feng Biosciences, Inc. ("Feng Biosciences") in January 2020. Etigilimab and acumapimod remain available for partnering.

Our Pipeline

The following table summarizes our pipeline for our core product candidates. We have global commercial rights to alvelestat, commercial rights to setrusumab in Europe and the U.K., and commercial rights to vantictumab in Europe and the U.K. We granted exclusive licenses to Ultragenyx to develop and commercialize setrusumab and to āshibio to develop and commercialize vantictumab outside our territories in the U.S. and rest of the world. In addition, we have licensed global rights for leflutrozole to ReproNovo and for navicixizumab to Feng Biosciences. We have global rights to etigilimab and acumapimod, which both remain available for partnering.



Core Rare Disease Product Candidates

Setrusumab (BPS-804/UX143) for the Treatment of Osteogenesis Imperfecta

Overview

In collaboration with Ultragenyx, we are developing setrusumab for the treatment of OI, a rare genetic disease, which is caused by variants in the COL1A1 or COL1A2 genes, which results in bones that can break easily and is commonly known as brittle bone disease. Setrusumab is a novel, intravenously administered antibody that is designed to inhibit sclerostin, a protein that inhibits the activity of bone-forming cells, known as osteoblasts. We believe that by blocking sclerostin, setrusumab has the potential to induce or increase osteoblast function and maturation of these cells, and to inhibit bone-resorption through osteoclasts, increasing overall bone mass and thereby reducing fractures in OI patients.

Background of Osteogenesis Imperfecta

OI is a genetic disorder characterized by fragile bones and reduced bone mass, resulting in bones that break easily, loose joints and weakened teeth. In severe cases, patients may experience hundreds of fractures in a lifetime. In addition, people with OI often suffer from muscle weakness, early hearing loss, fatigue, curved bones, scoliosis (curved spine), brittle teeth, respiratory problems and short stature. The disease can be extremely debilitating and even fatal in newborn infants with a severe form of the disease. OI is a rare condition that affects an estimated 60,000 people in the U.S. and Europe, according to estimates by Orphanet.

There are many different recognized forms of OI, but the Type I, II, III and IV are estimated to represent approximately 80% to 90% of the total population. Type I is cited to be the least severe, although patients can still have many fractures and other physical manifestations of the disease, while Type II is the most severe and frequently causes death at or shortly after birth. Type I is the most prevalent and estimated to occur in approximately 50% to 60% of OI patients. Type III and Type IV patients may be wheelchair bound and typically have many fractures through their lifetime. Type III and Type IV patients may also have short stature, scoliosis and hearing loss by the time they are

young adults. OI is typically diagnosed at birth with most patients being born with a blue or gray tint to the sclera, the part of the eye that is usually white.

Current Treatment Landscape for Osteogenesis Imperfecta

There are no therapies approved by the FDA, EMA or the United Kingdom Medicines and Healthcare products Regulatory Agency ("MHRA") for the treatment of OI, except for neridronate is approved for the treatment of OI in Italy. The only treatments available to OI patients are the acute management of fractures as they occur and drugs such as bisphosphonates which are typically used to treat osteoporosis and are not approved for OI but are commonly used off-label in both children and adults. Bisphosphonates reduce the rate of bone resorption by inhibiting osteoclastic activity. These anti-resorptives include Aredia (pamidronate), Fosamax (alendronate), Reclast (zoledronic acid) and neridronate (which is approved for the treatment of OI in Italy). Bisphosphonates have not consistently been shown to reduce fractures in pediatric or adult OI patients and the effect of long-term therapy with these drugs remains unclear in both children and adults.

Current treatment of OI is directed towards management of fractures with casting or surgical fixation. Following either of these, physical therapy will often be required. Preventative surgeries, such as intramedullary, or in-bone, rodding fixation are also undertaken. Supportive care for the disease involves surgery to correct deformities, internal splinting of bones with metal rods, bracing to support weak limbs and decrease pain, physical therapy and muscle strengthening and aerobic conditioning to improve bone mass and strength.

Our Approach

Setrusumab, our product candidate for the treatment of OI, is specifically designed to inhibit sclerostin. Sclerostin is produced in osteocytes, which are mature bone cells that are thought to be the mechanoreceptor cells that regulate the activity of bone-building osteoblasts and bone-resorbing osteoclasts. Sclerostin inhibits the activity of osteoblasts. We believe that by blocking sclerostin, setrusumab has the potential to induce or increase osteoblast activity and maturation of these cells, increasing overall bone mass, and thereby reducing fractures in OI patients.

In 2016, we obtained orphan drug designation in OI for setrusumab in the U.S. and the EU and, in November 2017, the program was accepted into the PRIME of the EMA. In September 2020 we received rare pediatric disease designation for setrusumab in OI from the FDA. In October 2024 our partner, Ultragenyx, received Breakthrough Therapy designation from the FDA.

Clinical Development of Setrusumab

Prior to our acquisition of setrusumab, Novartis conducted four clinical trials in 106 patients and healthy volunteers. In 2019 we completed a Phase 2b dose-finding study (ASTEROID) study of setrusumab in 112 adult patients with Type I, III and IV OI. Following the 12-month dosing part of the trial, patients were followed for a further twelve months to examine the off-effects of setrusumab. The results of this Phase 2b trial supported the progression of setrusumab into a pivotal study in OI. Setrusumab was safe and well-tolerated in the study. There were no cardiac-related safety concerns observed in the study.

Top-line Data from Setrusumab Phase 2 Portion of Phase 2/3 Orbit Study

In June 2023, we along with our partner, Ultragenyx, announced successful completion of the Phase 2 portion of the pivotal Phase 2/3 Orbit study in 24 pediatric and young adult patients (5 to <26 years old) for setrusumab in OI, which compared two different doses of setrusumab, 20 and 40 mg/kg, to determine the optimal dose for the Phase 3. The primary endpoint of the Phase 2 study was circulating levels of P1NP, a biomarker reflective of bone formation. The study also evaluated numerous other endpoints, including BMD and annualized fracture rates, PK and safety. Across all patients evaluated at both doses, these data showed statistically significant increases in levels of serum P1NP, a sensitive marker of bone formation, and substantial and significant improvement in BMD by three months. An increase in lumbar spine BMD from baseline of 9.4% at 20 mg/kg (n=10) was observed, with a substantial mean change in the Z-score of +0.65 from -2.12 (n=11) at baseline. There was no significant difference between the two doses tested, accordingly, the 20 mg/kg was selected as the Phase 3 dose. The changes observed in BMD in these younger patients at three months are equivalent to the changes following 12 months treatment with setrusumab in adult patients reported from the Phase 2b ASTEROID study. The 24 patients from the Phase 2 portion of the ORBIT study are continuing to receive setrusumab treatment in an open-label extension study.

Additional data from the Phase 2 portion of the Phase 2/3 Orbit study were reported at the annual ASBMR meeting in October 2023 and demonstrated that treatment with setrusumab significantly reduced incidence of fractures in patients with OI with at least six months of follow-up and continued to demonstrate ongoing and meaningful improvements in

lumbar spine BMD. As of the cut-off date and following at least six months of treatment with setrusumab, the annualized fracture rate across all 24 patients in the Phase 2 portion of the study was reduced by 67%. The median annualized fracture rate of 0.72 in the two years prior to treatment was reduced to 0.00 (n=24, p=0.042) during the mean treatment duration period of nine months. These fractures excluded fractures of the fingers, toes, skull and face consistent with the Phase 3 study design. Following initiation of treatment with setrusumab, 20 patients experienced no radiographic-confirmed fractures, and four patients experienced seven radiographic-confirmed fractures in five separate events. Two of these fractures occurred within the first two months of treatment, a time in which setrusumab-induced increases in BMD may have been suboptimal in reducing fractures.

At the six-month timepoint, treatment with setrusumab resulted in a mean increase in lumbar spine BMD from baseline of 13% at 20 mg/kg (n=11) and 16% at 40 mg/kg (n=8), which represented the same substantial mean improvement in Z-score of +0.85 for both dose groups at six months compared to a combined mean baseline Z-score of –1.68. The small apparent difference in BMD change from baseline is likely related to differences in patients assigned to the two treated groups. There was no statistically significant difference in BMD percent change or Z-score change from baseline between the 20 and 40 mg/kg dosing cohorts. As of the data cut-off for our October 2023 announcement, there were no treatment-related serious adverse events observed in the study.

In data reported in June 2024, the large reduction in annualized radiologically confirmed fracture rate previously reported in patients treated for a minimum of six months was sustained in patients treated for at least 14 months with a high degree of statistical significance. The median annualized rate of radiologically confirmed fractures across all 24 patients in the two years prior to treatment was 0.72. Following a mean treatment duration period of 16 months, the median annualized fracture rate was reduced to 0.00 (p=0.0014; n=24), reflecting a 67% reduction relative to the pre-treatment period. Patients enrolled in the Phase 2 portion of the Orbit study are continuing to receive setrusumab treatment at 20 mg/kg in an open label extension study.

Phase 3 Orbit and Cosmic Studies

The Phase 3 portion of the Orbit study completed enrollment in April 2024 of 158 patients (aged 5 - <26 years old) at 45 sites across 11 countries. Patients were randomized 2:1 to receive setrusumab (20 mg/kg) or placebo, respectively, with a primary efficacy endpoint of a reduction in annualized clinical fracture rate, excluding fingers, toes, skull and face.

A second study, Cosmic, a Phase 3 open-label study in younger children (aged 2 - < 7 years old) completed enrollment in April 2024 of 66 patients at 21 sites across seven countries. The Cosmic study is an active-controlled study evaluating the effect of setrusumab compared to intravenous bisphosphonates (IV-BP) therapy (randomized 1:1) on annualized total fracture rate.

Top-line Data from Setrusumab Phase 3 Orbit and Cosmic Studies

On December 29, 2025, we announced the results from the Phase 3 Orbit and Cosmic studies evaluating setrusumab in pediatric and young adult patients with OI. Neither study achieved statistical significance against the primary endpoints of reduction in annualized clinical fracture rate compared to placebo or bisphosphonates, respectively. Both studies achieved their secondary endpoints of improvements in BMD against comparators (placebo and bisphosphonates) with strong statistical significance. There was no change in the safety profile observed.

In the Orbit study, participants experienced statistically significant and substantial improvements in BMD compared to placebo, at levels consistent with the treatment effect observed in Phase 2 studies. These BMD changes were not accompanied by a corresponding reduction in annualized fracture rates and there was a low fracture rate in the placebo group.

In the pediatric Cosmic study, patients had a substantially higher baseline fracture rate compared to the patients enrolled in Orbit. In this younger patient population, meaningful improvements in BMD were associated with a reduction in annualized fracture rate for setrusumab treated patients over bisphosphonates treated patients, though the reduction did not meet statistical significance.

Following the top-line data release, additional analyses from both studies indicate that in pediatrics and teens, setrusumab results in a reduction in vertebral fractures, and has a positive impact on pain and mobility/sports activity. The data continue to be analyzed and once completed, we expect to determine the next steps, including potential regulatory interactions.

Alvelestat (MPH-966) for the Treatment of Severe Alpha-1 Antitrypsin Deficiency-Associated Lung Disease:

Overview

We are developing alvelestat for the treatment of severe AATD-LD. AATD-LD is a potentially life-threatening rare, genetic condition that results in severe debilitating diseases, including early-onset pulmonary emphysema. Alvelestat is a novel, oral small molecule designed to inhibit NE. Scientific data indicate that the increased risk of lung tissue injury in patients with AATD-LD may be due to inadequately controlled NE caused by insufficient alpha-1 antitrypsin (AAT). We believe that by inhibiting NE, alvelestat has the potential to reduce the destruction of lung tissue and stabilize clinical deterioration in patients with severe AATD-LD patients.

Background of Alpha-1-Antitrypsin Deficiency

AATD is a genetic disease. There are estimated to be 50,000 people in North America and 60,000 in Europe with severe AATD, which we define as AATD in patients with serum AAT levels <11mM, (most commonly either a PiZZ genotype or Null/Null genotype) although there are approximately only 10,000 people diagnosed in North America. The major function of AAT in the lungs is to protect the connective tissue from neutrophil elastase ("NE") released from triggered neutrophils. The lungs are normally defended from NE attack by AAT, which is a highly effective inhibitor of NE. People with severe AATD produce ineffective or no AAT and are, therefore, unable to defend against NE attack. As a result, individuals with severe AATD commonly experience degeneration of lung function, such as early-onset pulmonary emphysema, which significantly affects quality of life and life expectancy. They may require oxygen therapy in order to continue their daily lives and the most severe patients may require lung transplantation.

AATD is the result of a mutation of the SERPINA1 gene. Most people with severe AATD inherit two copies of the defective PiZ allele, or gene variant, of the SERPINA1 gene, resulting in a PiZZ genotype. Patients with a PiZZ genotype have approximately 15% of normal AAT levels. Individuals who inherit two copies of the Null allele, resulting in a Null/Null genotype, do not produce any AAT. These two groups are at very high risk of developing lung disease. Patients with the PiZZ genotype experience loss of lung tissue as measured by lung density on computed tomographic (CT) scanning, a decline in FEV1, a standard measure of exhalation, acute exacerbations of respiratory disease and poor quality of life. Respiratory disease can progress to need for chronic oxygen therapy, lung transplant and death. The annual mortality rate in this genotype is estimated to be 4%. Given that individuals with the Null/Null genotype do not produce any AAT, we believe that they are likely to experience an even greater annual decline in lung function.

Current Treatment Landscape for Alpha-1 Antitrypsin Deficiency

AATD-LD patients are monitored by pulmonary functions tests, including spirometry. Treatment involves bronchodilators and inhaled corticosteroid medications and pulmonary rehabilitation, with increased intensity of therapy guided by disease severity. Surgical options include lung volume reduction surgery and lung transplantation. Both are highly invasive, and transplantation is only an option for a portion of patients with end-stage disease despite optimal therapy.

Augmentation therapy is available for AATD-LD, using a partially purified plasma preparation highly enriched for AAT that is administered weekly by intravenous infusion. This therapy was first approved by the FDA in the 1980s based on its biochemical efficacy, meaning its ability to raise blood levels of AAT, but not based on clinical outcome data. Several observational studies have suggested that AAT augmentation therapy may slow the rate of decline in lung function in a subgroup of AATD-LD patients with moderate-to-severe airflow obstruction, but not for those with earlier stages of lung disease. In a randomized, controlled trial of augmentation therapy, patients had some reduction in the progression of emphysema, as assessed by measuring lung density using computed tomography. The study did not show a slowing in the decline in FEV_1.

We believe that current therapies for AATD-LD are inadequate. Surgical options are limited to a few patients, are highly invasive, have variable results, and do not address the underlying pathology of AATD-LD. AAT augmentation therapy, while FDA approved, was not approved on the basis of clinical outcome data. Benefit has not been demonstrated in patients with earlier stages of lung disease where there is an unmet need to reduce progression of irreversible lung tissue loss. In Europe, regulatory approval was on efficacy based on slowing of CT density decline, without effects on other measures such as FEV_1 or patient-reported outcomes. Further, AAT augmentation therapy is not universally reimbursed and thus is not currently available to patients in several jurisdictions, including some key European markets. In addition, AAT augmentation therapy requires potentially inconvenient weekly intravenous infusions.

Our Approach

Our product candidate for treating severe AATD-LD is alvelestat, a potent, specific oral small molecule that is designed to inhibit NE. We believe that by inhibiting NE, alvelestat has the potential to reduce the enzymatic destruction of lung tissue. Furthermore, we believe that convenient oral dosing of alvelestat could provide a significant advantage compared to the current treatments for AATD of weekly intravenous AAT augmentation therapy. Alvelestat is not being investigated for treatment of the hepatic disease which is due to the damaging effect of accumulated abnormal ZZ protein in the liver, rather than the protein deficiency. Severe liver disease occurs in approximately 10% cases of severe AATD, predominantly in children.

Alvelestat has received orphan designation for AATD from the EC and the FDA, and Fast Track designation for the treatment of AATD-LD from the FDA.

Clinical Development of Alvelestat

Prior to our license of alvelestat, AstraZeneca conducted 12 clinical trials involving 1,776 subjects, including trials in COPD, bronchiectasis and cystic fibrosis. Although these trials were conducted in diseases other than AATD-LD, we believe the data demonstrated potential clinical benefit and biomarker evidence of treatment effect for AATD-LD patients. These trials created a safety database of 1,149 subjects treated with alvelestat.

Phase 2 Clinical Trials in AATD-LD

In May 2022, we successfully completed a Phase 2, placebo-controlled, 12-week, dose-ranging, proof-of-concept clinical trial (ASTRAEUS) in 99 patients with AATD-LD in the U.S. and the EU which demonstrated statistically significant changes in NE activity and biomarkers of disease severity at different time points up to 12 weeks. We enrolled only adult patients with PiZZ or Null/Null genotypes or rare genotypes with severe deficiency of alpha-1 antitrypsin (<11 microMolar) with confirmed emphysema, who had not received AAT augmentation therapy or had undergone a wash-out period following AAT augmentation therapy. The study examined two doses of alvelestat (120 mg and 240 mg) compared to placebo with three primary endpoints along the pathogenic pathway of lung disease in AATD-LD patients. These primary endpoints were plasma desmosine (a biomarker of protease-driven elastin breakdown), Aα-Val360, a specific biomarker of NE proteolytic activity, and NE activity in blood. Secondary endpoints were safety, exacerbation frequency, and pharmacokinetics. Exploratory endpoints were St. Georges Respiratory Questionnaire (SGRQ) which is a patient-reported outcome of Respiratory Health Status and lung function tests, including FEV1.

We subsequently announced additional Phase 2 data from this study in October 2022 demonstrating the association of biomarker responders in alvelestat-treated patients to improvement in the Activity domain of the St George's Respiratory Questionnaire, but not in patients treated with placebo.

No new safety signals were detected in patients with AATD-LD compared to the previous studies conducted by AstraZeneca. The most frequent adverse event was headache which was more frequently observed at the higher doses of alvelestat (120 mg and 240 mg) used in AATD-LD than at the lower doses used in previous studies in COPD, bronchiectasis and cystic fibrosis. There was evidence of tolerance to headache being induced, and we intend to use a dose-escalation regime for initiation of treatment in future trials. Monitoring for Adverse Events of Special Interest (AESIs) documented a single treatment-emergent adverse event (TEAE) of liver function abnormality (raised hepatic transaminases, without meeting Hy's Law) and one AESI of prolonged QTc, in which study-drug stopping criteria being met were reported in the ASTRAEUS trial. Both events fully resolved on study drug cessation.

In October 2023, the University of Alabama at Birmingham ("UAB") and Mereo reported on the ATALANTa study, a multi-center, double-blind, placebo-controlled, proof-of-concept investigator-led study run by Professor Mark Dransfield, Director of the Division of Pulmonary, Allergy and Critical Care, UAB, in collaboration with Mereo. ATALANTa investigated the safety and efficacy of alvelestat 120 mg, or matched placebo, twice daily, for 12 weeks in a broad range of individuals with AATD-LD, including those with less severe phenotypes (Pi*SZ) and earlier stage patients than were enrolled in the Company-sponsored ASTRAEUS Phase 2 study, and those receiving augmentation therapy. The study randomized 63 patients, 32 in the 120 mg alvelestat arm (44% on augmentation therapy) and 31 in the placebo arm (48% on augmentation therapy). The results demonstrated with the 120 mg dose of alvelestat (the lower dose used in the Phase 2 ASTRAEUS study) are consistent with those observed in ASTRAEUS on blood NE activity and changes in the disease-activity biomarkers, desmosine and Aα-val360. The data demonstrate that the 120 mg dose of alvelestat appears generally safe on top of augmentation. The greater biomarker efficacy supports Mereo's selection of the 240 mg dose to be studied in the planned Phase 3 pivotal trial. Exploratory endpoints in ATALANTa demonstrated statistically significant improvement in SGRQ Activity score (p=0.0106 versus placebo) and

a trend to improvement in SGRQ Total score at 12 weeks in patients not receiving augmentation therapy and having earlier stage lung disease (based on their FEV_1). The ATALANTa and ASTRAEUS data support the use of the SGRQ Total score in the planned Phase 3 pivotal trial and inclusion of patients with earlier stages of lung disease. Safety in ATALANTa was consistent with the known alvelestat profile and there were no liver or QTc AESIs documented.

Planned Phase 3 Clinical Trial in AATD-LD

In March 2023, we announced the outcome of the end-of-Phase 2 discussions with the FDA and the EMA (Scientific Advice) and the guidance on the Phase 3 endpoints received from both Regulatory Agencies. In the EU, the Company received guidance that lung density by computed tomography (CT) scan with a relaxed p value ($p<0.1$) may be sufficient for full regulatory approval. In the U.S., following additional FDA interactions in the second half of 2023, the Company has aligned on St George's Respiratory questionnaire (SGRQ) total score as the primary endpoint, with a functional assessment as a key secondary endpoint, which, if successful, is expected to support submissions for full regulatory approval in the U.S. Inclusion of patients with earlier and later stage lung disease progression in the planned registrational study could increase the addressable patient population for alvelestat. Based on the guidance from the FDA and the EMA, the Company has designed a single, global, Phase 3 study evaluating the 240 mg dose of alvelestat versus placebo in approximately 220 patients with AATD-LD with two independent primary endpoints to support applications for full marketing approvals in both the U.S. and EU. Qualitative research to test that the SGRQ is fit for purpose in the AATD-LD population, as required by FDA, was completed in 2024. A Pediatric Investigation Plan ("PIP") full waiver was agreed by the EMA in 2024, meaning that no pediatric studies are required.

The Company continues to evaluate non-dilutive financing options for the development and potential commercialization of alvelestat in AATD-LD while continuing to progress the program towards the initiation of the planned Phase 3.

Phase 1b/2 Clinical Trial in Bronchiolitis Obliterans Syndrome ("BOS")

BOS is a rare progressive, fibrosing disease of the lungs affecting approximately 6% of the estimated 12,000 stem cell transplants a year in the U.S., often as part of graft versus host disease. BOS is characterized by neutrophil infiltration in the lung, excess NE and inflammation.

An investigator-sponsored open-label Phase1b/2 study in BOS following allogeneic stem cell transplant is being conducted. In January 2025, the Clinical Trial Agreement between Mereo and The Center for Cancer Research, National Cancer Institute was amended to expire on the earlier of completion of the research or May 31, 2026 and no subject was enrolled in the trial after May 31, 2025.

Vantictumab (OMP-18R5) for the Treatment of Autosomal Dominant Osteopetrosis Type 2

Vantictumab is an anti-FZD monoclonal antibody that we acquired in the Merger, which is being investigated for treatment in ADO2. In August 2025, we announced a license agreement with āshibio under which āshibio will fund and lead global clinical development of vantictumab and we retain rights to commercialize vantictumab in Europe with āshibio having exclusive rights in the U.S. and rest of world.

ADO2 (also known as Albers-Schönberg disease) is a rare inherited metabolic bone disorder for which there is currently no approved therapy. ADO2 is caused by reduced function of osteoclasts. Impaired osteoclast function results in dense, brittle bone and leads to complications such as multiple fractures, poor bone healing, low blood counts (due to encroachment of the bone marrow), and nerve compression that can cause pain, deafness, and/or blindness. ADO2 results from a mutation in the chloride channel 7 (CLCN7) gene, with the most common mutation being G215R.

The Wnt pathway plays a key role in bone homeostasis. Vantictumab is a novel antibody that binds to certain Frizzled receptors and inhibits the Wnt signaling pathway. This enhances bone resorption by promoting osteoclast activity resulting in re-established bone homeostasis. Between 2011 and 2017 vantictumab was investigated in approximately 100 patients in four Phase 1a/1b studies in oncology indications. Biomarker data demonstrated an impact on osteoclast function and high bone turnover leading to fragility fractures in some patients.

Āshibio reported promising pre-clinical data at ASBMR 2025 with vantictumab significantly decreasing areal BMD in the ADO2 mouse model (whole body, femur and spine), improving measures of bone structure and quality and rescuing the bone phenotype in ADO2 mice. These results support the clinical development of vantictumab and āshibio expect to file an IND in the second half of 2026.

Our Non-Core Partnered Programs

Following completion of successful Phase 1b or Phase 2 studies the products below are programs which we have successfully partnered.

Leflutrozole (BGS-649) for the Treatment of Hypogonadotropic Hypogonadism

Leflutrozole is an oral inhibitor of aromatase. Excess aromatase in fat tissue reduces testosterone, luteinizing hormone ("LH") and follicle-stimulating hormone ("FSH"), leading to HH. In Phase 2 trials, leflutrozole normalized testosterone, increased LH and FSH, improved total sperm count, and was reported to be well-tolerated.

In December 2023, we entered into an exclusive global license agreement with ReproNovo for the development and commercialization of leflutrozole, a non-steroidal aromatase inhibitor (the "ReproNovo Licensing Agreement"). Under the terms of the ReproNovo Licensing Agreement, ReproNovo, a reproductive medicine company, is responsible for all future development and commercialization of leflutrozole.

Mereo previously received an upfront payment of $1.0 million in 2023 and received an additional $0.5 million milestone payment in the year ended December 31, 2025 following the announcement that the first participant had been included in a Phase 2 trial of leflutrozole. Mereo will be eligible to receive up to $63.8 million for additional development, regulatory and commercial milestones as well as tiered mid-single digit royalties on global annual net sales of leflutrozole.

Navicixizumab (OMP-305B83) for the Treatment of Ovarian Cancer

Navicixizumab is a bispecific antibody that inhibits delta-like ligand 4 (DLL4) and vascular endothelial growth factor (VEGF).

We acquired navicixizumab in the Merger. In January 2020, we out-licensed navicixizumab to Feng Biosciences.

Our Non-Core Programs Available for Partnering

Following completion of successful Phase 1b or Phase 2 studies, the following programs are available for partnering.

Etigilimab (MPH-313) for the Treatment of Advanced Solid Tumors

Etigilimab is an antibody against TIGIT. TIGIT is a next generation checkpoint receptor shown to block T-cell activation and the body’s natural anti-cancer immune response. Etigilimab is an IgG1 monoclonal antibody which binds to the human TIGIT receptor on immune cells with a goal of improving the activation and effectiveness of T-cell and NK cell anti-tumor activity. Etigilimab has completed a Phase 1a dose escalation clinical trial in 23 patients with advanced solid tumors and has been evaluated in a Phase 1b study in combination with nivolumab in select tumor types.

Acumapimod (BCT-197) for the Treatment of AECOPD

Acumapimod is a p38 MAP kinase inhibitor therapy for treatment during severe acute exacerbations of COPD (AECOPD). In a Phase 2 trial, acumapimod given over five days in patients hospitalized with AECOPD demonstrated a statistically significant reduction in re-hospitalization for treatment failure and recurrent exacerbations. Acumapimod was reported to be safe and well tolerated. Following meetings with FDA and EMA a global Phase 3 registrational program has been designed.

We intend to out-license or sell etigilimab and acumapimod to third parties for the further development, recognizing the need for greater resources to take these product candidates to market.

Financial review

The following table sets forth Mereo's results of operations for the years ended December 31, 2025 and 2024.

	Year ended December 31,		
	2025	2024	Change
	£'000s	£'000s	£'000s
Revenue	364	—	364
Cost of revenue	(99)	—	(99)
Research and development expenses	(13,115)	(14,393)	1,278
General and administrative expenses	(16,624)	(21,438)	4,814
Operating loss	(29,474)	(35,831)	6,357
Finance income	1,650	2,373	(723)
Finance costs	(192)	(762)	570
Changes in the fair value of financial instruments	626	(330)	956
Net foreign exchange (loss)/gain	(4,753)	1,003	(5,756)
Other income	1,374	—	1,374
Gain from disposal of intangible assets	222	—	222
Impairment loss on intangible assets	(4,311)	—	(4,311)
Loss before tax	(34,858)	(33,547)	(1,311)
Taxation	9	1,291	(1,282)
Loss for the year, attributable to equity holders of the parent	(34,849)	(32,256)	(2,593)
Currency translation of foreign operations (net of tax)	2,855	(641)	3,496
Total comprehensive loss for the year, attributable to equity holders of the parent	(31,994)	(32,897)	903

Comparison of Years Ended December 31, 2025 and 2024

Revenue

Revenue of £0.4 million was recognized in the year ended December 31, 2025, which comprised a one-time milestone payment of £0.4 million ($0.5 million) resulting from the achievement of a clinical milestone on leflutrozole received from ReproNovo pursuant to the ReproNovo Licensing Agreement. No revenue was recognized in the year ended December 31, 2024.

Cost of revenue

Cost of revenue of £0.1 million was recognized for the year ended December 31, 2025, which comprised amounts paid pursuant to the 2015 asset purchase agreement with Novartis for leflutrozole, under which the Company pays a percentage of proceeds resulting from milestone revenue received, subject to certain deductions and other amounts. No cost of revenue was recognized for the year ended December 31, 2024.

Research and development ("R&D") Expenses

The following table sets forth our R&D expenses by product development program for the years ended December 31, 2025 and 2024.

	Year ended December 31,		
	2025	2024	Change
	£'000s	£'000s	£'000s
Setrusumab (BPS-804/UX143)	8,556	4,388	4,168
Alvelestat (MPH-966)	3,810	8,290	(4,480)
Etigilimab (MPH-313)	608	1,343	(735)
Other	141	372	(231)
Total R&D expenses	13,115	14,393	(1,278)

Total R&D expenses decreased by £1.3 million, from £14.4 million in 2024 to £13.1 million in 2025.

The decrease was primarily due to reductions in R&D expenses for alvelestat and etigilimab of £4.5 million and £0.7 million, respectively, partially offset by an increase of £4.2 million in R&D expenses for setrusumab.

The reductions in program expenses for alvelestat was primarily due to the completion of the activities undertaken in preparation for the potential Phase 3 study, including drug formulation and manufacturing, in the year ended December 31, 2024.

The increase in program expenses for setrusumab was primarily driven by amounts due under the manufacturing and supply agreement with our partner, Ultragenyx, as well as ongoing activities related to real-world evidence programs and medical affairs activities in Europe. This is in addition to costs we incur in relation to our collaboration with Ultragenyx, who fund the global development of the program, including input into development, regulatory and manufacturing plans.

General and administrative expenses

General and administrative expenses decreased by £4.8 million from £21.4 million in 2024 to £16.6 million in 2025. The decrease was due to a lower accrual for annual cash bonuses of £1.0 million and a reduction in the provision for social security contributions on share-based payment awards of £0.8 million, along with a reduction in professional fees.

General and administrative expenses also includes £2.9 million in 2025 of pre-commercial activities to lay the foundation for the potential commercial launch of setrusumab in Europe, if approved, including those to support pricing and reimbursement by HTA authorities and payor decision-makers in Europe.

Finance income and costs

Finance income decreased by £0.7 million from £2.4 million in 2024 to £1.7 million in 2025, principally due to a combination of lower interest rates earned and lower average cash and cash equivalents balances in 2025 compared

to 2024. These lower balances were the result of the utilization of the net proceeds of $46.2 million received from the underwritten registered direct offering in June 2024.

Finance costs decreased by £0.6 million from £0.8 million in 2024 to £0.2 million in 2025, principally due to the conversion of convertible loan notes in February 2025, following which the Company had no significant remaining interest-bearing liabilities.

Changes in fair value of financial instruments

The total change in fair value of financial instruments for 2025 was an unrealized gain of £0.6 million, compared to an unrealized loss of £0.3 million in 2024. The unrealized gain in 2025 was primarily due to the impact of decreases in the price of the Company's ADSs on the value of the warrant liabilities, while the unrealized loss in the year ended December 31, 2024 was primarily due to increases in the price of the Company's ADSs.

Net foreign exchange (loss)/gain

The net foreign exchange loss for 2025 was £4.8 million compared to a gain of £1.0 million in 2024, a change of £5.8 million. This change primarily reflects the impact of a significant weakening in the value of U.S. dollars when translating U.S. dollar balances into our functional currency of pound sterling as at December 31, 2025, compared to a strengthening of U.S. dollars in the year ended December 31, 2024.

Other income

In the year ended December 31, 2025, other income represented eligible cash rebates paid or receivable from the U.K. tax authority which the Company operates for eligible types of research and development activities and associated expenditure. These amounts were recognized within other income in the consolidated statement of comprehensive loss in the year ended December 31, 2025 due to the change from the previous U.K. small and medium sized enterprises ("SME") research and development relief ("SME R&D Relief") scheme to the new Merged Scheme. In the year ended December 31, 2024, equivalent amounts were recognized within taxation in the consolidated statement of comprehensive loss (see Note 10 to the consolidated financial statements).

Gain from disposal of intangible assets

Gain from disposal of intangible assets of £0.2 million for the year ended December 31, 2025 comprised amounts received from āshibio in connection with the out-licensing of vantictumab, which was previously acquired in connection with the merger between the Company and Mereo BioPharma 5, Inc. (formerly OncoMed Pharmaceuticals, Inc.).

Impairment loss on intangible assets

The impairment loss on intangible assets in the year ended December 31, 2025 relates to an impairment recognized on acumapimod, with no similar amounts in the year ended December 31, 2024.

Taxation

In the year ended December 31, 2024, taxation represented eligible cash rebates paid or receivable from the tax authorities in the jurisdictions within which the Company operates for eligible types of research and development activities and associated expenditure, however these amounts were recognized within other income in the consolidated statement of comprehensive loss for the year ended December 31, 2025 due to the change from the previous SME R&D Relief scheme to the new merged scheme (see Note 10 to the consolidated financial statements).

Currency translation of foreign operations

The currency translation of foreign operations for the year ended December 31, 2025 was an income of £2.9 million compared to an expense of £0.6 million for the year ended December 31, 2024. This change primarily reflects the impact of a weakening of U.S. dollars when translating U.S. dollar balances into our functional currency of pound sterling in the year ended December 31, 2025, compared to a strengthening of U.S. dollars in the year ended December 31, 2024.

Liquidity and Capital Resources

Overview

Under the current business plan and cash flow forecasts, and in consideration of our ongoing research and development efforts and our general corporate funding requirements, we anticipate that our current on-hand cash resources will extend into mid-2027. However, we will need additional external funding to complete our development plans and potentially commercialize selected rare disease products. We plan to fund our operations through cash on hand and a combination of non-dilutive funding sources, public or private equity or debt financings or other sources.

We do not currently have any approved product candidates and as a result, have not generated any revenue from product sales. As a result, to date, we have financed our operations primarily through the issuances of our equity securities, convertible debt and warrants. These offerings have raised approximately $259.0 million (£204.8 million), including through the $50.0 million (£39.5 million) underwritten registered direct offering in June 2024 and the $12.0 million (£9.3 million) "at-the-market" offering pursuant to our Open Market Sale Agreement with Jefferies LLC in July 2023 (all amounts are gross proceeds before fees and discounts).

We have also received payments under various license and collaboration agreements, including payments of:

- $50.0 million (£36.5 million) under the license and collaboration agreement with Ultragenyx for setrusumab in 2021 and a further milestone payment of $9.0 million (£7.1 million) in 2023;
- $4.0 million (£3.1 million) under the license and collaboration agreement with Feng Biosciences for navicixizumab in 2020 and a further milestone payment of $2.0 million (£1.5 million) in 2022; and
- $1.0 million (£0.8 million) under the global license agreement with ReproNovo for leflutrozole in December 2023 and a further milestone payment of $0.5 million (£0.4 million) in 2025.

Contractual Obligations

Under various agreements with Novartis and AstraZeneca, we have agreed to make milestone payments and pay royalties. The amount, timing, and likelihood of such payments are not known and will remain uncertain for the foreseeable future.

In addition, we enter into contracts in the ordinary course of business with CROs, CMOs, and other vendors, including with Ultragenyx for the manufacture of setrusumab, to assist in the performance of our research and development activities and other services and products for operating purposes. The contracts with CROs generally provide for termination on notice, and therefore are cancelable contracts. We have manufacturing commitments with CMOs of £nil million and £0.4 million as at December 31, 2025 and 2024, respectively.

Cash Flows

Comparison of Years Ended December 31, 2025 and 2024

The table below summarizes our cash flows (used in)/from operating, investing and financing activities for the years ended December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
	£'000s	£'000s
Net cash flows used in operating activities	(24,399)	(26,793)
Net cash flows from investing activities	1,491	1,427
Net cash flows (used in)/from financing activities	(375)	35,614
Net (decrease)/increase in cash and short-term deposits	(23,283)	10,248

Operating Activities

Net cash used in operating activities in the year ended December 31, 2025 was £24.4 million, a decrease of £2.4 million from £26.8 million in 2024. This decrease is principally due to:

a) receipt of £2.5 million in R&D tax credits in the year ended December 31, 2025 reflecting R&D tax credits received in respect of both the 2023 and 2024 financial years; and

b) receipt of a £0.4 million one-time milestone payment resulting from the achievement of a clinical milestone on leflutrozole, net of £0.1 million paid to Novartis pursuant to the 2015 asset purchase agreement for leflutrozole in the year ended December 31, 2025.

These decreases were offset by:

c) a receipt of £1.5 million from a claim on our Directors and Officers insurance policy to reimburse us for certain legal and professional costs incurred in prior years in the year ended December 31, 2024 with no similar amounts recognized in the year ended December 31, 2025; and

d) higher net cash operating payments of approximately £1.1 million.

Investing Activities

Net cash from investing activities in the year ended December 31, 2025 was £1.5 million, an increase of £0.1 million from £1.4 million in the year ended December 31, 2024. The increase is principally due to lower payments to acquire intangible assets and proceeds from out-licensing of vantictumab in the year ended December 31, 2025, offset by lower cash interest receipts.

Financing Activities

Net cash used in financing activities in the year ended December 31, 2025 was £0.4 million, a decrease of £36.0 million from £35.6 million in the year ended December 31, 2024. The decrease primarily represents the net proceeds received from the underwritten registered direct offering of £36.3 million in the year ended December 31, 2024, offset by $0.4 million received upon exercise of warrants in the year ended December 31, 2025

Financial outlook

We expect that our existing cash and short-term deposits will enable us to fund our currently committed clinical trials, operating expenses and capital expenditure requirements into mid-2027.

Principal risks and uncertainties

The risks described below are those that we currently believe may materially affect us. We may face additional risks and uncertainties not currently known to us or that we currently deem to be immaterial.

- We have a limited operating history and have never generated any revenue from product sales.
- We will need additional funding to complete the development of our current product candidates; to license, acquire, and develop future product candidates; and to commercialize our product candidates, if approved. If we are unable to raise capital when needed, we could be forced to delay, reduce, or eliminate research and development programs, any future commercialization efforts or acquisitions of potential product candidates.
- We depend heavily on the success of setrusumab and alvelestat. We cannot give any assurance that any of these product candidates will receive regulatory approval, which is necessary before they can be commercialized. If we are unable to commercialize setrusumab and alvelestat, whether on our own or through agreements with third parties, or experience significant delays in doing so, our ability to generate revenue and our financial condition will be adversely affected.
- Our future growth and ability to compete depends on retaining our key personnel and recruiting additional qualified personnel.
- We depend on enrollment of patients in our clinical trials for our product candidates. If we are unable to enroll patients in our clinical trials, or enrollment is slower than anticipated, in particular for our product candidates with rare disease indications, our research and development efforts could be adversely affected.

- We may become exposed to costly and damaging liability claims, either when testing our product candidates in the clinic or at the commercial stage, and our product liability insurance may not cover all damages from such claims.

- The regulatory approval processes of the FDA and comparable foreign authorities, such as the EMA and MHRA, are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.

- Enacted and future healthcare legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and may affect the prices we may set.

- We operate in a highly competitive and rapidly changing industry, which may result in others acquiring, developing, or commercializing competing product candidates before or more successfully than we do.

- We intend to directly commercialize or co-commercialize our product candidates for rare diseases and to out-license or sell our other product candidates for further development and/or commercialization. If we are unable to develop our own sales, marketing, and distribution capabilities or enter into business arrangements, we may not be successful in commercializing our product candidates.

- The successful commercialization of our product candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate coverage, reimbursement levels, and pricing policies. Failure to obtain or maintain coverage and adequate reimbursement for our product candidates, if approved, could limit our ability to market those product candidates and decrease our ability to generate revenue.

- Our existing and future product candidates may not gain market acceptance, in which case our ability to generate revenues from product sales will be compromised.

- We rely, and expect to continue to rely, on our partners to develop and commercialize our licensed or partnered product candidates. If our partners do not secure adequate funding or satisfy their obligations under our agreements with them, or if they terminate our licenses, partnerships or collaborations with them, we may not be able to develop or commercialize our licensed or partnered product candidates as planned.

- We rely, and expect to continue to rely, on third parties, including independent investigators and CROs, to conduct our clinical trials. If these CROs do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates, or such approval or commercialization may be delayed, and our business could be substantially harmed.

- We currently rely on third-party CMOs for the production of clinical supply of our product candidates and intend to rely on CMOs for the production of commercial supply of our product candidates, if approved. Our dependence on CMOs may impair the development of our product candidates and may impair the commercialization of our product candidates, which would adversely impact our business and financial position.

- We rely on patents and other intellectual property rights to protect our product candidates, the obtainment, enforcement, defense and maintenance of which may be challenging and costly. Failure to enforce or protect these rights adequately could harm our ability to compete and impair our business.

- We may become subject to third parties' claims alleging infringement of third-party patents and proprietary rights, or we may be involved in lawsuits to protect or enforce our patents and other proprietary rights, which could be costly and time consuming, delay or prevent the development and commercialization of our product candidates, or put our patents and other proprietary rights at risk.

- Our business and operations may suffer, and proprietary information may be lost, in the event of information technology system failures, cyberattacks or deficiencies in our cybersecurity.

- Commencing January 1, 2024 we were required to comply with the domestic reporting regime under the Exchange Act and will continue to incur significant legal, accounting and other expenses, and our management must devote substantial time to public company compliance initiatives and corporate governance matters.

- We may not satisfy Nasdaq's requirements for continued listing. If we cannot satisfy these requirements, Nasdaq could delist our ADSs which could have an adverse impact on the liquidity and market price of our ADSs.

- Failure to establish and maintain effective internal controls could have a material adverse effect on our business and stock price.

Risk Mitigations
The Board believes that it has taken all reasonable steps to satisfy itself that the risk management process is effective and fit for purpose. Our control of risk is supported by an in-house quality team that has developed and implemented a Good Practice ("GxP") compliant quality management system to mitigate risk. The Head of Quality and Compliance reports to the General Counsel with appropriate escalation measures in place to review and control new and emerging risks within the business. We set out below the key risk mitigations by area:

Clinical development and manufacturing: Our highly experienced in-house team manages the control over our external vendors and partners that assist us as sponsors in managing our clinical trials under GxP. In addition to quality audits of our CROs and clinical trial sites, we also undertake specialized data analytics that are designed to validate the quality of data generated from our clinical trials. The Group also has an experienced in-house team that is working with a number of specialist manufacturers in respect of its drug manufacturing capabilities.

Commercialization: For our rare disease programs, we engage with regulators, HTA bodies, treating physicians and patient representative organizations at all stages of our development. We are also in regular dialogue with the European payers through the Mechanism of Coordinated Access to Orphan Medicinal Products ("MoCA"). Treating physicians, notably those in the lead centers of expertise are part of our development work on an ongoing basis and we also consult regularly with the patient representative organizations from the therapeutic areas we intend to address. Market research work, including pricing, is ongoing for our two rare disease candidate products. We constantly monitor development programs from other companies in our target indications, to allow us to effectively understand and evaluate the competitive landscape for setrusumab and alvelestat on an ongoing basis.

Regulatory: We have an experienced in-house team that works with several specialized regulatory advisors to give guidance on regulatory strategy for each of our product candidates. For certain of our product candidates (e.g. setrusumab), our partners are leading the regulatory strategy, providing additional expertise and resource. As our programs continue through their respective development plans, the relative risk that we fail to obtain regulatory approval continues to decrease. Matters that remain outside our control, e.g., the scientific performance of a compound in a clinical study, or the ultimate decision-making of a regulatory body, are mitigated by dialogue with decision-makers and rigorous study preparation and design.

Compliance with laws and regulations: Following our U.S. listing of our American Depository Shares ("ADSs") in 2019, we introduced new policies and procedures to ensure that our business practices are aligned with those expected of a Nasdaq listed company. We cancelled admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange in December 2020. Following the cancellation of AIM admission, many of our corporate governance policies and procedures as well as the terms of reference for the Board Committees were updated to reflect the Company's sole listing on the Nasdaq, including most recently to comply with the rules and regulations of the SEC applicable to U.S. domestic filers, which are available for inspection on our website. As a data controller, we are accountable for any third-party data service providers we engage to process personal data on our behalf. We attempt to address the associated risks by performing security assessments, detailed due diligence and regularly performing privacy and security reviews of our vendors and requiring all such third-party providers with data access to sign agreements, including business associate agreements, and where required under EU or UK law, obligating them to only process data according to our instructions and to take sufficient security measures to protect such data. The Group's General Counsel and Company Secretary, who serves as an Executive Officer, is responsible for ensuring compliance or compliance with laws and regulations. For certain matters, the Company will engage external counsel or regulatory advisors. We continued to make progress during the year in refining our internal financial processes and controls to support our attestation under Section 404(a) of the Sarbanes-Oxley Act of 2002 and involved our Audit and Risk Committee ("ARC") throughout the process.

Intellectual Property: We have an experienced IP advisor who has worked with the Company since 2015 and, in addition, we utilize expert external counsel in the prosecution and maintenance of our global IP portfolio.

Funding: As at December 31, 2025, the Group had total cash resources (being cash and short-term deposits) of £30.5 million. The Directors have prepared detailed quarterly cashflow forecasts through December 31, 2027. These forecasts indicate that the Group has a cash runway into mid-2027 and will have sufficient funds to meet its liabilities as they fall due for the foreseeable future and at least 12 months from the date of this report.

Key Performance Indicators
The Directors consider that our underlying cash burn, cash balances and future cash runway, and our committed and planned expenditure on research and development ("R&D") to be the Group's key financial KPIs at its current stage of development. Progress and performance against these key financial KPIs are discussed in the "Financial review" section of the Strategic Report.

The Directors consider that the most important non-financial KPIs are:

- Progress with our R&D pipeline including our clinical studies and related regulatory and manufacturing activities;
- Business development including partnering, out-licensing and in-licensing activities; and
- The development and prosecution of our patent portfolio.

These activities are discussed in the "Business overview and strategy" section of the Strategic Report.

Information about the Company's employees
The Group's future success depends on the ability to recruit and retain key employees. Our employee base includes key people in strategic areas, including in corporate development, and patient access and commercial planning, as we move our rare disease programs forward and seek to partner our specialty products. We have been fortunate to attract and retain highly experienced individuals in clinical development, clinical operations, medical affairs, regulatory, finance, legal, manufacturing, intellectual property and quality assurance, supporting them with strong leadership at the executive and Board level.

Our internal expertise is leveraged with external organizations, including contract research organizations ("CROs") and contract manufacturing organizations ("CMOs") as well as bespoke consulting agreements. This combination has allowed the Group to initiate international clinical trial studies within a relatively short period of time since acquiring products from large pharma, to progress these programs through the different stages of development and to plan for potential commercialization, whilst also maintaining a lean internal infrastructure.

Across the U.K., Europe and the U.S., we have 39 employees as of December 31, 2025. Mereo seeks to appoint employees with appropriate skills, knowledge and experience for the roles they undertake and thereafter to develop, incentivize and retain staff. The Board recognizes its legal responsibility to ensure the well-being, safety and welfare of the Group's employees and maintain a safe and healthy working environment for them and for our visitors. If an employee has a concern about unsafe conditions or tasks, they are encouraged to report their concerns immediately to their manager, the Head of Human Resources or the General Counsel. Employees may also contact a dedicated whistleblowing hotline, independent of the Group, if anonymity is sought.

The Group is fully committed to the elimination of unlawful and unfair discrimination. The Group endeavors to not discriminate because of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes color, nationality and ethnic or national origins), religion or belief, sex or sexual orientation. This is captured in our Employee Handbook, which all employees are required to read and acknowledge at least on an annual basis. The Group undertakes an annual review of its policies and procedures to establish its position about compliance and best practice and monitor and promote a healthy corporate culture.

A breakdown of Directors and employees by gender as at December 31, 2025 is as follows:

Position	Male	Female	Not disclosed	Total
Directors of the Company (CEO and Non-Executive)	5	3	2	10
Executive officers	2	2	—	4
Employees	17	17	—	34
Total	**24**	**22**	**2**	**48**

Executive officers consist of senior managers, in addition to the Chief Executive Officer ("CEO"), who have responsibility for planning, directing or controlling the activities of the Group. As at December 31, 2025, this includes the Chief Financial Officer, General Counsel and Business Development, Chief Patient Access and Commercial Planning and the Chief Scientific Officer.

Our Directors have significant operational experience in leadership positions in large and small pharmaceutical and biotechnology companies. They provide valuable strategic input into our R&D strategy, our collaborations and our corporate development activities and financing strategies.

Diversity and human rights
The Company recognizes the value in promoting a culture of diversity and inclusion and aims to both reflect the global communities in which we operate and have a positive impact upon them. At present the Company does not have a specific policy on human rights, however we have several policies that promote the principles of human rights. We partner with our suppliers and external organizations to ensure long-term mutually beneficial relationships, and respect for human rights is embedded throughout our global network.

Social and environmental matters
We currently outsource our research, development, testing and manufacturing activities. These activities are subject to various environmental, health and safety laws and regulations, which govern, among other things, the controlled use, handling, release and disposal of, including the maintenance of a registry for, hazardous materials and biological materials. If we or our partners fail to comply with such laws and regulations, we could be subject to fines or other sanctions.

As with other companies engaged in similar activities, we face a risk of environmental liability that is inherent in our current and historical activities, including liability relating to releases of or exposure to hazardous or biological materials. Environmental, health and safety laws and regulations are becoming more stringent. We may be required to incur substantial expenses in connection with future environmental compliance or remediation activities, in which case, production and development efforts being carried out by our outsourced partners relating to our products may be interrupted or delayed.

Quantification and reporting methodology
The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed to ensure the Streamlined Energy and Carbon Reporting ("SECR") requirements were met. The SECR disclosures include the U.K. based subsidiaries only and exclude non-U.K. based subsidiaries. Refer to Note 5 of the consolidated financial statements for information on subsidiaries.

The energy data was collated using existing reporting mechanisms. These methodologies provided a continuous record of electricity use.

The energy data was converted to carbon emissions using the 2025 UK Government GHG Conversion Factors for Company Reporting. The associated emissions are divided into the combustion of fuels and the operation of facilities (scope 1), purchased electricity, heating and cooling (scope 2) and indirect emissions that occur as a consequence of company activities (scope 3). During the year the Group only had emissions relating to scope 2.

Estimations
The electricity use was compiled from invoices and meter readings.

	2025	2024
Energy used by the company (in KWH)	72,376	73,250
Emissions associated with the reported energy use (tCO2e)	13	15

Intensity Ratio
The chosen primary intensity ratio is total gross emissions in metric tonnes CO2e (mandatory emissions) per employee.

	2025	2024
Tonnes of CO_2e per employee	0.33	0.49

Energy efficiency action during current financial year
The management of resources and the need to embed sustainability is an important issue for the Group and the following actions related to reducing energy use have been implemented:

Energy consumption in 2025 was consistent with the prior year, while the metric tonnes CO2e per employee decreased due to an increase in the number of employees. Overall energy consumption continues to be on a

downward trajectory as a result of energy saving measures taken in recent years, such as lighting upgrades and the non-renewal of a contract with a data center in favor of more efficient cloud-based solutions. In addition, during the office refurbishment in 2021, we prioritized energy saving choices such as insulating floors, motion-activated lighting, and operational changes to the heating system. As a company, we are also committed to sourcing our electricity from fully renewable sources. We continue to invest in energy efficiency and to actively identify opportunities to migrate to more energy efficient IT storage solutions.

Section 172(1) Companies Act 2006
The Directors in line with their duties under section 172 of the Companies Act 2006, act in a way they consider, in good faith, to promote the success of the Group for the benefit of its members as a whole. As set out within the content of this annual report, the Directors have considered the following matters throughout the year and in formulating the future strategy of the business:

- The likely long-term consequences of any decision;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and the environment;
- The desirability of the Group maintaining a reputation for high standards of business conduct; and
- The need to act fairly between shareholders of the Group.

The Board of Directors meets regularly with the Executive team to discuss developments of the Group's existing portfolio of product candidates, strategic business development, ongoing operations and other relevant matters. The Board takes care to have considered the likely consequences on all stakeholders of the decisions and actions which they take, and these are discussed regularly in the Board meetings. The Group's long-term strategy and the principal risks and uncertainties in the view of the Board are set out in pages 16 to18.

As set out in greater detail above, the Board considers the Group's future success to depend on our ability to recruit and retain key employees. The Group maintains constructive dialogue with employees through the CEO. The Group also holds regular "town hall" all-employee meetings and video conference calls where the Executive team provides updates on strategic progress and a forum for answering questions. The Group implemented a revised long-term incentive plan in April 2019, which provides the ability to incentivize and retain employees across the Group and aligns employees' objectives with those of the Group. Equity awards under these schemes were granted to all employees and Non-Executive Directors in 2025 and 2024.

The Group endeavors to maintain good relationships with our suppliers by contracting, where possible, on their standard business terms and paying them in accordance with the relevant terms agreed. We meet with our significant suppliers regularly, using the meetings to ensure that our research programs are planned and delivered effectively and in a timely and cost-efficient manner. This ensures that the Group's and our significant suppliers' interests are aligned. The Group also maintains excellent working relationships with our partners in collaboration and licensing agreements, with regular meetings and updates.

The Board understands the importance of environmental, social and governance matters, and it endeavors to consider the impact on the community when operating its business. Our greenhouse gas emissions report which is in compliance with streamlined energy and carbon reporting requirements is included on page 20. In 2025, there has been continued use of video conferencing for a large portion of internal and external meetings, including board meetings, reducing the need for travel. The emissions saving resulting from these activities has not been quantified, but this practice has resulted in some behavior changes that are expected to continue for the foreseeable future. We continue to seek opportunities to better utilize energy efficient and sustainable solutions wherever possible.

The Board recognizes the importance of maintaining high standards of business conduct. The Group operates a Code of Business Conduct and Ethics, publicly available on our website, which contains general guidelines for conducting the business of the Group consistent with the highest standard of business ethics. In addition, the Group has an Employee Handbook that employees are required to read and acknowledge at least on an annual basis, and which also includes details of the whistleblowing policy that allows all employees to raise concerns to senior management in strict confidence about any unethical business practices, fraud, misconduct or wrongdoing.

In maintaining good corporate governance structures, the Board considers the need to act fairly to all shareholders of the Group. The Group maintains a regular dialogue with our institutional investors. The Group's website has a dedicated investor section which provides useful information for our shareholders, including the latest announcements,

press releases, published financial information, details of our product candidates and our current development pipeline, and other information about the Company.

This strategic report, which has been prepared in accordance with Companies Act 2006, has been approved by the Board and signed on behalf of the Board:

Michael Wyzga
Chairman

March 19, 2026

Dr. Denise Scots-Knight
Chief Executive Officer

March 19, 2026

Annual Statement by Chair of Remuneration Committee

Introduction

Dear Shareholder,

As Chair of the Remuneration Committee (the “Committee”), I am pleased to present, on behalf of the Board of Directors of Mereo BioPharma Group plc (the “Company”) the Directors’ Remuneration Report for the year ended December 31, 2025 (the “Report”). We are required to prepare this Report due to the Company’s listing in the U.S. on the Nasdaq Capital Market and our UK incorporation.

This Directors' Remuneration Report includes this Annual Statement, a revised Directors’ Remuneration Policy ("Policy") and the Annual Report on Remuneration for the financial year ended December 31, 2025. The Directors’ Remuneration Report excluding the Policy (i.e. the Annual Statement together with the Annual Report on Remuneration) will be subject to an advisory shareholder vote at the 2026 Annual General Meeting (“AGM”). The proposed Policy will be subject to a binding vote at the same meeting. This revised Policy, subject to approval by shareholders, is intended to apply until the 2029 AGM, unless a new version is presented to shareholders in the interim.

The Remuneration Committee has concluded that the current overarching remuneration framework continues to be effective. As a reminder, we operate a simple and transparent structure comprising salary, benefits and pension and, subject to stretch performance conditions, an annual bonus. In addition, we regularly make awards of equity incentives to encourage longer-term commitment and sustainable performance. The Committee considers that the Policy provides a fair basis for the remuneration of Executive Directors, rewarding performance against short-term objectives which provide the foundations for the achievement of longer-term corporate goals, and making the enhancement of shareholder value a critical success factor, both in the short- and the long-term.

As a company with operations in the United Kingdom and the United States, we seek to attract and retain outstanding senior executives and other employees who have the potential to support the growth of the Group and to attract and retain Non-Executive Directors who can substantially contribute to our success as a biopharmaceutical company focused on the development of innovative therapeutics for rare diseases. As the Group has operations in the U.K. and the U.S., our senior executives and our Non-Executive Directors live and work in both of these countries. Coupled with this, as we are also listed on Nasdaq, we design and implement our Policy taking account of both U.K. and U.S. market practice, with a primary focus on the U.S. as we are required to comply with the governance practices required of U.S. domestic issuers. In summary, our Non-Executive Directors remuneration is structured in alignment with U.S. practice, and our CEO remuneration is also heavily influenced by US practice. The Committee believes this approach has served us well to date and, following a thorough review, we have concluded that no material changes are required to the Policy. Thus, at the AGM we will be seeking approval for a new three-year Policy that is in large part unchanged.

In the year ended December 31, 2025, all decisions taken on remuneration were in accordance with the terms of reference of the Remuneration Committee and involved the exercise of appropriate commercial judgment. The Committee exercised discretion in relation to the CEO’s bonus award for the 2025 performance year as described on page 35, whereby a bonus of 30% of base salary was awarded.

Yours sincerely,

Dr. Anders Ekblom
Chair of the Remuneration Committee

March 19, 2026

This part of the Directors' Remuneration Report sets out the Policy for the Company. The current Policy was approved by shareholders at the General Meeting on May 22, 2023, however, as set out in the Annual Statement by Chair of Remuneration Committee on page 23, following a review of our remuneration arrangements, we are seeking approval for a new policy at the AGM in 2026. The revised Policy in this report will therefore be put to a binding shareholder vote at the AGM, which is anticipated to be held on May 14, 2026, and will take formal effect from that date, subject to shareholder approval. The Policy will formally apply for three years beginning on the date of approval unless a new policy is presented to shareholders in the interim. Following approval, all payments to Directors will continue to be consistent with the approved policy.

The Directors' Remuneration Policy set out herewith applies to Executive Directors and Non-Executive Directors appointed to the Board of Directors. Currently, our Chief Executive Officer is the only Executive Director on the Board but this policy also applies to any future Executive Directors we may appoint. All other Board Directors are Non-Executive Directors.

1.1 Considerations when determining remuneration policy
The Remuneration Committee undertook a review of the current Directors' Remuneration Policy in light of our business strategy and market developments. The review was intended to ensure, primarily, that the Policy continues to:

- Support the strategy and promote the long-term sustainable success of the Company;
- Align executive remuneration with company culture, purpose and values and clearly provide linkage to the successful delivery of the Company's long-term strategy;
- Be clear and simple, taking into account the linkage between pay and performance by both rewarding effective management and by making the enhancement of shareholder value a critical success factor in the design of packages, both in the short- and the long-term;
- Provide competitive (but not excessive) packages when compared with other international companies in the life sciences sector of a similar size and complexity, sufficient to attract, retain and motivate outstanding individuals who have the potential to support the growth of the Company and to attract and retain Non-Executive Directors who can substantially contribute to our success;
- Tie short- and long-term cash and equity incentives to the achievement of measurable corporate objectives;
- Consider practices for comparable companies, primarily in the U.K. and U.S.; and
- Consider the expectations of shareholders and other stakeholders and conform to high standards of corporate governance.

Further details of the role of the Remuneration Committee and its decision-making process can be found in the Annual Report on Remuneration on pages 42 and 43.

1.2 Changes to remuneration policy
Following the review of the Policy, the Committee concluded that the current overarching framework continues to be effective and that no significant changes are required at this stage, however, we have clarified that the Committee can use its discretion to vary the bonus outcome to ensure that a fair and balanced result is achieved, taking into account all aspects of the performance of the Company and that the Policy allows annual bonuses to be paid in either cash and/or share-based awards.

1.3 Remuneration policy table – Chief Executive Officer
The total remuneration for the Chief Executive Officer is made up of the following elements:

- Base salary;
- Benefits;
- Pension;
- Annual bonus (short-term incentive);
- Equity incentives (long-term incentive).

The following section of this report describes the formal remuneration policy applying to the Company's Executive Directors:

Base salary

Purpose and link to strategy	Provides a core level of reward for the completion of duties. Set at a level to attract and retain employees of a sufficient caliber to drive the Company's success, taking into account the global nature of the business and the key talent markets (including the U.K. and U.S.) in which we must compete.
Maximum opportunity	There is no maximum salary limit. When considering salary levels, the Committee will consider the specific nature and responsibilities of the role, the capabilities and experience of the individual, as well as pay levels in the wider market, including benchmarking guidelines informed by analysis of peer group companies provided by its external remuneration consultants.
Operation	Salaries are typically reviewed annually, with any increases normally taking effect from the first of January. When awarding salary increases, the Committee will consider a number of factors including, the level and experience of the individual in the role, benchmarking guidelines informed by analysis of pay increases in the market, inflation, the level of increase proposed for the wider workforce, and overall employee pay conditions and compensation more broadly. Where there has been a change in the role, or if the individual is new to the role, increases could be higher. The Committee retains discretion to retrospectively increase salaries.
Performance framework	A broad assessment of individual and corporate performance is considered as part of the annual review process.

Benefits

Purpose and link to strategy	Provides market-competitive and cost-effective employment benefits.
Maximum opportunity	There is no formal maximum limit as the value of insured benefits will vary from year-to-year based on the cost quoted by third party providers.
Operation	Includes private medical insurance and life insurance. Other employment benefits may be provided from time to time on similar terms as those of other employees. A relocation allowance and/or reasonable associated expenses may be payable where relocation is required. Any reasonable business-related expenses can be reimbursed, including tax thereon.
Performance framework	Not applicable.

Pension

Purpose and link to strategy	Provides employees with long-term savings for their future.
Maximum opportunity	The Company operates a defined contribution pension plan and has a policy of encouraging all employees to plan responsibly for their retirement. The Policy also complies with the provisions of auto-enrollment. The Company makes payments of up to 10% of base salary into any pension scheme or similar arrangement as the individual may reasonably request (or a payment in lieu). Such payments are not counted for the purposes of determining bonuses.
Operation	Payments are made directly to a nominated pension scheme or, where payments in lieu are made in cash, delivered monthly through payroll. Only base salary is pensionable.
Performance framework	Not applicable.

Annual bonus (short-term incentive)

Purpose and link to strategy	To focus attention on the achievement of short-term corporate objectives and incentivize successful delivery of the key objectives for the year that contribute to achievement of the Company's strategic goals. Further, the annual bonus creates a tangible link between annual performance and individual pay opportunity.
Maximum opportunity	The annual bonus is 60% of base salary payable for a target level of performance which can ordinarily be increased with stretch goals up to a maximum of 75% of base salary, however the Committee may use its discretion to award more than this in exceptional circumstances. The Committee will determine an appropriate award size each year within this parameter based on achievement against annual performance objectives.
Operation	Annual performance is measured through short-term corporate objectives which are set at the start of each year and reflect the key milestones and other objectives for that year that make progress towards the Company's strategic goals. The target annual bonus is based on a percentage of salary and is payable after the award has been approved by the Committee, usually shortly after the end of the financial year. The award will normally be payable wholly in cash, but may also be payable in part or in whole as a share-based award.
Performance framework	Short-term corporate objectives are set annually and approved by the Committee. In any given year they typically include targets relating to clinical development, corporate development, commercial planning, finance, manufacturing, intellectual property and legal. Once set, short-term corporate objectives can be revised during the performance period but require pre-approval by the Committee. In accordance with the regulations, any changes would be disclosed in the relevant year's report and accounts. At the end of the performance period (typically the end of a financial year), short-term corporate objectives are reviewed and their achievement is evaluated by the Committee. Short-term corporate objectives can be fully achieved, partially achieved or lapse under poor performance. The Committee may also use its discretion to adjust outcomes to ensure that a fair and balanced result is achieved, taking into account all aspects of the performance of the Company, which, in exceptional circumstances may include either a downward or upward adjustment. Once the evaluation is complete, an overall proposal of bonus payment is approved by the Committee. The minimum potential level of bonus opportunity is 0% of the maximum. Bonus payments are subject to repayment or to recoupment ("clawback") by the Company in the event of an accounting restatement of the Company's financial statements due to material noncompliance with any financial reporting requirement under the U.S. federal securities laws, in accordance with the Mereo BioPharma Group plc Compensation Recovery Policy.

Equity incentives (long-term incentive)

Purpose and link to strategy	Following the implementation of the 2019 EIP, equity incentive awards from the start of 2019 have been granted under the 2019 EIP. The Committee envisages further grants under the 2019 EIP to motivate and reward employees, including the Chief Executive Officer, to perform at the highest level and to further the best interest of the Company and its shareholders. The 2019 EIP is designed to align the interests of participants with those of shareholders and also encourage retention, as the benefits accrue over a period of years. The Committee does not anticipate further issuances of other types of equity incentive awards under previous incentive plans.
Maximum opportunity	There is no maximum opportunity under the 2019 EIP. However, the Committee will generally work within benchmarking guidelines informed by analysis provided by its external remuneration consultants.
Operation	The 2019 EIP provides for the grant of share options, share appreciation rights, restricted stock unit awards, performance awards (subject to performance conditions) and other share-based awards. Further, subject to the terms of the award agreement, awards can be granted in respect of ordinary shares, American Depository Shares (“ADSs”), cash or a combination thereof. The Committee may use its discretion to adjust outcomes to ensure that a fair and balanced result is achieved, taking into account all aspects of the performance of the Company, but considers the recommendations of its external remuneration consultants when determining the type, mixture, amount and terms of equity awards to be granted. Awards vest in accordance with the vesting schedule set forth in the relevant award agreement. Accelerated vesting applies in a change of control.
Performance framework	In the determination of the award agreement, the Committee will select the most appropriate forms of equity incentive awards to be granted. Rights, payments and benefits which accrue under the 2019 EIP are subject to repayment or clawback by the Company in the event of an accounting restatement of the Company’s financial statements due to material noncompliance with any financial reporting requirement under the U.S. federal securities laws, in accordance with the Mereo BioPharma Group plc Compensation Recovery Policy.

1.4 Remuneration policy table – Non-Executive Directors

The total remuneration for Non-Executive Directors is made up of the following elements:

- Fees; and
- Equity incentives (long-term benefit).

The following section of this report describes the formal remuneration policy applying to the Company’s Non-Executive Directors:

Fees

Purpose and link to strategy	Supports the recruitment and retention of Non-Executive Directors with the required skills and experience to support the growth of the Company.
Maximum opportunity	Aggregate fees are subject to the amount per the letter of appointment with the Non-Executive Director, subject to periodic review by the Board of Directors.
Operation	Non-Executive Directors receive a base fee for performance of their duties. The Company may also pay additional fees in recognition of any additional responsibilities. Fees paid to Non-Executive Directors are reviewed on a regular basis with reference to benchmarked pay levels in relevant markets and peer group companies, taking into account the specific roles and responsibilities, as well as expected time commitment. The Company reserves the right to pay additional fees in any given year to reflect a material, but temporary, increase in time commitment during the period. Any reasonable business-related expenses may be reimbursed, including any taxes payable thereon if determined to be a taxable benefit. Business-related expenses are only reimbursable where they relate to the Non-Executive Directors' discharge of responsibilities in relation to the Company. The Deferred Compensation Plan under the Company's 2019 Non-Executive Director Equity Incentive Plan (the "2019 NED EIP") allows Non-Executive Directors to voluntarily elect to receive Deferred Restricted Stock Units ("DRSUs") over ADSs in lieu of some or all of their cash fees, which are then held until settlement following separation of service.
Performance framework	Not applicable.

Equity incentives (long-term benefit)

Purpose and link to strategy	Following the implementation of the 2019 NED EIP, equity incentive awards from the start of 2019 have been granted to Non-Executive Directors under the 2019 NED EIP. The Committee envisages further grants under the 2019 NED EIP to facilitate share ownership by Non-Executive Directors in the Company and to align the interests of the Non-Executive Directors with those of shareholders.
Maximum opportunity	There is no maximum opportunity under the 2019 NED EIP. However, the Committee will generally work within the benchmarking guidelines informed by analysis provided by its external remuneration consultants.
Operation	The 2019 NED EIP provides for the grant of market value options, share appreciation rights, restricted stock unit awards, performance awards (subject to performance conditions) and other share-based awards. Further, subject to the terms of the award agreement, awards can be granted in respect of ordinary shares, ADSs, cash or a combination thereof. However, performance awards (subject to performance conditions) are not intended to be issued to Non-Executive Directors. Awards vest in accordance with the vesting schedule set for the relevant award in its award agreement. The Committee maintains discretion over the type and terms of equity awards granted. Accelerated vesting applies in a change of control.

Performance framework	In the determination of the award agreement, the Committee will select the most appropriate forms of awards to be granted. Rights, payments and benefits which accrue to Non-Executive Directors under the 2019 NED EIP are subject to repayment or clawback by the Company in accordance with the Mereo BioPharma Group plc Compensation Recovery Policy.

Notes to the Remuneration Policy tables

Legacy arrangements

For the duration of the Policy, the Company will honor any commitments made in respect of current or former Directors before the date on which either: (i) the Policy becomes effective; or (ii) an individual becomes a Director, even where not consistent with the Policy set out in this report or prevailing at the time such commitment is fulfilled. Through approval of the Policy, approval is given to the Company to honor any such commitments.

Details of any legacy arrangements made outside this Policy will be disclosed in future Directors' Remuneration Reports as and when they arise.

Performance conditions

The Committee's discretion over the determination, review and appraisal of short-term objectives linked to the annual bonus reflects the Committee's belief that any incentive-based remuneration should be appropriately challenging and tied to the delivery of key strategic and financial targets intended to ensure that the Chief Executive Officer is incentivized to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures that will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

The targets for the bonus scheme for the forthcoming year will be set out in general terms, subject to limitations with regards to commercial sensitivity. Short-term corporate objectives in any given year typically include targets relating to clinical development, corporate development, commercial planning, finance, manufacturing, intellectual property and legal.

A key aim of the EIP is to motivate the Chief Executive Officer and other senior executives to achieve superior shareholder returns over the longer term. In fulfillment of this aim, the Committee proposes to make regular awards of options (which are not currently subject to performance conditions) alongside awards of PSUs from time-to-time with PSUs subject to stretching ADS price performance conditions. However, the Committee will review the number and type of awards to be made, the terms, the balance, the performance measures, and the appropriateness of the performance targets prior to each EIP grant.

Awards under the NED EIP are not subject to performance conditions.

1.5 Committee discretion in operation of variable pay scheme

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval or by approval from the Board. These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Policy is fair and in the interests of shareholders.

To ensure the efficient administration of the variable pay schemes outlined above, the Committee will apply certain operational discretions.

These operational discretions include the following:

- The eligibility of participants to participate in variable pay schemes operated by the Company;
- The timing of grant of awards and relevant payments made relating to variable pay schemes;
- The size of awards and payments (subject to maximum limits set out in the Policy and the respective plan rules);
- The determination of whether any performance conditions have been met relating to variable pay schemes with a performance condition;
- Discretion to override formulaic outcomes of incentive schemes where the payment would otherwise be inappropriate;

- Determination of whether an employee is to be considered a ‘good’ or ‘bad’ leaver for the purposes of exit payments made under this Policy and the relevant terms of any variable pay schemes;
- Whether recovery and / or withholding shall be applied to any award and, if so, the extent to which they shall apply;
- Adjustments required in certain capital events such as rights issues, corporate restructuring, other events and special dividends; and
- What the weighting, measures and targets should be for the variable pay schemes operated by the Company.

The Committee also retains the ability to adjust the targets (up or down) and/or set different measures and alter weightings for the variable pay schemes and to adjust targets if events occur (e.g., material divestment of a Group business or events relating to the Company’s issued share capital) which cause it to determine that the conditions are no longer appropriate in the circumstances and the amendment is required so that the conditions achieve their original purpose and are not, in the opinion of the Committee, materially more or less challenging to satisfy in the circumstances.

1.6 Consideration of shareholder views
The Board is committed to dialogue with shareholders. The Committee will consider shareholder feedback received following the Annual General Meeting, as well as any additional feedback and guidance received from time to time. This feedback will be considered by the Committee as it develops the Company’s remuneration framework and practices going forward.

1.7 Consideration of employment conditions elsewhere in the Company
While employees are not formally consulted on the design of the Policy, the Committee monitors the pay and conditions of the wider workforce and the design of the Directors’ Remuneration Policy is informed by the Policy for employees across the Group.

1.8 Differences in pay policy for the Chief Executive Officer compared to employees more generally
The Company operates a coherent approach to remuneration across the organization. Annual bonuses for the Chief Executive Officer are subject to the same performance criteria as all employees in the bonus scheme, with additional personal objectives set for other participants where relevant. Employees are also eligible to participate in the equity incentive awards, to encourage broad employee share ownership and alignment with the Company’s success.

1.9 Service agreement and payments for loss of office
The Chief Executive Officer is employed under a rolling service agreement with a notice period of up to twelve months from either party. A copy of the Chief Executive Officer’s contract may be viewed at the Company’s head office or may be requested from the Company Secretary at the AGM. The Chief Executive Officer retires from their position as an Executive Director upon the third AGM following the AGM at which they were elected or last re-elected. They are eligible for re-election at the AGM at which they retire.

1.10 Non-Executive Directors’ letters of appointment
Each of the Non-Executive Directors is engaged under a Non-Executive Director letter of appointment. A copy of these letters of appointment may be viewed at the Company’s head office or may be requested from the Company Secretary at the AGM. Non-Executive Directors retire from their position upon the third AGM following the AGM at which they were elected or last re-elected. They are eligible for re-election at the AGM at which they retire.

Each Non-Executive Director appointment is terminable by either party on not less than three months’ written notice. Non-Executive Directors are only entitled to fees accrued to the date of termination.

1.11 Policy on payment for loss of office
The Company shall be entitled at its sole and absolute discretion lawfully to terminate the employment of the Chief Executive Officer at any time and with immediate effect by written notification to and, within one month following the date of such termination, a payment in lieu of notice.

In the event of a breach of service agreement or other summary termination of employment, no such payments will be made.

Generally, in the event of termination, the service contract may provide for payment of basic salary and contractual benefits over the notice period. The Company may elect to make a payment in lieu of notice equivalent in value to basic salary and contractual benefits for any unexpired portion of the notice period.

The Committee's approach to payments in the event that employment is terminated is to take account of the individual circumstances, including the reason for termination, individual performance, contractual obligations and the terms of any remaining or outstanding equity awards.

The default treatment of outstanding incentive awards on termination of employment is described in the relevant plan rules and related policy documents, but the Committee retains the discretion to adopt any treatment that it determines fair and appropriate given the circumstances applicable to individual leavers.

Annual bonus (short-term incentives)
A pro-rated bonus may be payable, subject to performance, for the period of active service only.

Equity awards (long-term incentives)
Whether any equity awards, which are long-term incentives, would vest and be exercisable upon loss of office would be subject to the relevant plan rules. These allow for vesting and exercise of awards in the event of death, retirement, ill-health, injury, redundancy and any other reason at the discretion of the Committee.

The Committee retains discretion to determine the extent to which the award will vest, taking into consideration the circumstances. Unvested awards will normally lapse, although the Committee retains the power to determine, in accordance with the 'good leaver' provisions of the relevant plan rules, what proportion of unvested awards will be retained and what proportion will lapse and whether to impose or vary any conditions on vesting or exercise. In determining this, the Committee will give consideration to the reason for leaving, the extent of achievement of performance objectives at the date of leaving and may decide to time pro-rate awards.

Change of control
If, within 12 months of a change of control the Company gives the Chief Executive Officer notice of termination other than for cause, or the Chief Executive Officer gives notice in certain contractually defined circumstances, a payment not exceeding the sum of 18 months' basic salary, contractual benefits and a target level of bonus of 60% basic salary may be payable (in addition to any accrued but unpaid salary, benefits, holiday and expense reimbursements).

Outstanding but unvested equity awards not subject to performance conditions shall automatically vest and, if applicable, become exercisable.

Additional payments
The Committee reserves the right to make payments it considers reasonable under a compromise or settlement agreement, including payment or reimbursement of reasonable legal and professional fees, accrued holiday and any payment in respect of statutory rights under employment law in the U.K. and other jurisdictions.

1.12 Remuneration on recruitment
The remuneration package for any new Executive Director will be determined by the Remuneration Committee in accordance with the terms of the Policy at the time of appointment (including salary, benefits, annual bonus, long-term incentive awards and pension). It is recognized that in order to attract and recruit talented individuals the Policy needs to allow for sufficient flexibility with respect to remuneration on recruitment. The following policies apply to the remuneration of recruitment of new Executive Directors:

Salary
Base salary levels will be set in accordance with our remuneration policy, taking into account the overall experience and calibre of the individual, the level of experience in the role, and the relevant market rates at the time of appointment. Where it is appropriate to offer a lower salary initially, progressive increases may be offered to achieve the desired salary positioning over the following years subject to individual performance and continued development in the role.

Pension
Pension contributions or a cash supplement up to the maximum level indicated in the Policy table may be provided, although the Committee retains discretion to structure any arrangements as necessary to comply with the relevant legislation and market practice if an overseas Executive Director is appointed.

Benefits
Benefits will be provided in line with those offered to other employees, with relocation expenses and other arrangements provided for if necessary. Should it be appropriate to recruit an Executive Director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g., it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment).

Annual bonus (short-term incentives)
In the year of appointment, the annual bonus opportunity will be the same as offered to any existing Executive Directors, pro-rated for the period of service. The Committee retains the discretion to set different performance measures in the year of appointment, taking into account the responsibilities of the individual, and the point in the financial year that they joined the Company.

For internal appointments, annual bonuses awarded in respect of the prior role will be allowed to pay out according to their existing terms. In addition, any other contractual remuneration obligations existing prior to appointment may continue.

Equity awards (long-term incentives)
Equity awards will be granted to new Executive Directors in line with the Policy outlined for existing Executive Directors. An award may be made shortly following an appointment. The Committee maintains discretion over the type and terms of equity awards granted to new Executive Directors, as well as the timing of grant.

For internal appointments, existing equity awards will continue on their original terms.

Buy-out awards
The Committee may offer additional cash and/or share-based elements to compensate an individual for remuneration forfeited on leaving a former employer, in connection with an executive joining the company following merger and acquisition activity or for any other reason at the discretion of the Committee, if it considers these to be in the best interests of the company and its shareholders. Depending on individual circumstances at the time, the Committee has the discretion to determine the type of award (i.e., cash, shares, options, vesting and holding periods and whether or not performance conditions would apply). When exercising its discretion, the Committee will carefully consider the balance between the need to secure an individual in the best interests of the company against the concern of shareholders about the quantum of remuneration.

Non-Executive Directors
On the appointment of a new Non-Executive Director, the fees will be set taking into account the experience and calibre of the individual and the expected time commitment of the role.

Equity awards will be granted to new Non-Executive Directors in line with the Policy outlined for existing Non-Executive Directors.

1.13 Policy on external appointments
The Chief Executive Officer may, subject to approval from the Board of Directors, accept appropriate external Non-Executive Director appointments, so long as this commitment is not thought to interfere with the business of the Company or the individual’s ability to carry out their duties. Any fees payable for such appointments may be retained by the individual.

1.14 Illustration of application of the Policy

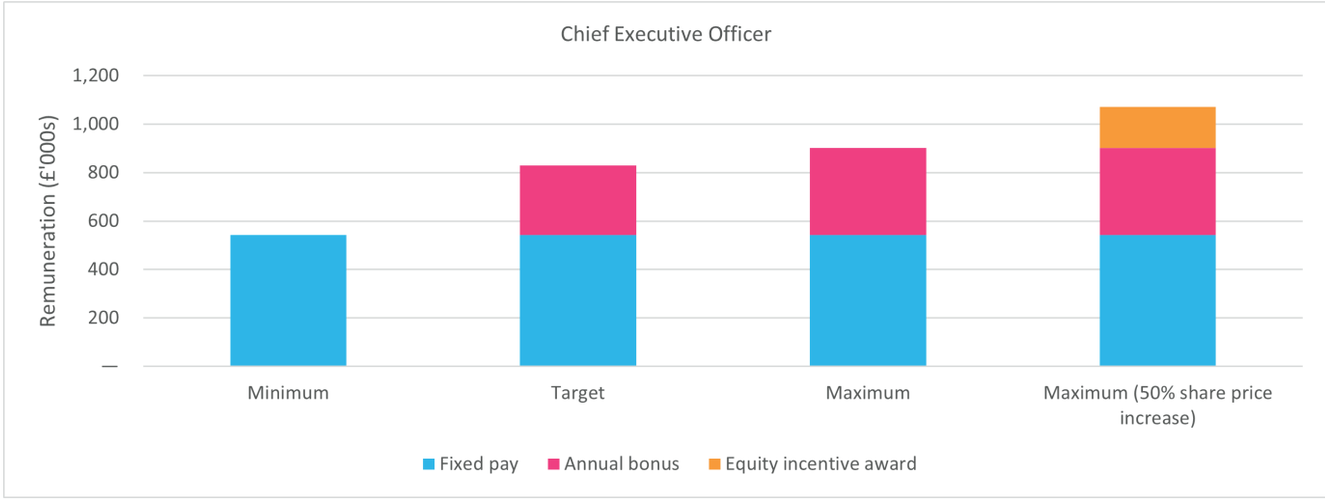
The chart below, which is set out for illustrative purposes only, shows what the annual remuneration the Company expects the Chief Executive Officer will obtain if performance levels are below threshold (minimum), meeting expectations (target) or exceeding the maximum targets (maximum) in 2026.

The assumptions used in the calculations are set out below:

- Minimum: fixed pay;
- Target: fixed pay plus annual bonus at target level (60% of base salary)[1];
- Maximum: fixed pay plus annual bonus at a normal maximum pay out (75% of base salary)[2];
- Maximum plus 50%[1] share price growth scenario: fixed pay plus annual bonus at maximum pay out (75% of annual base salary) and value of equity incentive awards granted in 2026 assuming share price growth of 50%.

Fixed pay comprises:

- Salaries: salary effective as at January 1, 2026;
- Benefits: value of all benefits received in the 2025 financial year;
- Pension: 10% of salary.



Remuneration (£'000s)	Minimum	Target	Maximum	Maximum (50% share price increase)
Fixed pay	543	543	543	543
Annual bonus	—	287	358	358
Equity incentive award	—	—	—	169

[1] There is no guided minimum or maximum level of equity incentive awards issuable under the Policy. Therefore, for the purposes of this illustrative disclosure, the options granted to the CEO in 2026 (as described on page 43) have been used as the basis for calculating the equity incentive award value in the "maximum (50% share price increase)" scenario above. This amount represents the increase in the value of these awards assuming a 50% increase in the price of Mereo's ADSs at the end of 2026 compared to the price on the date of grant.

[2] This illustration assumes that no discretion is exercised.

Annual Report on Remuneration

2.1 Single total figure of remuneration of each Director (audited)

The Directors' proportion of fixed and variable remuneration is shown in the below table for the years ended December 31, 2025 and 2024. Fixed remuneration is the sum of salary, taxable benefits and pension (columns a, b and e of the single total figure table). Variable remuneration is the sum of any annual bonus, share awards or other types of remuneration (columns c, d and other of the single total figure table). Further information about share awards can be found on page 39.

Year ended December 31, 2025 (in £)	(a) Salary/fees (i)	(b) Benefits (ii)	(c) Bonus	(d) Long-term incentives (iii)	(e) Pensions	Other (iv)	2025 Total	Fixed remuneration (a, b and e)	Variable remuneration (c, d and other)
Executive									
Dr. Denise Scots-Knight (1), (2)	477,700	18,064	143,310	—	47,770	—	686,844	543,534	143,310
Non-Executive									
Dr. Jeremy Bender	40,101	—	—	—	—	—	40,101	40,101	—
Dr. Anders Ekblom	45,568	—	—	—	—	—	45,568	45,568	—
Dr. Pierre Jacquet	36,454	—	—	—	—	—	36,454	36,454	—
Dr. Annalisa Jenkins	36,454	—	—	—	—	—	36,454	36,454	—
Dr. Deepika Pakianathan	50,470	—	—	—	—	—	50,470	50,470	—
Justin Roberts (3)	—	—	—	—	—	—	—	—	—
Dr. Daniel Shames	32,810	—	—	—	—	—	32,810	32,810	—
Mike Wyzga	72,911	—	—	—	—	—	72,911	72,911	—
Marc Yoskowitz	32,810	—	—	—	—	—	32,810	32,810	—

(1) Pension figure included in the table above for Dr. Denise Scots-Knight includes payments in lieu of pension of £37,770.
(2) Bonus figure included in the table above for Dr. Denise Scots-Knight reflects 30% of base salary. The bonus was paid in the form of an award of 480,000 market value options, in lieu of cash, under the Company's 2019 EIP in February 2026, which vest in equal monthly installments over a one year period. Details of the award will be set out in next year's Directors' Remuneration Report.
(3) Mr. Justin Roberts has waived all remuneration in respect of his appointment as a Non-Executive Director.

Year ended December 31, 2024 (in £)	(a) Salary/fees (i)	(b) Benefits (ii)	(c) Bonus	(d) Long-term incentives (iii)	(e) Pensions	Other (iv)	2024 Total	Fixed remuneration (a, b and e)	Variable remuneration (c, d and other)
Executive									
Dr. Denise Scots-Knight (1)	463,800	16,492	231,320	1,391,641	46,380	—	2,149,633	526,672	1,622,961
Non-Executive									
Dr. Jeremy Bender	49,556	—	—	—	—	—	49,556	49,556	—
Dr. Anders Ekblom	58,976	—	—	—	—	—	58,976	58,976	—
Dr. Pierre Jacquet	47,109	—	—	—	—	—	47,109	47,109	—
Dr. Annalisa Jenkins	45,273	—	—	—	—	—	45,273	45,273	—
Dr. Deepika Pakianathan	50,900	—	—	—	—	—	50,900	50,900	—
Justin Roberts (2)	—	—	—	—	—	—	—	—	—
Dr. Daniel Shames	42,826	—	—	—	—	—	42,826	42,826	—
Mike Wyzga	93,239	—	—	—	—	—	93,239	93,239	—
Marc Yoskowitz	42,826	—	—	—	—	—	42,826	42,826	—

(1) Pension figure included in the table above for Dr. Denise Scots-Knight includes payments in lieu of pension of £34,348.
(2) Mr. Justin Roberts has waived all remuneration in respect of his appointment as a Non-Executive Director.

(i) For Non-Executive directors who elected to receive DRSUs in lieu of cash for their annual fees, the grant date fair value of the DRSUs are included within salary/fees.
(ii) Benefits represent private medical insurance, life insurance, and income protection during the years ended December 31, 2025 and 2024.
(iii) There were no equity awards with performance conditions outstanding in 2025. In 2024, performance conditions under PSUs that had been granted in 2023 were met and the whole award vested. The market value of the PSU shares delivered upon vesting was included in the single total figure of remuneration for the CEO for the year ended December 31, 2024.
(iv) During the years ended December 31, 2025 and 2024, market value options were granted as equity incentive awards to the CEO and to Non-Executive Directors. The market value options do not have performance conditions and are therefore presented as other variable remuneration. The value of the market value options granted included in the single figure table is the market value of the underlying shares at the date of grant, less the applicable exercise price. This was nil because the exercise price is equal to the market value of the underlying shares on the date of the grant.

Annual performance bonus

The Company has a discretionary bonus scheme for all employees and the Executive Director (CEO). Bonus payments for employees are a percentage of base salary based on performance-based measures against personal

and Company-wide target objectives. Bonus payments for the CEO are a percentage of base salary, based on performance-based measures against Company-wide target objectives. The amount of bonus payable, including the weighting of achievement of the Company-wide target objectives is at the discretion of the Committee and subject to its review of performance against the short-term performance targets at the end of the performance period (which is aligned with the financial year).

For the 2025 performance period, the CEO was entitled to an annual performance bonus of 60% of base salary for a target level of performance, which could be increased with stretch performance up to a maximum of 75% of base salary. In determining the achievement level of the 2025 annual performance bonus, the Committee exercised discretion by considering the results of the Phase 3 Orbit and Cosmic studies, which were not a Company-wide target objective due to the Company's partner, Ultragenyx, being in control of the design and execution of the Phase 3 studies. However, with these studies not achieving their primary endpoints at the end of 2025, the Committee took this into account in awarding all employees, including the CEO, a bonus equal to 50% of their target, resulting in a bonus of 30% of base salary for the CEO. In addition, the CEO and all other employees at Vice President level and above were paid their bonus in the form of an award of market value options, in lieu of cash, under the Company's 2019 EIP which will vest in equal monthly installments over a one year period.

Specific details of the actual Company-wide target objectives are considered commercially sensitive and therefore not disclosed in detail. However, the objectives used to measure the performance of the CEO for 2025 included the following:

- On setrusumab, delivering the agreed key activities to generate real world evidence demonstrating benefit over existing therapies and the ongoing activities necessary to support pricing and reimbursement by HTA authorities and payor decision-makers in Europe and the UK, along with key commercial product supply readiness activities;
- On alvelestat, alignment of the Phase 3 protocol with the FDA and other Phase 3 readiness activities, including putting the clinical supply chain in place aligned to corporate development activities to fund the Phase 3 clinical trial;
- Key operational and financial objectives, including in respect of the annual budget and cash runway.

Long-term incentive awards granted during the financial year

Directors may be granted long-term incentive awards at the discretion of the Committee. During the year ended December 31, 2025:

– Market value options over ADSs were granted to the CEO under the Company's 2019 EIP. These options have a vesting period over four years, with 25% of the award vesting on the first anniversary of the grant date and the balance vesting in equal monthly installments over the following three years; no performance conditions were attached to the awards.

– Market value options over ADSs were granted to all Non-Executive Directors under the Company's 2019 NED EIP. These options have a vesting period of one year, with awards vesting in equal monthly installments; no performance conditions were attached to the awards.

All awards granted under the 2019 EIP and 2019 NED EIP during the year ended December 31, 2025, are subject to a service condition and may be exercised at any time between the relevant vesting date and the tenth anniversary of the date of grant.

Director	Grant Date	Options Awarded	Exercise Price per Option ($)	Face Value ($)	Expiration Date
Dr. Denise Scots-Knight	January 25, 2025	825,000	2.91	2,400,750	January 25, 2035
Dr. Jeremy Bender	February 5, 2025	55,000	3.16	173,800	February 5, 2035
Dr. Anders Ekblom	February 5, 2025	55,000	3.16	173,800	February 5, 2035
Dr. Pierre Jacquet	February 5, 2025	55,000	3.16	173,800	February 5, 2035
Dr. Annalisa Jenkins	February 5, 2025	55,000	3.16	173,800	February 5, 2035
Dr. Deepika R. Pakianathan	February 5, 2025	55,000	3.16	173,800	February 5, 2035
Dr. Daniel Shames	February 5, 2025	55,000	3.16	173,800	February 5, 2035
Mike Wyzga	February 5, 2025	55,000	3.16	173,800	February 5, 2035
Marc Yoskowitz	February 5, 2025	55,000	3.16	173,800	February 5, 2035

The exercise price of all options granted during the year under the 2019 EIP and 2019 NED EIP was the market value of the ADSs upon closing on the last business day before the grant. The face value of all options granted during the year was determined based on the exercise price at the date of the grant. Amounts eventually received by the recipients, if any, will be based on the difference between the exercise price and the market value of the ADSs on the date of exercise.

2.2 Payments to past Directors (audited)
There were no payments to past Directors made during the financial year ending December 31, 2025 that are required to be disclosed.

2.3 Payments for loss of office (audited)
There were no payments made for loss of office to Directors during the financial year ending December 31, 2025 that are required to be disclosed.

2.4 Directors' service contracts and letters of appointment (audited)
Dr. Denise Scots-Knight joined the Company as an employee on July 29, 2015 and her current service contract is dated September 3, 2021. She has a rolling service agreement with a notice period of twelve months from either party.

The dates of initial appointment of each of the Non-Executive Directors serving at December 31, 2025, are summarized in the table below:

Non-Executive Director	Date of appointment
Dr. Anders Ekblom	July 29, 2015
Michael Wyzga	April 23, 2019
Dr. Deepika Pakianathan	April 23, 2019
Dr. Jeremy Bender	October 1, 2020
Dr. Pierre Jacquet	September 20, 2021
Dr. Annalisa Jenkins	November 10, 2022
Justin Roberts	November 10, 2022
Dr. Daniel Shames	November 10, 2022
Marc Yoskowitz	November 10, 2022

2.5 Statement of Directors' Shareholding and Share Interests (audited)

The table below sets out, as at December 31, 2025, the beneficial interest in the Company's shares of the Directors (together with interests held by his or her connected persons). In addition, the table below also sets out the total number of shares held by Directors which are unvested, the total number of options held by Directors which are vested but not yet exercised and the total number of options held by Directors which are unvested.

The total number of shares which are unvested are disclosed by those with and without performance conditions. The table below is presented in ADSs, with each ADS representing five ordinary shares. Ordinary shares held have been converted into equivalent ADSs.

Director	Beneficially owned	Awards vested 2019 EIP/NED EIP (ADSs vested, not yet exercised)	Awards unvested without performance conditions 2019 EIP/NED EIP (ADSs, unvested)
Dr. Denise Scots-Knight	808,921	3,192,915	1,602,085
Dr. Jeremy Bender	12,550	386,512	10,563
Dr. Anders Ekblom	37,940	416,528	10,753
Dr. Pierre Jacquet	—	357,534	10,436
Dr. Annalisa Jenkins	—	252,227	10,436
Dr. Deepika R. Pakianathan	—	81,334	9,166
Dr. Daniel Shames	—	246,493	10,309
Mike Wyzga	25,050	530,360	11,706
Marc Yoskowitz	—	241,836	10,309
Justin Roberts[1]	21,697,347	—	—

(1) Mr. Justin Roberts is a partner of Rubric Capital Management LP, which has ultimate voting and investment power over the ordinary shares and ADSs held by Rubric Capital Management LP. He disclaims beneficial ownership of such shares except to the extent of any pecuniary interest therein. Mr. Roberts has waived all remuneration in respect of his appointment as a Non-Executive director.

New awards without performance conditions were granted under the 2019 EIP and 2019 NED EIP since December 31, 2025 as follows:

Director	(ADSs)
Dr. Denise Scots-Knight[1]	1,860,000
Dr. Jeremy Bender	183,533
Dr. Anders Ekblom	199,560
Dr. Pierre Jacquet	172,848
Dr. Annalisa Jenkins	172,848
Dr. Deepika R. Pakianathan	66,000
Dr. Daniel Shames	162,163
Mike Wyzga	66,000
Marc Yoskowitz	162,163

(1) Awards granted to Dr. Denise Scots-Knight includes 480,000 market value options provided in lieu of a cash payment for her 2025 annual performance bonus. The award was granted under the Company's 2019 EIP and vests in equal monthly installments over a one year period.

Except for the awards disclosed in the preceding table, there have been no changes in the interests of the Directors between December 31, 2025 and the date of this report.

The Company does not have a formal policy on Executive or Non-Executive Director shareholdings in the Company.

As at December 31, 2025, there are no unvested equity incentive awards subject to performance conditions. The table below shows the interests of the Directors in the Company's share options and DRSUs as at December 31, 2025. The underlying grants for the 2015 Plan are in ordinary shares and have been presented here in equivalent ADSs.

Director	Equity Award Plan	No. of ADSs outstanding as at December 31, 2024	No. of ADSs granted in the year	No. of ADSs lapsed during the year	No. of ADSs outstanding as at December 31, 2025	Exercise Price Per ADS ($) (1)	Grant Date	Expiration Date (1)
Executive								
Dr. Denise Scots-Knight	2015 Plan	308,949	—	308,949	—	8.63	September 25, 2015	September 25, 2025
	2019 EIP	87,500	—	—	87,500	5.40	May 20, 2019	May 20, 2029
	2019 EIP	87,500	—	—	87,500	3.00	July 23, 2019	July 23, 2029
	2019 EIP	175,000	—	—	175,000	1.84	February 20, 2020	February 20, 2030
	2019 EIP	520,000	—	—	520,000	2.72	February 1, 2021	February 1, 2031
	2019 EIP	1,100,000	—	—	1,100,000	1.40	January 14, 2022	January 14, 2032
	2019 EIP	1,150,000	—	—	1,150,000	1.01	January 25, 2023	January 25, 2033
	2019 EIP	850,000	—	—	850,000	3.36	January 25, 2024	January 25, 2034
	2019 EIP	—	825,000	—	825,000	2.91	January 25, 2025	January 25, 2035
Non-Executive								
Dr. Jeremy Bender	2019 NED EIP	22,000	—	—	22,000	3.32	January 19, 2021	January 19, 2031
	2019 NED EIP	31,500	—	—	31,500	2.72	February 1, 2021	February 1, 2031
	2019 NED EIP	55,000	—	—	55,000	1.31	February 1, 2022	February 1, 2032
	2019 NED EIP	38,032	—	—	38,032	—	February 1, 2022	-
	2019 NED EIP	55,000	—	—	55,000	0.94	February 1, 2023	February 1, 2033
	2019 NED EIP	62,414	—	—	62,414	—	February 1, 2023	-
	2019 NED EIP	45,000	—	—	45,000	3.87	February 8, 2024	February 8, 2034
	2019 NED EIP	16,361	—	—	16,361	—	February 8, 2024	-
	2019 NED EIP	—	55,000	—	55,000	3.16	February 5, 2025	February 5, 2035
	2019 NED EIP	—	16,768	—	16,768	—	February 5, 2025	-
Dr. Anders Ekblom	2015 Plan	43,252	—	43,252	—	8.63	September 29, 2015	September 29, 2025
	2019 NED EIP	5,500	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	2019 NED EIP	5,500	—	—	5,500	3.00	July 23, 2019	July 23, 2029
	2019 NED EIP	11,000	—	—	11,000	1.84	February 20, 2020	February 20, 2030
	2019 NED EIP	31,500	—	—	31,500	2.72	February 1, 2021	February 1, 2031
	2019 NED EIP	55,000	—	—	55,000	1.31	February 1, 2022	February 1, 2032
	2019 NED EIP	44,042	—	—	44,042	—	February 1, 2022	-
	2019 NED EIP	1,540	—	—	1,540	—	December 1, 2022	-
	2019 NED EIP	55,000	—	—	55,000	0.94	February 1, 2023	February 1, 2033
	2019 NED EIP	79,674	—	—	79,674	—	February 1, 2023	-
	2019 NED EIP	45,000	—	—	45,000	3.87	February 8, 2024	February 8, 2034
	2019 NED EIP	19,471	—	—	19,471	—	February 8, 2024	-
	2019 NED EIP	—	55,000	—	55,000	3.16	February 5, 2025	February 5, 2035
	2019 NED EIP	—	19,054	—	19,054	—	February 5, 2025	-
Dr. Pierre Jacquet	2019 NED EIP	88,393	—	—	88,393	1.31	February 1, 2022	February 1, 2032
	2019 NED EIP	32,867	—	—	32,867	—	February 1, 2022	-
	2019 NED EIP	1,583	—	—	1,583	—	December 1, 2022	-
	2019 NED EIP	55,000	—	—	55,000	0.94	February 1, 2023	February 1, 2033
	2019 NED EIP	59,331	—	—	59,331	—	February 1, 2023	-
	2019 NED EIP	45,000	—	—	45,000	3.87	February 8, 2024	February 8, 2034
	2019 NED EIP	15,553	—	—	15,553	—	February 8, 2024	-
	2019 NED EIP	—	55,000	—	55,000	3.16	February 5, 2025	February 5, 2035
	2019 NED EIP	—	15,243	—	15,243	—	February 5, 2025	-
Dr. Annalisa Jenkins	2019 NED EIP	9,167	—	—	9,167	0.79	December 1, 2022	December 1, 2032
	2019 NED EIP	9,946	—	—	9,946	—	December 1, 2022	-
	2019 NED EIP	55,000	—	—	55,000	0.94	February 1, 2023	February 1, 2033
	2019 NED EIP	1,340	—	—	1,340	—	January 3, 2023	-
	2019 NED EIP	57,020	—	—	57,020	—	February 1, 2023	-
	2019 NED EIP	45,000	—	—	45,000	3.87	February 8, 2024	February 8, 2034
	2019 NED EIP	14,947	—	—	14,947	—	February 8, 2024	-
	2019 NED EIP	—	55,000	—	55,000	3.16	February 5, 2025	February 5, 2035
	2019 NED EIP	—	15,243	—	15,243	—	February 5, 2025	-
Dr. Deepika Pakianathan	2019 NED EIP	5,500	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	2019 NED EIP	30,000	—	—	30,000	3.87	February 8, 2024	February 8, 2034
	2019 NED EIP	—	55,000	—	55,000	3.16	February 5, 2025	February 5, 2035
Dr. Daniel Shames	2019 NED EIP	9,167	—	—	9,167	0.79	December 1, 2022	December 1, 2032
	2019 NED EIP	9,946	—	—	9,946	—	December 1, 2022	-
	2019 NED EIP	55,000	—	—	55,000	0.94	February 1, 2023	February 1, 2033
	2019 NED EIP	893	—	—	893	—	January 3, 2023	-
	2019 NED EIP	53,938	—	—	53,938	—	February 1, 2023	-
	2019 NED EIP	45,000	—	—	45,000	3.87	February 8, 2024	February 8, 2034
	2019 NED EIP	14,139	—	—	14,139	—	February 8, 2024	-
	2019 NED EIP	—	55,000	—	55,000	3.16	February 5, 2025	February 5, 2035
	2019 NED EIP	—	13,719	—	13,719	—	February 5, 2025	-
Mike Wyzga	2019 NED EIP	5,500	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	2019 NED EIP	5,500	—	—	5,500	3.00	July 23, 2019	July 23, 2029
	2019 NED EIP	11,000	—	—	11,000	1.84	February 20, 2020	February 20, 2030
	2019 NED EIP	31,500	—	—	31,500	2.72	February 1, 2021	February 1, 2031
	2019 NED EIP	55,000	—	—	55,000	1.31	February 1, 2022	February 1, 2032
	2019 NED EIP	46,953	—	—	46,953	—	February 1, 2022	-
	2019 NED EIP	56,342	—	—	56,342	—	June 1, 2022	-
	2019 NED EIP	55,000	—	—	55,000	0.94	February 1, 2023	February 1, 2033
	2019 NED EIP	117,430	—	—	117,430	—	February 1, 2023	-
	2019 NED EIP	45,000	—	—	45,000	3.87	February 8, 2024	February 8, 2034
	2019 NED EIP	30,783	—	—	30,783	—	February 8, 2024	-
	2019 NED EIP	—	55,000	—	55,000	3.16	February 5, 2025	February 5, 2035
	2019 NED EIP	—	30,487	—	30,487	—	February 5, 2025	-
Marc Yoskowitz	2019 NED EIP	9,167	—	—	9,167	0.79	December 1, 2022	December 1, 2032
	2019 NED EIP	9,946	—	—	9,946	—	December 1, 2022	-
	2019 NED EIP	55,000	—	—	55,000	0.94	February 1, 2023	February 1, 2033
	2019 NED EIP	47,773	—	—	47,773	—	February 1, 2023	-
	2019 NED EIP	2,401	—	—	2,401	—	July 1, 2023	-
	2019 NED EIP	45,000	—	—	45,000	3.87	February 8, 2024	February 8, 2034
	2019 NED EIP	14,139	—	—	14,139	—	February 8, 2024	-
	2019 NED EIP	—	55,000	—	55,000	3.16	February 5, 2025	February 5, 2035
	2019 NED EIP	—	13,719	—	13,719	—	February 5, 2025	-

(1) DRSUs do not have an exercise price and payment of DRSUs will generally be made 180 days following separation of service.

Executive Director (CEO)

– Under the terms of the 2019 EIP, awards can be granted in respect of ordinary shares, ADSs, cash or a combination thereof. All grants to our Executive Director since 2019 are in respect of ADSs.

– Under the 2015 Plan, we granted market value options to our CEO which expired unexercised in 2025. These market value options were fully vested by January 1, 2022. There were no performance conditions attached to share options granted under the 2015 Plan.

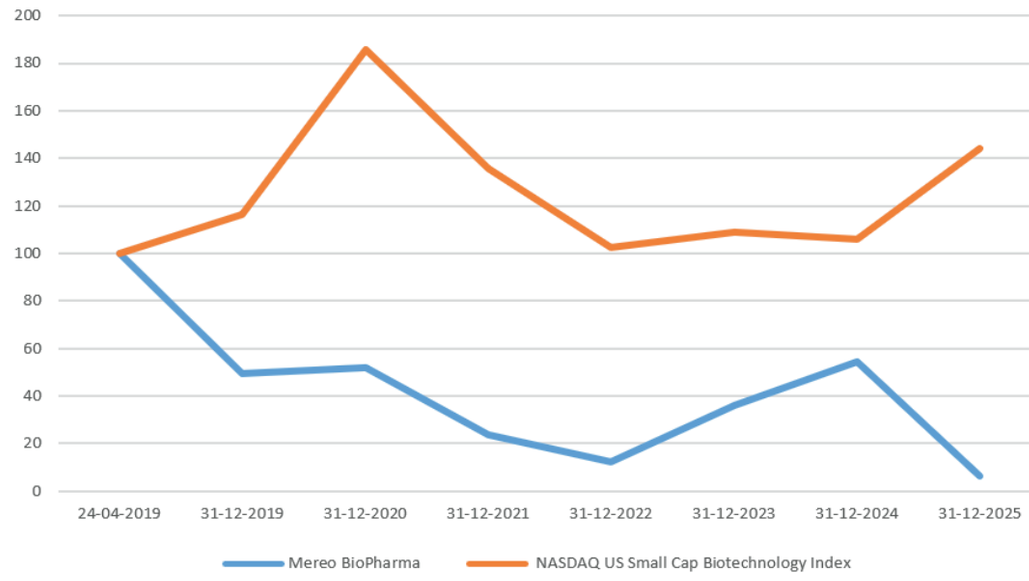
Non-Executive Directors

– Under the 2019 NED EIP, we have granted market value options to all Non-Executive Directors and DRSUs to directors who voluntarily elect to convert their annual cash fees into DRSUs. Options vest in equal monthly installments over a one year period following grant date. DRSUs vest in substantially equal monthly installments over the plan year. Payment of DRSUs will generally be made 180 days following separation of service. There are no performance conditions attached to these awards. Subject to the terms of the grant, awards under the 2019 NED EIP can be granted in respect of ordinary shares, ADSs, cash or a combination thereof. All grants to Non-Executive Directors since 2019 were in respect of ADSs.

  Under the 2015 Plan, we granted share options to certain of our Non-Executive Directors which expired unexercised in 2025. These share options vested over three years from grant date in three equal annual installments. There were no performance conditions attached to share options granted under the 2015 Plan.

2.6 Performance Graph and Table

The graph below shows the Company's performance, measured by total shareholder return, relative to the Nasdaq US Small Cap Biotechnology Index, which has been selected for this comparison because the Company has been trading on the Nasdaq exchange since the date it became a quoted company for the purposes of the U.K. remuneration reporting regulations (in April 2019) and is therefore considered to be the most suitable comparator index. The data for the graph is obtained from the Nasdaq exchange.



Chief Executive Officer Total Remuneration History

The Chief Executive Officer's remuneration over the period since the Company's listing on Nasdaq in April 2019 is set out below. This will eventually build up to cover a rolling ten-year remuneration history.

	2025	2024	2023	2022	2021	2020	2019
Total CEO remuneration (£)	686,844	2,149,633	703,505	726,360	705,297	867,888	741,374
CEO bonus (as a % of maximum available)	40%	67%	60%	80%	81%	100%	75%
CEO LTIP[1] vesting (as a % of maximum available)	100%	100%	100%	100%	100%	100%	100%

(1) Awards of market value options were granted under the 2019 EIP as an equity incentive to the CEO in all years shown above. As these options are not subject to performance conditions the vesting percentage in respect of these awards has been recorded as 100%. In 2023, PSUs were granted subject to performance conditions, all of which vested on achievement of the performance targets in 2024, therefore the impact of this full vesting is also included in the CEO LTIP vesting % in 2024.

2.7 Percentage Change in Remuneration of Directors and Employees

The following table shows the percentage change in each Executive and Non-Executive Directors' remuneration compared with the average change for all employees of the Company for the year ended December 31, 2025 as part of a rolling five-year period.

	2025			2024			2023			2022			2021		
	Salary/ fee (%)	Benefits (%)	Annual bonus (%)	Salary/ fee (%)	Benefits (%)	Annual bonus (%)	Salary/ fee (%)	Benefits (%)	Annual bonus (%)	Salary/ fee (%)	Benefits (%)	Annual bonus (%)	Salary/ fee (%)	Benefits (%)	Annual bonus (%)
Dr. Denise Scots-Knight	3	17	(38)	4	6	16	6	7	(21)	5	2	5	—	3	(40)
Dr. Jeremy Bender	(19)	—	—	5	—	—	(0)	—	—	17	—	—	1	—	—
Dr. Anders Ekblom	(23)	—	—	(2)	—	—	8	—	—	19	—	—	(2)	—	—
Mike Wyzga	(22)	—	—	5	—	—	11	—	—	62	—	—	24	—	—
Dr. Pierre Jacquet	(23)	—	—	5	—	—	15	—	—	293	—	—	—	—	—
Dr. Annalisa Jenkins [1]	(19)	—	—	3	—	—	541	—	—	—	—	—	—	—	—
Dr. Deepika Pakianathan	(1)	—	—	(4)	—	—	16	—	—	3	—	—	—	—	—
Justin Roberts [2]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dr. Daniel Shames [1]	(23)	—	—	4	—	—	504	—	—	—	—	—	—	—	—
Marc Yoskowitz [1]	(23)	—	—	19	—	—	428	—	—	—	—	—	—	—	—
Average of all employees (other than Directors)	3	(16)	(39)	(6)	(26)	(8)	(28)	(33)	(6)	29	(11)	—	1	30	8

(1) Dr. Annalisa Jenkins, Dr. Daniel Shames and Marc Yoskowitz were appointed to the Board on November 10, 2022 – no year-on-year comparisons are therefore available prior to 2023 for these individuals.
(2) Mr. Roberts has waived all remuneration in respect of his appointment as a Non-Executive Director.

2.8 Relative Importance of Spend on Pay

The Remuneration Committee considers the Company's research and development ("R&D") expenditure relative to salary expenditure for all employees, to be the most appropriate metric for assessing overall spend on pay due to the nature and stage of the Company's business. Dividend distribution and share buy-back comparators have not been included because the Company has no history of such transactions. The table below illustrates the gross pay to all employees, per year, as compared to R&D expenditure and illustrates the year-on-year change.

	2025 £'000s	2024 £'000s	% change
Gross pay to all employees	12,476	15,624	(20)
R&D expenditure	13,115	14,393	(9)

2.9 External appointments

Dr. Denise Scots-Knight (the Chief Executive Officer) is currently a Non-Executive Director of Elanco Animal Health Incorporated ("Elanco") (NYSE: ELAN).

2.10 Membership of the Remuneration Committee and its Advisors
The Remuneration Committee is currently comprised of three independent Non-Executive Directors: Dr. Anders Ekblom (Chair), Dr. Deepika Pakianathan, and Justin Roberts. The Chief Executive Officer, and other executives, as well as others, are invited to attend Remuneration Committee meetings as required to provide advice and assistance. The terms of reference of the Committee can be found on our website at www.mereobiopharma.com.

During the year, the Committee was assisted in its work by FIT Remuneration Consultants LLP ("FIT") and Compensia, Inc. ("Compensia"). FIT was appointed in 2020 and has provided advice in relation to general remuneration matters. Fees paid to FIT in relation to advice provided to the Committee during the year ended December 31, 2025 were £3,619 (excluding VAT) (2024: £2,069) (excluding VAT), charged on a time/cost basis. FIT did not provide any other services to the Company other than in relation to advice on general remuneration matters. FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the U.K. Compensia was appointed in 2021 and has provided advice in relation to general remuneration matters and did not provide any other services to the Company. Fees paid to Compensia in relation to the advice provided to the Committee during the year were $120,062 (2024: $139,193). The Committee is satisfied that the advice they received from FIT and Compensia was objective and independent.

The Committee met seven times during the year and addressed the following main topics:

- Reviewed and approved the remuneration package of our CEO and direct reports of the CEO;
- Approved the annual bonus payments to the CEO in 2025 and the annual bonus plan for the 2025 financial year;
- Reviewed and approved the number of shares available for grant under the 2019 EIP;
- Reviewed and approved the grant of market value options to the CEO and to employees at seniority level SVP and above under the Company's 2019 EIP;
- Approved the delegation of authority from the Committee to the CEO in respect of the grant of options and RSUs to employees at seniority level of VP and below; and
- Reviewed and approved the grant of market value options and DRSUs under the Company's 2019 NEP EIP.

2.11 Statement of Voting at a General Meeting of the Company
The shareholder votes on the non-binding approval of the Directors' Remuneration Report at the Annual General Meeting which took place on May 13, 2025, and the binding approval of the Directors' Remuneration Policy at the Annual General Meeting which took place on May 22, 2023 were as follows:

Resolution	Votes for	% for	Votes against (excluding withheld)	% against	Total (excluding withheld)	Withheld
Approval of the Directors' Remuneration Report	522,232,445	98.64%	7,210,212	1.36%	529,442,657	94,746,005
Approval of the Directors' Remuneration Policy	276,586,051	83.81%	53,425,295	16.19%	330,011,346	653,910

2.12 Statement of Implementation of Remuneration Policy for the Year Ending December 31, 2026
Annual salary
For 2026, the CEO was granted a 0% increase in annual salary.

Benefits and pension
The CEO will continue to receive pension contributions (or cash payments in lieu) to the total value of 10% of base salary. No changes will be made to the provision of other benefits.

Bonus
The CEO will be eligible for an annual bonus of up to 60% of base salary for achievement of the target level or no higher than 125% of this amount (i.e. up to 75% of base salary) for achievement of stretch goals for the 2026 financial year, however the Committee may use its discretion to award more than this in exceptional circumstances .

The bonus will be subject to the achievement of short-term performance targets which will be set by the Committee with respect to the 2026 performance period. The performance targets will cover key objectives that relate to the achievement of the Group's wider strategic goals including, for 2026, measures relating to medical affairs and patient access, commercial planning, clinical development, manufacturing, corporate development and finance.

The amount of bonus payable is at the discretion of the Committee subject to review of performance against the short-term performance targets at the end of the performance period (which is aligned with the financial year).

The Committee has chosen not to disclose, in advance, the detailed performance targets for the forthcoming year as these include matters which the Committee considers commercially sensitive. Retrospective disclosure of the performance against the corporate objectives will be made in next year's Annual Report on Remuneration to the extent any such disclosure is considered not to be commercially sensitive at that time.

Long-term incentive plan
In line with the approved Policy, the Committee has issued long-term incentive plan options to the CEO during 2026.

On February 1, 2026, options were granted to the CEO under the 2019 EIP. These options have a vesting period over four years, with 25% of the award vesting on the first anniversary of the grant date and the balance vesting in equal monthly installments over the following three years. Of the total options granted, 75% were granted with an exercise price of $0.44, which was equal to the closing price of the underlying ADSs on the trading day immediately preceding the date of grant, and 25% of the options were granted with an exercise price of $1.00. No performance conditions were attached to the awards.

	ADS options granted	**Exercise Price per ADS ($)**	**Face value ($)**
Dr. Denise Scots-Knight	1,035,000	0.44	455,400
	345,000	1.00	345,000

Non-Executive Directors' fees
Non-Executive Directors may voluntarily elect to convert their annual cash fees into DRSUs (over ADSs) that are then held until settlement, generally 180 days following separation of service. This Deferred Compensation Plan is delivered under the terms of the 2019 NED EIP.

In addition to annual cash fees or DRSUs, as elected, on February 26, 2026 equity incentive awards were granted to Non-Executive Directors in line with the 2019 NED EIP. A total of 66,000 equity incentive awards in the form of market value options over ADSs, were granted to each Non-Executive Director at an exercise price of $0.39 per ADS, with a vesting period of one year; vesting is in equal monthly installments over the plan year following grant date. No performance conditions were attached to the awards.

Mr. Roberts has waived all remuneration in respect of his appointment as a Non-Executive Director.

This Directors' Remuneration Report has been approved by the Board and signed on behalf of the Board by:

Dr. Anders Ekblom
Director

March 19, 2026

The Directors present their report together with the audited financial statements for the year ended December 31, 2025.

Principal activities
The Strategic Report on pages 3 to 22 describes the Group's principal development activities, strategy and future developments.

Results and dividends
The Group recorded a total comprehensive loss for the year attributable to equity holders of the parent of £32.0 million (2024: £32.9 million). Further details are given in the Strategic Report and in the consolidated financial statements.

The Directors do not recommend payment of a dividend.

Research and development
For the financial year ended December 31, 2025, the Group spent £13.1 million (2024: £14.4 million) on research and development activity.

Research and development spend primarily reflects the underlying activity on clinical trials for our product candidates as well as the manufacturing of drug products together with the internal costs, including payroll directly attributable to these activities. Further details of our product programs and research and development spend can be found within the Strategic Report.

Directors
The directors of the Company who held office during the year and up to the date of this report, unless otherwise noted, were:

Executive directors
Dr. Denise Scots-Knight (Chief Executive Officer)

Non-Executive directors
Michael Wyzga (Chairman)
Dr. Jeremy Bender
Dr. Anders Ekblom
Dr. Pierre Jacquet
Dr. Annalisa Jenkins
Dr. Deepika Pakianathan
Justin Roberts
Dr. Daniel Shames
Marc Yoskowitz

As at the date of this report, the Directors held shares representing 14.1% of the equity of the Company. Details of the Directors' shareholdings and their options over shares in the Company are disclosed in the Directors' Remuneration Report on pages 23 to 43.

Information on environmental matters
The Company is required to measure and report its greenhouse gas emissions. This information is outlined in the "Social and environmental matters" section of the Strategic Report on page 20.

Future developments
Details of future developments can be found in the Strategic Report on pages 3 to 22 and form part of this report by cross-reference.

Post-balance sheet events
Details of post-balance sheet events can be found in the consolidated financial statements.

Going concern
The going concern basis has been applied in these consolidated financial statements as the Company has adequate resources to meet its liabilities as they fall due for the foreseeable future and at least 12 months from the date of approval of these consolidated financial statements.

The Company expects to incur significant operating losses for the foreseeable future as it continues its research and development efforts, seeks to obtain regulatory approval of its product candidates and pursues any future product candidates the Company may develop.

Until such time as the Company can generate significant revenue from product sales, or other commercial revenues, if ever, or through licensing and/or collaboration agreements for its rare disease and other product candidates, the Company will seek to finance its operations through a combination of non-dilutive funding sources, public or private equity or debt financings or other sources.

As of December 31, 2025, the Company has cash and short-term deposits available of £30.5 million.

The Directors have prepared detailed cash flow forecasts for the period from approval of these consolidated financial statements to December 31, 2027. The Directors have considered the continuing economic uncertainty, rises in inflation, and impacts on the labor market on these forecasts.

The Company's existing funds provide the Company with sufficient cash resources to meet its liabilities as they fall due and for the period to mid-2027. Therefore, although the Company continues to generate losses, the Directors consider that there is sufficient headroom between the forecast expenditure and cash resources such that the likelihood of the headroom being exhausted is remote. Therefore, the Directors determined that it is appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Financial risk management objectives and policies (including information on exposure to price risk, credit risk, liquidity risk and cash flow risk)
Refer to Note 23 of the financial statements for further details on our financial risk management objectives and policies.

Health and safety
The Directors are committed to ensuring the highest standards of health and safety, both for their employees and for the communities within which the Group operates.

Political contributions
Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the years ended December 31, 2025 and 2024.

Share capital
As at the date of this report, the Company had total issued and fully paid-up share capital of £2,394,236 representing 798,078,829 ordinary shares of £0.003 each, all of which rank pari passu. Each share carries the right to one vote at general meetings of the Company. No shareholder holds shares carrying special rights with regard to control of the Company.

The Company's ADSs are traded on the Nasdaq Capital Market under the symbol "MREO". Each ADS represents five ordinary shares.

Purchases of own shares during the year
There were no purchases of own shares during the years ended December 31, 2025 and 2024.

Branches outside the U.K.
As at December 31, 2025, the Group consists of certain subsidiaries which are incorporated outside the United Kingdom. Further information can be found in Note 5 of the financial statements. There are no branches of the Company outside the United Kingdom.

Annual general meeting ("AGM")
The AGM of the Company is anticipated to be held on May 14, 2026. The notice of the meeting, together with an explanation of the business to be dealt with including proposed resolutions, will be prepared as a separate document and distributed to shareholders and posted on our website.

Disclosure of information to the Auditors
Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Group's Auditors are unaware; and
- The director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers LLP (United Kingdom) ("PwC"), have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming AGM.

Directors' and officers' liability insurance
The Company has, as permitted by the Companies Act 2006, purchased and maintained throughout the financial year suitable insurance cover on behalf of the directors, indemnifying them against certain liabilities which may be incurred by them in relation to the Group. The Company has also entered into a deed of indemnity with each of its directors as permitted by the Companies Act 2006 and with each of its executive officers.

Effective date
This report was approved by the Board of Directors on March 19, 2026 and signed on its behalf by:

Michael Wyzga
Chairman

March 19, 2026

Charles Sermon
General Counsel and Company Secretary

March 19, 2026

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006. The directors have also chosen to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework”, and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors’ Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board:

Charles Sermon
General Counsel and Company Secretary

March 19, 2026

Independent auditors' report to the members of Mereo BioPharma Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Mereo BioPharma Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at December 31, 2025 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise:

- the Consolidated Balance Sheet as at December 31, 2025;
- the Company Balance Sheet as at December 31, 2025;
- the Consolidated Statement of Comprehensive Loss for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- The Group's headquarters are in the United Kingdom, which is also the location of management.
- The Company has seven directly owned subsidiaries and two indirectly owned subsidiaries. Four subsidiaries are dormant entities.
- We identified the Group as one significant component and performed a full scope audit over it.
- The significant component and the consolidation adjustments, over which we performed audit procedures, accounted for 100% of the loss before tax of the Group. Our audit scope provided sufficient, appropriate audit evidence as a basis for our opinion on the Group financial statements.

Key audit matters

- Recoverability of the intangible assets held by Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited (group)
- Recoverability of the Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited investments (parent)

Materiality

- Overall group materiality: £1,787,000 (2024: £1,660,052) based on 5% of adjusted loss before tax.
- Overall company materiality: £881,000 (2024: £1,902,000) based on 1% of total assets.
- Performance materiality: £1,317,000 (2024: £1,245,039) (group) and £661,000 (2024: £1,426,500) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Recoverability of the intangible asset held by Mereo BioPharma 3Limited and recoverability of the Mereo BioPharma 3 Limited investment are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the intangible assets held by Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited (group) As disclosed in Notes 13 and 14 to the Group financial statements, as at December 31, 2025, Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited held intangible assets, which relate to acquired development programmes, with net book values of £4.3m and £2.5m, respectively, prior to impairment. Management have forecasted the cash flows for the acquired development programmes which support the intangible assets. Management's impairment assessments are performed through separate value in use models, which contain certain significant estimates, such as: the probability of technical and regulatory success and the probability of partnering, which required significant attention, as part of our audit. Management has assessed the recoverability of the intangible assets under IAS 36, Impairment of Assets, and concluded that the value in use for Mereo BioPharma Limited 1 was lower than its carrying amount, such that the intangible asset has been fully impaired. Management concluded that the value in use for Mereo BioPharma 3 Limited was higher than its carrying amount, such that no impairment was required.	We performed the following procedures to address the key audit matter: 1) We understood and evaluated the design and implementation of controls relevant to management's impairment assessments; 2) We obtained and critically assessed management's impairment models and supporting memoranda for compliance with IAS 36; 3) We obtained audit evidence for those assumptions we identified as significant in the models; 4) We reviewed the disclosures made in respect of intangible assets within the financial statements. Based on the work performed, we concluded that management's impairment assessments support the impairment of the intangible asset and that the related disclosures are appropriate for the asset associated with Mereo BioPharma 1 Limited. Further we concluded that management's impairment assessment supports the carrying value of the intangible asset in Mereo BioPharma 3 Limited and that the related disclosures are appropriate.
Recoverability of the Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited investments (parent) As disclosed in Note 4 to the Company's financial statements, as at December 31, 2025, the Company held investments in subsidiaries totalling £242m before provisions for impairment, of which £82.7m related to the investments in Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited. In forming their assessment of impairment triggering events management considered: the progress of the acquired development programs held in Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited, external market indicators (such as the Group's market capitalisation), and any contradictory evidence identified in the value in use calculations supporting the value of the acquired development program. Management has assessed the recoverability of Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited under IAS 36, Impairment of Assets, and concluded that the investments in these subsidiaries were fully impaired. Management was required to exercise judgement in performing this impairment exercise and this therefore required significant attention as part of our audit.	We performed the following procedures to address the key audit matter: 1) We understood and evaluated the design and implementation of controls relevant to management's impairment assessment; 2) We evaluated external factors which could be indicative of impairment such as the Group's market capitalisation and also assessed, based on our knowledge of the business, the progress of the acquired development programmes; 3) We evaluated the completeness of management's impairment trigger assessment; and 4) We evaluated the sufficiency of the disclosure in Note 4 to the Company's financial statements. Based on the work performed, we conclude that the impairment of the investments in Mereo BioPharma 1 Limited and Mereo BioPharma 3 Limited are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate. The Group comprises ten companies, of which six are operational. We identified the entire Group is a single component and therefore we audited this component, therefore obtaining coverage over 100% of Group balances.

We did not utilise a component auditor in the audit of the Group and our audit procedures were solely carried out at the Group's head office.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	**Financial statements - company**
Overall materiality	£1,787,000 (2024: £1,660,052).	£881,000 (2024: £1,902,000).
How we determined it	5% of adjusted loss before tax	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report and Accounts, adjusted loss before tax is the primary measure used by the stakeholders of the Group to measure its financial performance and is a generally accepted auditing benchmark. We have adjusted this to remove the effect of changes of the fair value of financial instruments and the UK R&D tax credit, as they are not representative of the Group's underlying activities and, in the case of the changes of the fair value of financial instruments, can vary significantly period over period.	Based on the benchmarks used in the Annual Report and Accounts, total assets is the primary measure used by the stakeholders of the Company to measure its financial performance and is a generally accepted auditing benchmark for holding companies.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £1,317,000 (2024: £1,245,039) for the group financial statements and £661,000 (2024: £1,426,500) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £89,500 (group audit) (2024: £83,003) and £44,000 (company audit) (2024: £95,100) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the mathematical accuracy of the cash flow forecast and reconciling this to the Board approved budget;
- Assessing the completeness and accuracy of the data used in the cash flow forecast, including whether any additional risks not considered by management exist based on our understanding of the group, company and industry;
- Evaluating management's assessment of key assumptions contained within the cash flow forecasts; and
- Evaluating the sufficiency of the disclosure in Note 2 to the Group's financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended December 31, 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the

course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non- compliance with laws and regulations related to tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the misappropriation of cash and manipulation of the cash runway disclosure contained within Note 2 to the group's financial statements. Audit procedures performed by the engagement team included:

- Inquiries with management and the Audit and Risk Committee regarding their knowledge of actual or suspected fraud in the business;
- Identifying and testing journals based on our risk assessment and evaluating whether there was evidence of management bias that represents a material misstatement due to fraud;
- Consideration of assumptions and judgements made by management in their significant accounting estimates and judgements; and
- Incorporating elements of unpredictability into the audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher

than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
March 19, 2026

	Note	Year ended December 31, 2025 £'000s	2024 £'000s
Revenue	6	364	—
Cost of revenue	6	(99)	—
Research and development expenses		(13,115)	(14,393)
General and administrative expenses		(16,624)	(21,438)
Operating loss	7	(29,474)	(35,831)
Finance income	9	1,650	2,373
Finance costs	9	(192)	(762)
Changes in the fair value of financial instruments	9	626	(330)
Net foreign exchange (loss)/gain		(4,753)	1,003
Other income	10	1,374	—
Gain from disposal of intangible assets		222	—
Impairment loss on intangible assets	14	(4,311)	—
Loss before tax		(34,858)	(33,547)
Taxation	10	9	1,291
Loss for the year, attributable to equity holders of the parent		(34,849)	(32,256)
Items that may be reclassified subsequently to profit or loss:			
Currency translation of foreign operations (net of tax)		2,855	(641)
Total comprehensive loss for the year, attributable to equity holders of the parent		(31,994)	(32,897)
Basic loss per share for the year (in £)	11	(0.04)	(0.04)
Diluted loss per share for the year (in £)	11	(0.04)	(0.04)

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

	Note	Year ended December 31, 2025 £'000s	2024 £'000s
Assets			
Non-current assets			
Property, plant and equipment	12	283	785
Intangible assets	13	8,167	12,532
		8,450	13,317
Current assets			
Prepayments		1,087	1,015
R&D tax credits receivable	10	1,113	2,221
Other receivables	15	793	719
Cash and cash equivalents	16	30,458	55,638
		33,451	59,593
Total assets		41,901	72,910
Equity and liabilities			
Non-current liabilities			
Provisions	18	—	126
Lease liabilities	12	—	149
Other liabilities		491	450
		491	725
Current liabilities			
Trade and other payables	17	1,233	2,415
Accruals		1,506	3,247
Provisions	18	—	870
MD anderson	20	—	4,467
Warrant liabilities	19	28	654
Lease liabilities	12	149	563
Other liabilities		310	403
		3,226	12,619
Total liabilities		3,717	13,344
Net assets		38,184	59,566
Equity			
Issued capital	21	2,387	2,327
Share premium	21	310,483	305,649
Other capital reserves	21	145,468	139,750
Other reserves	21	7,401	7,401
Accumulated losses	21	(429,445)	(394,596)
Translation reserve		1,890	(965)
Total equity		38,184	59,566

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

The financial statements on pages 55 to 95 were approved by the Board of Directors on March 19, 2026 and signed on its behalf by:

Dr. Denise Scots-Knight (Director)
March 19, 2026
Company number: 09481161 (England and Wales)

	Note	Year ended December 31, 2025 £'000s	2024 £'000s
Operating activities			
Loss before tax		(34,858)	(33,547)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of property, plant and equipment	12	518	524
Amortization of intangible assets	13	352	343
Share-based payments expense	25	5,718	5,601
Change in fair value of warrants	9	(626)	330
Net foreign exchange gain/(loss)		4,753	(1,003)
Finance income	9	(1,650)	(2,373)
Finance costs	9	192	762
Other income		(1,374)	—
Gain from disposal of intangible assets		(222)	—
Impairment loss on intangible assets	14	4,311	—
Changes in operating assets and liabilities:			
Decrease in receivables and prepayments		(106)	2,217
Increase in trade and other payables and accruals		(2,901)	(719)
Increase/(Decrease) in provisions and other liabilities		(994)	1,072
Taxation		2,488	—
Net cash flows used in operating activities		(24,399)	(26,793)
Investing activities			
Purchases of intangible assets	13	(317)	(946)
Proceeds from the outlicence of intangible assets		222	—
Purchases of property, plant and equipment	12	(16)	—
Interest received	9	1,602	2,373
Net cash flows from investing activities		1,491	1,427
Financing activities			
Proceeds from issuance of ordinary shares	21	30	37,060
Proceeds from the exercise of warrants		384	—
Transaction costs on issuance of ordinary shares	21	(157)	(814)
Interest paid		(70)	(121)
Payment of principal on lease liabilities	12	(562)	(511)
Net cash flows (used in)/from financing activities		(375)	35,614
Net (decrease)/increase in cash and cash equivalents		(23,283)	10,248
Cash and cash equivalents at January 1		55,638	45,102
Effect of exchange rate changes		(1,896)	288
Cash and cash equivalents at December 31		30,459	55,638

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

	Notes	Issued capital	Share premium	Other capital reserves	Employee Benefit Trust shares	Other reserves	Accumulated losses	Translation reserves	Total
At December 31, 2023		2,104	267,770	135,670	(974)	7,401	(362,340)	(324)	49,307
Loss for the year		—	—	—	—	—	(32,256)	—	(32,256)
Other comprehensive loss		—	—	—	—	—	—	(641)	(641)
Total comprehensive loss		—	—	—	—	—	(32,256)	(641)	(32,897)
Share-based payments	25	—	—	5,601	—	—	—	—	5,601
Vesting of PSUs		20	(52)	—	—	—	—	—	(32)
Vesting of RSUs		1	(2)	(752)	752	—	—	—	(1)
Exercise of share options		8	533	(769)	222	—	—	—	(6)
Issuance of ordinary shares, net		194	37,400	—	—	—	—	—	37,594
At December 31, 2024		2,327	305,649	139,750	—	7,401	(394,596)	(965)	59,566
Loss for the year		—	—	—	—	—	(34,849)	—	(34,849)
Other comprehensive income		—	—	—	—	—	—	2,855	2,855
Total comprehensive loss		—	—	—	—	—	(34,849)	2,855	(31,994)
Share-based payments	25	—	—	5,718	—	—	—	—	5,718
Exercise of share options		1	29	—	—	—	—	—	30
Vesting of RSUs		4	(4)	—	—	—	—	—	—
Conversion of convertible loan notes	20, 21	51	4,430	—	—	—	—	—	4,481
Exercise of warrants	19, 21	4	379	—	—	—	—	—	383
At December 31, 2025		2,387	310,483	145,468	—	7,401	(429,445)	1,890	38,184

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

1. Corporate information

Mereo BioPharma Group plc (the "Company" or "Mereo") is a United Kingdom ("UK") based biopharmaceutical company focused on the development of innovative therapeutics for rare diseases. The Company has developed a portfolio of late-stage clinical product candidates, and its two late-stage rare disease product candidates are setrusumab for the treatment of osteogenesis imperfecta and alvelestat primarily for the treatment of severe alpha-1 antitrypsin deficiency-associated lung disease. The Company also has an early-stage rare disease program, vantictumab, for the treatment of autosomal dominant osteopetrosis Type 2.

The Company is a public limited company incorporated and domiciled in the UK, and registered in England, with shares publicly traded on the Nasdaq Capital Market via American Depositary Shares ("ADSs") under the ticker symbol "MREO". The Company's registered office is located at 4th Floor, One Cavendish Place, London, W1G 0QF, United Kingdom.

The consolidated financial statements of Mereo BioPharma Group plc and its subsidiaries for the year ended December 31, 2025 were authorized for issue in accordance with a resolution of the Directors on March 19, 2026. The principal activities of the Company are the development and commercialization of innovative therapeutic pharmaceutical products for rare diseases.

2. Material accounting policies

Basis of preparation

The Company's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and the Companies Act 2006.

The consolidated financial statements are presented in pound sterling ("£"), which is the presentational currency of the Company. The functional currencies of consolidated subsidiaries are pound sterling and US dollars ("$"). All amounts disclosed in the consolidated financial statements and notes have been rounded to the nearest thousand, unless otherwise stated. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The consolidated financial information comprises the financial statements of Mereo BioPharma Group plc and its subsidiaries as at December 31, 2025. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealized gains on transactions between subsidiaries are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the policies adopted by the Company.

Segmental information

The Company has one operating segment. The Chief Operating Decision Maker ("CODM") is the Chief Executive Officer. The Company has a single portfolio of product candidates, with only direct research and development expenses (R&D expenses") monitored by product candidate. The CODM makes decisions over resource allocation at an overall portfolio level and the Company's financing is managed and monitored on a consolidated basis.

Non-current assets held by the Company are located in the United Kingdom.

Going concern

The going concern basis has been applied in these consolidated financial statements as the Company has adequate resources to meet its liabilities as they fall due for the foreseeable future and at least 12 months from the date of approval of these consolidated financial statements.

The Company is subject to risks common to companies in the biotechnology industry, including but not limited to, risks of delays in initiating or continuing research programs and clinical trials, risks of failure of preclinical studies and clinical trials, the need to obtain marketing approval for any drug product candidate that it may identify and develop, the need to successfully commercialize and gain market acceptance of its product candidates, if approved, dependence on key personnel and collaboration partners, protection of proprietary technology, compliance with government regulations, development by competitors of technological innovations, and the ability to secure additional capital to fund operations. Product candidates currently under development will require significant additional research and development efforts, including pre-clinical and clinical testing and regulatory approval prior to commercialization.

Even if the Company's research and development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

The Company has historically been loss making, anticipates that it will continue to incur losses for the foreseeable future, and had an accumulated losses of £429.4 million as of December 31, 2025. The Company has funded these losses through a combination of public equity financings, private equity and debt financings and various license and collaboration agreements, and it expects it will continue to do so until such time as it can generate significant revenue from product sales, or other commercial revenues, if ever, or through licensing and/or collaboration agreements for its rare disease or other product candidates. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all.

The Company has prepared detailed cash flow forecasts for the period from approval of these consolidated financial statements to December 31, 2027. The Company has considered the continuing economic uncertainty, rises in inflation, and impacts on the labor market on these forecasts.

The Company's existing funds provide the Company with sufficient cash resources to meet its liabilities as they fall due and for the period through mid-2027. Therefore, although the Company continues to generate losses, the Company considers that there is sufficient headroom between the forecast expenditure and cash resources such that the likelihood of the headroom being exhausted is remote. Therefore, the Company determined that it is appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements. In the longer term, the Company will need additional funding to support its continuing operations and pursue its business strategy.

Summary of material accounting policies

a) Revenue

The Company's ordinary business activities are the development of product candidates to key clinical milestones and either strategically partnering them or further developing such product candidates through potential regulatory approval and commercialization. The Company may enter into a range of different agreements with third parties, including but not limited to: (i) licensing agreements where the global rights to a product candidate are licensed to a partner; and (ii) collaboration agreements where rights to a product candidate are licensed to a partner but the Company retains certain rights, for example to further develop or commercialize the product candidate in specified geographical territories. Under both licensing and collaboration agreements, rights to product candidates are provided to a partner typically in exchange for consideration in the form of upfront payments and/or development, regulatory, commercial or other similar milestones, and royalties on commercial sales, should regulatory approval be obtained for the product candidates.

The terms of these arrangements typically include payment to the Company of one or more of the following: non-refundable, upfront license fees; payments for research and development services; fees upon the exercise of options to obtain additional services or licenses; payments based upon the achievement of defined collaboration objectives; future regulatory and sales-based milestone payments; and royalties on net sales of future products.

Where the Company has performed significant development activities for its product candidates, including the Ultragenyx Pharmaceutical, Inc. ("Ultragenyx") and ReproNovo SA ("ReproNovo") partnerships described in Note 6, receipts from agreements with third parties are considered to be proceeds derived from customers of the Company's ordinary activities and therefore represent revenue within the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15").

When this is not the case and the third parties are not receiving outputs from the Company's ordinary activities, such as in the āshibio, Inc. and Feng Biosciences, Inc. partnerships, the third parties are not considered to be customers and the Company accounts for receipts from these agreements as other income.

To determine revenue recognition for arrangements that the Company determines are within the scope of IFRS 15, it performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when, or as, the Company satisfies the performance obligations. The Company only applies the five-step model to contracts when it is highly probable that the entity will collect substantially all of the consideration it is entitled to in exchange for the goods or services it transfers to the customer. As part of the accounting for these arrangements, the Company must make significant judgments, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation.

Once a contract is determined to be within the scope of IFRS 15, the Company assesses the goods or services promised within the contract and determines those that are performance obligations. Arrangements that include rights to additional goods or services that are exercisable at a customer's discretion are generally considered options. The Company assesses if these options provide a material right to the customer and if so, they are considered performance obligations.

Performance obligations are promised goods or services in a contract to transfer a distinct good or service to the customer. The promised goods or services in the Company's contracts with customers primarily consist of license rights to the Company's intellectual property, research and development services and options to obtain additional licenses, such as a commercialization license for a potential product candidate. Promised goods or services are considered distinct when: (i) the customer can benefit from the good or service on its own or together with other readily available resources, and (ii) the promised good or service is separately identifiable from other promises in the contract. In assessing whether promised goods or services are distinct, the Company considers factors such as the stage of development of the underlying intellectual property, the capabilities of the collaboration partner to develop the intellectual property on their own and whether the required expertise is readily available. In addition, the Company considers whether the customer can benefit from a promise for its intended purpose without the receipt of the remaining promises, whether the value of the promise is dependent on the unsatisfied promises, whether there are other vendors that could provide the remaining promises, and whether it is separately identifiable from the remaining promises.

The Company estimates the transaction price based on the amount of consideration the Company expects to receive for transferring the promised goods or services in the contract. The consideration may include both fixed consideration and variable consideration. At the inception of each arrangement that includes variable consideration, the Company evaluates the amount of the potential payments and the likelihood that the payments will be received. The Company utilizes either the most likely amount method or expected value method to estimate variable consideration to include in the transaction price based on which method better predicts the amount of consideration expected to be received. The amount included in the transaction price is constrained to the amount for which it is highly probable that a significant reversal of cumulative revenue recognized will not occur. At the end of each subsequent reporting period, the Company re-evaluates the estimated variable consideration included in the transaction price and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis in the period of adjustment. The initial transaction price of a contract does not include amounts associated with customer option payments.

After the transaction price is determined, it is allocated to the identified performance obligations based on the estimated standalone selling price. The Company must develop assumptions that require judgment to determine the standalone selling price for each performance obligation identified in the contract. The Company utilizes key assumptions to determine the standalone selling price, which may include other comparable transactions, pricing considered in negotiating the transaction, probabilities of technical and regulatory success and the estimated costs. Based on the current agreements in effect, there is limited judgment in determining the revenue and transaction price. Certain variable consideration is allocated specifically to one or more performance obligations in a contract when the terms of the variable consideration relate to the satisfaction of the performance obligation and the resulting amounts allocated to each performance obligation are consistent with the amounts the Company would expect to receive for each performance obligation.

The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) each performance obligation is satisfied at a point in time or over time, and if over time, the facts and circumstances of each respective contract will be used to determine the revenue recognition pattern. The Company currently does not have any revenue that is being recognized over a period of time.

Payments to third parties arising as a direct consequence of revenue recognized are also recorded within cost of revenue in the Company's consolidated statement of operations and comprehensive loss. Intangible assets out-licensed under a license or collaboration agreement are recorded within cost of revenue in the Company's consolidated statement of comprehensive loss based on an allocation of cost or value of the rights that have been out-licensed.

License revenue
The Company has no approved product candidates and accordingly has not generated any revenue from commercial product sales. Revenue to date has been generated principally from licensing arrangements and collaboration agreements with a small number of the Company's customers.

If a license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenues from non-refundable, upfront fees allocated to the license at such time as the license is transferred to the licensee and the licensee is able to use, and benefit from, the license.

Contingent milestone payments
The Company's licensing arrangements and collaboration agreements may include development, regulatory and sales milestones. IFRS 15 constrains the amount of variable consideration included in the transaction price in that either all, or a portion, of variable consideration should be included in the transaction price. The variable consideration should be included only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company evaluates the probability of the milestones being reached and estimates the amount to be included in the transaction price using the most likely amount method. The Company evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. If it is highly probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the Company's control, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are received. At the end of each reporting period, the Company re-evaluates the probability of achievement of such milestones and any related constraints and, if necessary, adjusts the estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and net loss in the period of adjustment.

b) R&D expenses
R&D expenses are recognized in the consolidated statement of comprehensive loss as incurred on an accruals basis until the point that technical feasibility and commercial viability of the product candidate can be demonstrated and the Company is satisfied that it is probable that future economic benefits will result. At this point, the expenses are capitalized as an intangible asset and amortized over the expected useful economic life of the product candidate concerned. No such expenses have been capitalized to date.

Intellectual property and in-process R&D from asset acquisitions are recognized as intangible assets at cost when they meet the definition of an intangible asset under IAS 38, Intangible Assets.

R&D expenses include the costs of the Company’s proprietary R&D efforts, including preclinical studies, clinical trials, manufacturing costs, employee salaries and benefits and share-based compensation expense, contract services including external R&D expenses incurred under arrangements with third parties such as contract research organizations (“CROs”), facilities costs, overhead costs and other related expenses.

Intellectual property costs incurred on each drug candidate and costs associated with pre-commercial activities to support pricing and reimbursement by health technology assessment authorities and payor decision-makers in Europe are excluded from R&D expenses and are recognized within general and administrative expenses.

R&D costs that are paid in advance of performance are recorded as a prepaid expense and expensed over the service period as the services are provided. Accruals and prepayments for R&D expenses typically include fees and costs to be paid to CROs in relation to clinical trials and contract manufacturing organizations (“CMOs”) in relation to the manufacture of drug substance and drug product. These accruals and prepayments are calculated each period based on regular review and challenge by the relevant program manager of the detailed activity analysis provided directly by CROs and CMOs to determine their completeness and accuracy.

c) Taxation

Tax expense recognized in the consolidated statement of comprehensive loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income/(loss) or directly in equity.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated statement of comprehensive loss. The calculation of current tax is based on tax rates and tax laws that have been enacted, or substantively enacted, by the end of the reporting period in the jurisdictions in which the Company or its subsidiaries operates.

Amounts receivable in respect of R&D tax credits are recognized in the consolidated financial statements provided there is sufficient evidence that the amounts are recoverable. These credits are recognized within income tax in the consolidated statement of comprehensive loss prior to 2025. Following the new merged scheme that came to effect for accounting period on or after April 1, 2024 (the "Merged Scheme"), these credits are recognized within other income in the consolidated statement of comprehensive loss (see Note 10).

A provision is recognized for matters in which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the year when the asset or liability is realized, based on tax rates (and tax laws) enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

d) Foreign currencies

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in pound sterling (“£”), which is the presentational currency of the Company. The functional currencies of consolidated subsidiaries are pound sterling, US dollars (“$”) and Euros.

Transactions in foreign currencies are initially recorded by the Company at the rate prevailing on the date the transaction first qualifies for recognition. Differences arising on settlement or translation of monetary items as well as gains or losses on the retranslation of foreign currency balances at the year-end are recognized in the consolidated statement of comprehensive loss.

The results and financial position of subsidiaries that have a functional currency different from the presentational currency of the Company are translated into the presentational currency (pound sterling). The assets and liabilities of such entities are translated into pound sterling at the rate of exchange prevailing at the balance sheet date. Income and expenses are translated at the average rate for the year, which approximates the exchange rates at the dates of the transactions. Fair value adjustments arising on acquisition of such entities are treated as assets and liabilities of the relevant entity and translated into pound sterling at the closing rate. The exchange differences arising on translation for consolidation are recognized in other comprehensive loss.

e) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated statement of comprehensive loss as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Useful lives of various property, plant and equipment are as follows:

- Leasehold improvements — shorter of lease term or ten years
- Office equipment — five years
- IT equipment — three years

Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate.

f) Leases

The Company assesses whether a contract is, or contains, a lease at inception of the contract and recognizes a right-of-use asset and a corresponding liability with respect to all lease arrangements in which it is a lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives receivable.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a significant change in lease term, lease payments or if the lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability and lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented within property, plant and equipment. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset:

- Right-of-use asset (building) — five years

g) Intangible assets

Intangible assets acquired outside a business combination are initially recorded at cost, using the cost accumulation model. Under this model, the asset is initially recognized, at the date of acquisition, at the cost paid. Consideration that is contingent on future events is not included in the carrying amount of the asset at acquisition, and no liability is recognized for the contingent consideration, until the related uncertainty is substantially resolved with the exception of consideration payable in a variable number of shares, which is a financial liability and is recorded at fair value in accordance with IAS 32, Financial Instruments: Presentation. The Company continues to reassess the fair value of such instruments each reporting period until, if, and when the milestones are achieved and the issuance of shares occurs.

Given the pervasive uncertainty involved in establishing the amounts, timing and likelihood of the future cash flows, including the Company's ability to secure either a partnership or alternative forms of non-dilutive financing, the possible terms and rate of such a partnership or financing, the clinical and regulatory performance of the product candidate and the lack of comparable recent transactions, the Company has determined the fair value of the equity

milestones to be paid in a variable number of shares pursuant to its Amended AstraZeneca License Agreement to be negligible and therefore assigned a nil value to the instrument as of December 31, 2025 and 2024.

Subsequent payments made are capitalized as part of the cost of the asset if they are paid as a consequence of the utility of the asset.

Intangible assets that have been acquired through a business combination are initially recorded at fair value. The fair value of any contingent consideration is regularly reviewed based on the probability of achieving contractual milestones. Refer to the policy on business combinations above for more information.

Intangible assets that are not yet available for use are reviewed for impairment at each reporting date by allocating the assets to the cash-generating units to which they relate. The estimated useful life is the lower of the legal duration and economic useful life. The estimated useful lives of intangible assets are reviewed at least annually. Intangible assets are amortized from the date they are available for commercial use. The only intangible asset currently amortized is the UCB/Amgen License, which is amortized using the straight-line method over its useful economic life (see Note 13).

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

h) Financial instruments
Financial assets and liabilities are recognized in the consolidated balance sheet only when the Company becomes party to the contractual provisions of the instrument.

Financial assets
On initial recognition, a financial asset is classified into one of three primary measurement categories:

- Amortized cost;
- Fair value through other comprehensive income (“FVOCI”); or
- Fair value through profit or loss (“FVTPL”).

The initial classification into a primary measurement category depends on the nature and purpose of the financial asset.

Interest income, impairment losses or gains from reversal of impairment, are recognized directly in the consolidated statement of comprehensive loss. Changes in the fair value of financial assets measured through profit or loss are recognized within the consolidated statement of comprehensive loss upon each measurement date. Financial assets measured at amortized cost are recognized in the consolidated balance sheet at the gross cost net of accumulated amortization. For financial assets measured at FVOCI, the difference between cumulative fair value gains or losses and the cumulative amounts recognized in the consolidated statement of comprehensive loss is recognized in other comprehensive income/(loss) until derecognition, when the amounts in other comprehensive income/(loss) are reclassified to the consolidated statement of comprehensive loss.

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Embedded derivatives
An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Convertible loan notes
Convertible loan notes are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using a discount rate for an equivalent liability without the conversion feature. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date. The difference between the proceeds from the issue of the convertible loan note and the fair value assigned to the liability component is included in equity and not subsequently remeasured.

Financial liabilities
All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Borrowings (including interest-bearing loans) are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Under the effective interest method, amortization is included as a finance cost in the consolidated statement of comprehensive loss.

Non-substantial modifications to financial liabilities are measured at amortized cost with the associated gain or loss recognized in the consolidated statement of comprehensive loss. The gain or loss is computed as the difference between the original contractual cash flows and the modified cash flows, discounted at the original effective interest rate. For substantial modifications, the existing financial liability is derecognized and a new financial liability is established.

Borrowings are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

The warrant liabilities are recorded at fair value, with changes in the fair value recognized in the consolidated statement of comprehensive loss, where the terms of the warrant liabilities allow for cashless exercise.

Equity classified warrants

The Company has issued the following equity classified warrants:

A first tranche of warrants over 1,449,614 ordinary shares with a subscription price of £0.265 per ordinary share in conjunction with the Novartis Loan Note in 2020 and a second tranche of warrants over a further 2,000,000 ordinary shares with a subscription price of £0.15 per ordinary share in conjunction with amendments made to the Novartis Loan Note in 2023. An exercise notice for the first tranche was received on February 7, 2025. The Company subsequently received £0.4 million in cash in satisfaction of the subscription price and issued and allotted 1,449,610 shares (equivalent to 289,922 ADSs). The second tranche of warrants are exercisable until February 10, 2028. The value allocated to both tranches of warrants was recognized within the Equity component of convertible loan notes in additional paid-in capital at issuance as described above.

In October 2018, the Company entered into a funding agreement with The Alpha-1 Project (“TAP”), which provided for total payments of $0.4 million, of which the final installment of $0.1 million was received in May 2023. In exchange for funding, the Company issued warrants over a total of 1,551,699 ordinary shares, allowing TAP to subscribe for ordinary shares in the Company. Under the agreement, TAP is potentially entitled to receive a payment equivalent to the amounts received by Mereo (up to a maximum of $0.4 million) conditional on and within thirty days of the first regulatory approval for alvelestat. The agreement was accounted for as a compound instrument that includes both debt and equity components with the carrying value of each component established based on the relative fair value of each component. The amount allocated to the liability component is accreted back to the face value over the period to the earliest reasonable repayment date using the effective interest method. The amount allocated to the warrants was recognized in additional paid-in capital and is not subsequently remeasured. In February 2026, the Company received an exercise notice from TAP and subsequently issued and allotted 1,551,695 shares (equivalent to 310,339 ADSs) on the non-cash exercise of the warrants.

i) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

j) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

• Disclosures for significant assumptions	Note 3
• Property, plant and equipment	Note 12
• Intangible assets not yet available for use	Notes 13 and 14

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of comprehensive loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive loss.

k) Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at banks, short-term deposits with an original maturity of three months or less from the date of deposit, and investments in money market funds, which are subject to an insignificant risk of changes in value.

l) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

m) Share-based payments
Employees (including executives) and Non-Executive directors of the Company receive remuneration in the form of share-based payments, whereby employees and Non-Executive directors render services as consideration for equity instruments (equity settled transactions).

Incentives in the form of shares are provided to employees and Non-Executive directors under various plans (see Note 25).

In accordance with IFRS 2, Share-based Payments (“IFRS 2”), charges for these incentives are expensed through the consolidated statement of comprehensive loss using the accelerated graded-vesting attribution method over their vesting period, after adjusting for the Company's current estimate of shares that will not eventually vest. The total amount to be expensed is determined by reference to the fair value of the options or awards at the date they were granted.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

In accordance with IFRS 2, the cancellation of share options is accounted for as an acceleration of the vesting period and therefore any amount unrecognized that would otherwise have been charged in future accounting periods is recognized immediately. When options are forfeited, the accounting expense for any unvested awards is reversed.

n) Costs of issuing capital
Incremental costs incurred and directly attributable to the offering of equity securities are deducted from the related proceeds of the offering. The net amount is recorded as share premium in the period when such shares are issued. Where such expenses are incurred prior to the offering they are recorded in prepayments until the offering completes. Other costs incurred in such offerings are expensed as incurred and included in general and administrative expenses.

o) Pension contribution costs
Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

3. Significant judgments, estimates and assumptions

The preparation of these consolidated financial statements requires the management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The Company bases its estimates and judgments on historical experience and on various other assumptions that it considers to be reasonable. Actual results may differ from these estimates under different assumptions or conditions.

Estimates and assumptions

Recoverable amounts of intangible assets

Acquired development programs not yet available for use are assessed annually for impairment. This involves comparing the carrying value of each asset to its recoverable amount. Any excess of the asset’s carrying value over its recoverable amount is recognized as an impairment in the consolidated statement of comprehensive loss.

The calculation of each asset's recoverable amount involves making a number of significant estimates and assumptions about the cash flows to be generated by the asset including the likelihood of potential licensing agreements and their terms, the likelihood of successful product approval, the costs of attaining approval, the estimated useful life of intangible assets following commercialization and the subsequent profitability of the product once approved.

In particular, the conclusion on acumapimod is sensitive to the likelihood of being able to achieve an acceptable out-licensing agreement and the possible terms of such an agreement. In the year ended December 31, 2025, the Company began to de-prioritize the program, thus reducing this likelihood to a level that requires the full impairment of the carrying value, with an impairment charge of £4.3 million being recognized.

Further information on the key inputs, valuation techniques and the sensitivity of the balance to the key assumptions is provided in Note 14.

4. Changes in accounting policies

a) New standards, interpretations and amendments adopted from January 1, 2025
In the current year, the Company has applied the below amendments to IFRS issued by the IASB and endorsed by the UK Endorsement Board (the "UKEB") that are effective for the Company's annual period that begins on or after January 1, 2025. Its adoption did not have a material impact on the disclosures nor on the amounts reported in these consolidated financial statements:

- Amendments to IAS 21 – Lack of exchangeability

b) New standards, interpretations and amendments not yet effective
At the date of authorization of these consolidated financial statements, the Company has not applied the following new and revised accounting standards that have been issued but are not yet effective, and in relation to those effective from January 1, 2026, had not yet been endorsed by the UK Endorsement Board.

Effective January 1, 2026

- Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments and disclosure
- Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity
- Annual improvements to IFRS – Volume 11

Effective January 1, 2027

- IFRS 18 – Presentation and Disclosure in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures (not yet endorsed by the UKEB)
- Amendments to IAS 21 - Translation to a Hyperinflationary Presentation Currency (not yet endorsed by the UKEB)

Other than adoption of IFRS 18, the Company does not expect the adoption of these IFRS amendments will have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions. IFRS 18 will replace IAS 1, Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. While the impacts on presentation and disclosure are expected to be pervasive, IFRS 18 will not impact the recognition or measurement of items in the financial statements. Management is currently assessing the detailed implications of applying IFRS 18 and that more comprehensive disclosures cannot reasonably be provided.

5. Group information

Information about subsidiaries
The consolidated financial statements of the Company include the following subsidiaries:

Name	Principal activities	Country of incorporation	% Equity interest December 31, 2025	% Equity interest December 31, 2024
Mereo BioPharma 1 Limited	Pharmaceutical R&D	UK	100	100
Mereo BioPharma 2 Limited	Pharmaceutical R&D	UK	100	100
Mereo BioPharma 3 Limited	Pharmaceutical R&D	UK	100	100
Mereo BioPharma 4 Limited	Pharmaceutical R&D	UK	100	100
Mereo BioPharma Ireland Limited	Pharmaceutical R&D	Ireland	100	100
Mereo BioPharma 5, Inc.	Pharmaceutical R&D	US	100	100
Navi Subsidiary, Inc.	Inactive	US	100	100
Mereo BioPharma Europe B.V.*	Pharmaceutical R&D	Netherlands	100	N/A
Mereo US Holdings Inc.	Holding Company	US	100	100

** Incorporated during the year ended December 31, 2025*

The registered office of Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited, Mereo BioPharma 3 Limited and Mereo BioPharma 4 Limited is located at Fourth Floor, 1 Cavendish Place, London W1G 0QF. The registered office of Mereo BioPharma Ireland Limited is 6 Lapp's Quay, Cork, T12 TA48, Republic of Ireland. The registered office of Mereo BioPharma Europe B.V is Basisweg 10, 1043AP Amsterdam, Netherlands.

Mereo US Holdings Inc. was incorporated on December 3, 2018 for the sole purpose of effecting the business combination with Mereo BioPharma 5, Inc. (formerly OncoMed Pharmaceuticals, Inc.) on April 23, 2019. The registered office of Mereo US Holdings Inc., Mereo BioPharma 5, Inc. and its wholly owned subsidiary, Navi Subsidiary, Inc., is 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808, U.S.

6. Revenue and Cost of Revenue

ReproNovo Partnership

In December 2023, the Company and ReproNovo entered into a global licensing agreement for the development and commercialization of leflutrozole (the “ReproNovo Licensing Agreement”). Under the terms of the ReproNovo Licensing Agreement, ReproNovo received an exclusive worldwide license and will be responsible for all future research, development and commercialization of leflutrozole. Additionally, the Company received an upfront payment of $1.0 million (£0.8 million) and will be eligible to receive up to $64.3 million (£50.5 million) in total in development, regulatory and commercial milestones and tiered royalties ranging from the low-to-mid-single digits on global annual net sales of leflutrozole.

A single performance obligation was identified in this agreement which is the promise to grant the license to develop and commercialize leflutrozole.

In the year ended December 31, 2025, the Company recognized milestone proceeds of $0.5 million (£0.4 million) as revenue under the terms of the ReproNovo Licensing Agreement following confirmation by ReproNovo that the first participant had been included in a Phase 2 trial of leflutrozole.

As a consequence of the milestone payment received, and in accordance with terms of the 2015 asset purchase agreement with Novartis, the Company recognized £0.1 million as cost of revenue in the year ended December 31, 2025.

No revenue or cost of revenue was recognized in respect of this agreement in the year ended December 31, 2024.

The revenue recognized by the Company in the year ended December 31, 2025 was attributable to its operations in the U.K.

7. Operating loss

Operating loss is stated after charging:

	Year ended December 31, 2025 £'000s	2024 £'000s
Fees payable to the Company's Auditors for the audit of the consolidated financial statements - current auditor	462	591
Fees payable to the Company's Auditors for other services:		
Audit of subsidiary financial statements - current auditor	60	58
Audit related assurance services - current auditor	171	480
Audit related assurance services - prior auditor	—	11
Other assurance services - current auditor	88	1
Depreciation of right-of-use assets	399	398
Depreciation (excluding right-of-use assets)	119	126
Amortization of intangible assets	352	343

In addition, during the year ended December 31, 2024, £0.1 million was paid to the Company's auditors for services in connection with the issuance of shares in an underwritten registered direct offering which were recognized within share premium (See Note 21).

8. Employees

The average monthly number of persons employed by the Company during the year was:

	Year ended December 31, 2025	2024
By activity:		
Research and development	24	21
General and administrative	14	13
Total	38	34

Total compensation costs for persons employed by the Company (including Directors) during the year was:

	Year ended December 31, 2025 £'000s	2024 £'000s
Included in R&D expenses:		
Salaries	2,566	3,010
Social security costs	128	684
Pension contributions	75	80
Share-based payment expenses	1,064	1,320
Other employment costs	143	118
Included in general and administrative expenses:		
Salaries	3,777	4,079
Social security costs	(194)	1,814
Pension contributions	148	118
Share-based payment expenses	4,654	4,278
Other employment costs	115	123
Total	12,476	15,624

Total compensation costs for Directors during the year was:

	Year ended December 31, 2025 £'000s	2024 £'000s
Salaries and fees	528	515
Benefits in kind	18	16
Pension contributions	48	46
Share-based payment expenses	2,582	2,862
Bonus	—	231
Total	3,176	3,670

During 2025, one Director was a member of a defined contribution pension scheme (2024: one). Further details concerning the remuneration of key management personnel is included in Note 26. In respect of Directors' remuneration, amounts are included in the detailed disclosures in the audited section of the Directors' Remuneration report on page 39, which are ascribed as forming part of these consolidated financial statements.

9. Finance income, finance costs and changes in the fair value of financial instruments

Finance income

	Year ended December 31, 2025 £'000s	2024 £'000s
Interest income	1,650	2,373
Total	1,650	2,373

Finance costs

	Year ended December 31, 2025 £'000s	2024 £'000s
Interest on convertible loan notes	(66)	(551)
Interest on lease liabilities	(49)	(100)
Discounting of other liabilities	(32)	(67)
Other	(45)	(44)
Total	(192)	(762)

Changes in the fair value of financial instruments

	Year ended December 31, 2025 £'000s	2024 £'000s
Changes in the fair value of warrants	626	(330)
Total	626	(330)

10. Taxation

	Year ended December 31, 2025 £'000s	2024 £'000s
U.K. corporation tax R&D credit	9	1,291
Total	9	1,291

U.K. income tax
The Company was entitled to claim tax credits in the United Kingdom under the U.K. R&D small or medium-sized enterprise ("SME") scheme, which provides additional taxation relief for qualifying expenditure on R&D activities, and includes an option to surrender a portion of tax losses arising from qualifying activities in return for a cash payment from HM Revenue & Customs.

On April 1, 2024, the new merged scheme ("Merged Scheme") came into force for all companies, other than loss making R&D intensive SMEs. Under the Merged Scheme, a headline credit rate of 20% on eligible R&D expenditure is available and being recognized within other income in the consolidated statement of comprehensive loss, and the credit is taxable at the applicable corporation tax rate. The amount of R&D tax credit that a business can receive in any one year is capped at £20,000 plus three times the Company's total Pay As You Earn and National Insurance Contributions liability. Subcontracted expenditure in most cases is expected to be a qualifying cost (unless it relates to non-qualifying costs subcontracted overseas) under the Merged Scheme. The Company expects to benefit from the taxable credit for qualifying R&D expenditure, which may either be offset against corporation tax liabilities, or paid net of tax as a cash credit where there is no liability.

For loss making R&D intensive SMEs, the enhanced R&D intensive support regime will be available (for companies where at least 30% of their total expenditure including any connected companies is on qualifying R&D). The Company did not qualify as an R&D intensive company for 2025, nor does it expect to in the future, and therefore expects to claim under the Merged Regime from 2025 onward.

In the event the Company generates revenues in the future, it may also benefit from the U.K. "patent box" regime that allows profits attributable to revenues from patents or patented product candidates to be taxed at an effective rate of 10%. This relief applies to profits earned following election into the regime. When taken in combination with the enhanced relief available on our R&D expenditures, the Company expects a long-term lower rate of corporation tax will apply. If, however, there are unexpected adverse changes to the U.K. R&D tax credit regime or the "patent box" regime, or for any reason it is unable to qualify for these regimes, or it is unable to use net operating loss and tax credit carryforwards and certain built-in losses to reduce future tax payments, the Company's business, results of operations, and financial condition may be adversely affected.

U.S. income tax
The Company generates R&D tax credits for U.S. federal and state purposes. In respect of these R&D tax credits, no deferred tax assets have been recognized in any years presented. As of December 31, 2025, the Company had an uncertain tax position of £2.8 million, relating to U.S. R&D tax credits.

Reconciliation of effective tax rate

	Year ended December 31, 2025 £'000s	2024 £'000s
Loss before income tax	(34,858)	(33,547)
Tax credit on loss at standard U.K rate of 25% (2024: 25%)	8,715	8,387
Expenses not deductible for income tax purposes (permanent differences)	(1,534)	(931)
Income not taxable	75	(100)
R&D relief uplift	(7)	(444)
Losses (unrecognized)	(7,460)	(5,535)
Foreign tax	13	75
Differences in overseas tax rates	(60)	(133)
Adjustments in respect of prior years	267	(28)
Tax credit for the year	9	1,291

Deferred tax
The analysis of unrecognized deferred tax is set out below:

	Year ended December 31, 2025 £'000s	2024 £'000s
Losses	64,171	58,136
U.S. tax credits	11,155	11,961
R&D capitalization	2,593	3,273
Fixed assets	28	10
Share options	582	1,517
RDEC step 2 restriction	261	—
Other	7	13
Temporary differences	2	11
Deferred tax asset unrecognized	78,799	74,921

Following the implementation of the Merged scheme effective for accounting period on or after April 1, 2024, the corporation tax arising on these U.K. R&D tax credits (the "RDEC Step 2 restriction") has been recognized as a deferred tax asset in the table above.

Deferred tax assets, as set out in the table above, have not been recognized as there is uncertainty regarding when suitable future profits against which to offset the accumulated tax losses will arise.

U.K. deferred tax
The standard rate of corporation tax applied to the reported loss before tax is 25% (2024: 25%). U.K. deferred tax assets and liabilities have been measured at a rate of 25%.

At December 31, 2025, the Company had U.K. net tax losses to be carried forward of approximately £47.6 million.

U.S. deferred tax
U.S. deferred tax assets and liabilities are calculated at a blended rate of approximately 21%.

For Mereo BioPharma 5, Inc., with respect to accumulated tax losses carried forward prior to its acquisition by the Company, there is a change of control restriction which will limit the amount available in any one year.

At December 31, 2025, the Company had U.S. net federal tax losses to be carried forward of approximately £49.8 million, of which £15.2 million can be carried forward indefinitely and £34.5 million which will begin to expire in 2026. At December 31, 2025, the Company had U.S. net state tax losses to be carried forward of approximately £0.1 million which begin to expire in 2027.

11. Loss per share

Basic loss per share is calculated by dividing the loss attributable for the year to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding and contingently issuable shares that satisfied all necessary conditions for the reporting period without consideration for potentially dilutive securities. Diluted loss per share is based on dividing the loss attributable for the year, adjusted for the effect of diluted ordinary shares, by ordinary share equivalents, which includes the weighted average number of ordinary shares outstanding and the effect of dilutive ordinary share equivalents.

	Year ended December 31, 2025	2024
Numerator – Basic earnings per share (£'000s):		
Loss attributable to equity holders of the parent	(34,849)	(32,256)
Denominator – Basic earnings per share:		
Weighted average number of ordinary shares	797,119,632	739,624,264
Loss per share – basic (£)	(0.04)	(0.04)
Numerator – Diluted earnings per share (£'000s):		
Loss attributable to equity holders of the parent	(34,849)	(32,256)
Effect of dilutive ordinary shares	—	—
Numerator – Diluted earnings per share	(34,849)	(32,256)
Denominator – Diluted earnings per share:		
Number of ordinary shares used for basic earnings per share	797,119,632	739,624,264
Weighted average effect of dilutive ordinary shares	—	—
Weighted average number of diluted ordinary shares outstanding	797,119,632	739,624,264
Loss per share – diluted (£)	(0.04)	(0.04)

For the years ended December 31, 2025 and 2024, share-based compensation awards, convertible loan notes, warrant liabilities and warrants classified in equity were anti-dilutive as they would have decreased the loss per share and were excluded from the calculation of diluted loss per share. Therefore, the weighted average shares outstanding used to calculate both the basic and diluted loss per share was the same.

	Year ended December 31, 2025	2024
(in ordinary shares)		
Share-based compensation awards	80,181,515	77,647,995
Convertible loan notes	-	16,966,052
Warrant liabilities	2,487,816	2,487,816
Warrants classified in equity	3,551,699	5,001,313

12. Property, plant and equipment and lease liabilities

	Right-of-use asset (buildings) £'000s	Leasehold improve-ments £'000s	Office equipment £'000s	IT equipment £'000s	Total £'000s
Cost					
At January 1, 2025	2,465	567	164	177	3,373
Additions	—	—	—	16	16
Disposals	—	—	(16)	(98)	(114)
At December 31, 2025	2,465	567	148	95	3,275
Accumulated depreciation					
At January 1, 2025	(1,885)	(410)	(119)	(174)	(2,588)
Disposals	—	—	16	98	114
Depreciation for the year	(399)	(91)	(22)	(6)	(518)
At December 31, 2025	(2,284)	(501)	(125)	(82)	(2,992)
Net book value					
At December 31, 2024	580	157	45	3	785
At December 31, 2025	181	66	23	13	283

	Right-of-use asset (buildings) £'000s	Leasehold improve-ments £'000s	Office equipment £'000s	IT equipment £'000s	Total £'000s
Cost					
At January 1, 2024	2,465	557	164	173	3,359
Additions	—	10	—	4	14
At December 31, 2024	2,465	567	164	177	3,373
Accumulated depreciation					
At January 1, 2024	(1,487)	(314)	(97)	(166)	(2,064)
Depreciation for the year	(398)	(96)	(22)	(8)	(524)
At December 31, 2024	(1,885)	(410)	(119)	(174)	(2,588)
Net book value					
At December 31, 2023	978	243	67	7	1,295
At December 31, 2024	580	157	45	3	785

The Company leases office space and equipment for use in general and administrative and research and development activities. In the year ended December 31, 2025, the Company made lease payments of £0.6 million (2024: £0.5 million).

The maturity of lease liabilities as of December 31, 2025 are as follows:

	Within 1 year £'000s	Between 1 and 3 years £'000s	Between 3 and 5 years £'000s	Over 5 years £'000s	Total £'000s
Maturity of lease liabilities	149	—	—	—	149

The maturity of lease liabilities as of December 31, 2024 are as follows:

	Within 1 year £'000s	Between 1 and 3 years £'000s	Between 3 and 5 years £'000s	Over 5 years £'000s	Total £'000s
Maturity of lease liabilities	563	149	—	—	712

Further details on the movements within lease liability are included in Note 22.

13. Intangible assets

	Acquired development programs £'000s
Cost	
At January 1, 2024	**11,436**
Additions	1,749
At December 31, 2024	**13,185**
Additions	298
At December 31, 2025	**13,483**
Accumulated amortization and impairment	
At January 1, 2024	**(310)**
Amortization charge in the year	(343)
At December 31, 2024	**(653)**
Amortization charge in the year	(352)
Impairment charge in the year	(4,311)
At December 31, 2025	**(5,316)**
Net book value	
At December 31, 2024	12,532
At December 31, 2025	**8,167**

The Company's strategy is to acquire and develop clinical-stage development programs for the treatment of rare diseases.

Intangible asset additions of £1.8 million were recognized in the year ended December 31, 2024 to reflect the issue of 2,044,392 ordinary shares and payment of $0.5 million (£0.4 million) to AstraZeneca AB ("AstraZeneca") in respect of an agreed milestone on alvelestat (see Note 24).

An intangible asset of £1.2 million was recognized for the UCB/Amgen License in the year ended December 31, 2023 reflecting payments under the agreement that are not contingent. A corresponding liability of £1.2 million was also recognized. An addition to this intangible asset and corresponding liability of £0.2 million was recognized in the year ended December 31, 2025. The license is amortized on a straight-line basis over its useful economic life. During the year ended December 31, 2025, amortization expense of £0.4 million (2024: £0.3 million) has been recorded within general and administrative expenses in the consolidated statement of comprehensive loss.

With the exception of the UCB/Amgen License which is amortized, the intangible assets remain under development and no amortization charge has been recognized.

In the year ended December 31, 2025, the Company made an impairment loss of £4.3 million on intangible assets of acumapimod (see Note 14).

14. Impairment testing of acquired development programs not yet available for use

Acquired development programs not yet available for use are assessed annually for impairment. The carrying amount of acquired development programs is as follows:

	December 31, 2025 £'000s	December 31, 2024 £'000s
BPS-804/UX143 (setrusumab)	2,542	2,672
MPH-966 (alvelestat)	5,625	5,549
BCT-197 (acumapimod)	—	4,311
Total	8,167	12,532

The carrying value of the setrusumab intangible asset includes the UCB/Amgen License described in Note 13.

In assessing whether there are any indicators that any of its acquired development programs are impaired, the Company considers a number of potentially relevant factors, including, among others, the future development costs, the probability of successfully progressing each program to product approval, the likely commercial returns after product approval, the possibility of successfully partnering a program and the potential terms of a partnership (where the Company is actively seeking a partnership). Except for acumapimod, the results of this testing did not indicate any impairment of the acquired products' rights for the year ended December 31, 2025.

The acquired development programs are assets which are not used in commercialized products. These assets have not yet begun to be amortized but have been tested for impairment by comparing their carrying values to their recoverable amounts. Recoverable amounts have been determined by calculating the value-in-use for assets the Company expects to commercialize itself and the value of potential out-licensing agreements for assets the Company is seeking to partner. Value in use calculations for assets that are expected to be commercialized use post-tax discounted cash flow projections covering the period through product development to commercial sales up to the later of loss of patent protection or market exclusivity, which extend beyond five years from the balance sheet date. The value of potential out-licensing agreements for assets that are expected to be partnered use post-tax discounted cash flow projections covering the expected period of the out-licensing agreements and assume that the Company receives upfront payments, milestone receipts and royalties on commercial sales; therefore, the Company does not incur any costs of commercialization after out-licensing except when such terms are agreed.

Key assumptions for the calculations of the recoverable amounts are described as follows:

- Development costs to obtain regulatory approval – costs are estimated net of any contributions expected from collaborative arrangements with future partners. Management have developed cost estimates based on their previous experience and in conjunction with the expertise of their clinical development partners;
- Launch dates of products – these reflect management's expected date of launch for products based on the timeline of development programs required to obtain regulatory approval. The assumptions are based on management's and clinical development partners' prior experience;
- Probability of successful development – management estimates probabilities of success for each phase of development based on industry averages and knowledge of specific programs;
- Sales projections – these are based on management's internal projections using external market data and market research commissioned by the Company;
- Profit margins and other operational expenses – these are based on the Company's internal projections of current product manufacturing costs, with input from manufacturing partners where applicable, and estimates of operating costs based on management's prior industry experience;
- The likelihood of being able to achieve an acceptable out-licensing agreement for those assets that the Company expects to partner, and the amounts of out-licensing upfront payments, milestones and royalty rates on sales – management estimates these amounts based on terms agreed in previous transactions or negotiations that are a reasonable estimate, prior experience and access to values from similar transactions in the industry, which are collated and accessible from specialist third-party sources; and

- Discount rates – the discount rate is estimated on a post-tax basis reflecting the estimated cost of capital of the Company and is applied consistently across each of the acquired development programs. The cost of capital was determined to be 18.0% (2024: 15.0%).

Where an out-licensing agreement has been reached with a third party, known and observable inputs replace management assumptions if available.

At this stage of product development, the key sensitivities are the probability of successful completion of clinical trials in order to obtain regulatory approval necessary for commercial sales and, where applicable, the likelihood of being able to achieve an acceptable out-licensing agreement and the possible terms of such an agreement. Management believes that the likelihood of a materially different outcome using different reasonably possible assumptions for setrusumab and alvelestat is remote given the substantial headroom on these assets.

The results of this testing did not indicate any impairment of setrusumab or alvelestat for the year ended December 31, 2025 and the Company believes that the likelihood of a materially different outcome using different reasonably probable assumptions is remote given the substantial headroom on these assets. The evaluation for acumapimod is sensitive to the likelihood of being able to achieve an acceptable out-licensing agreement and the possible terms of such an agreement. In the year ended December 31, 2025, the Company began to de-prioritize the program, thus reducing this likelihood to a level that requires the full impairment of the carrying value, with an impairment charge of £4.3 million being recognized (see Note 13).

15. Other receivables

	December 31, 2025 £'000s	2024 £'000s
Lease deposits	293	301
VAT recoverable	361	370
Other	139	48
Total	793	719

16. Cash and cash equivalents

	December 31, 2025 £'000s	2024 £'000s
Cash	630	17,696
Short-term deposits	12,925	37,942
Investments in money market funds	16,903	—
Total	30,458	55,638

Short-term deposits are available immediately or within 90 days at inception and earn interest at the respective short-term deposit rates.

17. Trade and other payables

	December 31, 2025 £'000s	2024 £'000s
Trade payables	973	1,983
Social security and other taxes	238	401
Other payables	22	31
Total	1,233	2,415

Trade and other payables are non-interest bearing and have an average term of one month.

18. Provisions

	Social security contribution on vested share options £'000s
At January 1, 2024	196
Arising during the year, net	800
At December 31, 2024	996
Released during the year, net	(996)
At December 31, 2025	—

The provision for social security contributions on share options is calculated based on the intrinsic value of the number of vested options outstanding at the balance sheet date. The timing of option exercises for vested options is at the discretion of the grantee. Cash outflows related to the provision would occur in the same period that an option is exercised. As the Company does not have an unconditional right to defer settlement of the liability, the provision has been classified as current. As the timing of cash outflows is dependent on the period in which employees exercise vested options, there is a degree of uncertainty as to when actual cash outflows will occur. The provision is based on the estimated taxable gain arising on exercise of the share options, using the best estimate of the market price at the balance sheet date and was zero at December 31, 2025 because the intrinsic value of all options was zero. The release of this provision was recognized as a component of social security costs within R&D expenses and general and administrative expenses respectively.

19. Warrant liabilities

	December 31, 2025 £'000s	2024 £'000s
At January 1	654	324
Fair value changes during the year	(626)	330
At December 31	**28**	**654**
Current	28	654

The change in fair value of the warrant liability represents an unrealized gain in the years ended December 31, 2025 and an unrealized loss in the year ended December 31, 2024.

Bank loan warrants
As of December 31, 2025 and 2024, the former lenders of the Company have warrants outstanding to purchase a total of 1,243,908 ordinary shares at an exercise price of £2.95 per share exercisable until August 2027 and a total of 1,243,908 ordinary shares at an exercise price of $0.4144 per share exercisable until October 2028 (the "Bank loan warrants"). The Bank loan warrants can be exercised on a cash or cashless basis at the discretion of the warrant holder; therefore the number of shares issued and allotted upon exercise might vary if the cashless alternative is chosen.

As at December 31, 2025, the fair value of these warrants was less than £0.1 million (2024: £0.7 million). The decrease in the fair value of £0.6 million was recognized as a gain in the consolidated statement of comprehensive loss. During the year ended December 31, 2025, no warrants were exercised (2024: nil).

Total outstanding liability-classified warrants
As at December 31, 2025, a total of 2,487,816 liability-classified warrants are outstanding (2024: 2,487,816). The warrants outstanding are equivalent to 0.3% of the issued ordinary share capital of the Company (2024: 0.3%).

The following table lists the weighted average inputs to the models used for the fair value of warrants:

	December 31, 2025	2024
Expected volatility (%)	129.58	95.00
Risk-free interest rate (%)	3.93	4.15
Expected life of warrants (years)	1.8	2.8
Market price of ADS ($)	0.42	3.50
Model used	Black-Scholes	Black-Scholes

20. Convertible loan notes and related warrants

Novartis Loan Note
On February 10, 2020, the Company entered into a convertible equity financing with Novartis Pharma (AG) ("Novartis"), which it amended in February 2023 to extend the maturity date and increase the interest rate, under which Novartis purchased a £3.8 million convertible loan note (the "Novartis Loan Note"). Following the 2023 amendment, the Novartis Loan Note was convertible at the discretion of the holder, at a fixed price of £0.265 per ordinary share and bore interest at 9% per annum with a maturity date of February 10, 2025.

On February 7, 2025, the Company received a conversion notice and subsequently issued and allotted 17,105,450 ordinary shares (equivalent to 3,421,090 ADSs) on the non-cash conversion of the outstanding principal and accrued interest of the Novartis Loan Note.

As of December 31, 2024, the net carrying amount of the liability component of the convertible debt instrument was £4.5 million. On conversion, the Company derecognized the carrying value of the Novartis Loan Note of £4.5 million and recognized the issuance of the shares at their par value within issued capital and the excess amount of the conversion price over the par value within share premium.

The Company recognized interest expense of £0.1 million in relation to the Novartis Loan Note for the year ended December 31, 2025 (2024: £0.6 million). The effective interest rate applied to the liability portion of the Novartis Loan Note in both the years ended December 31, 2025 and 2024 was 27.8%.

Related equity classified warrants
In connection with the Novartis Loan Note, the Company also issued warrants over 1,449,610 ordinary shares to Novartis which were exercisable until February 2025 at an exercise price of £0.265 per ordinary share. In connection with the amendments to the Novartis Loan Note, in February 2023 the Company issued warrants over a further 2,000,000 ordinary shares (the "2023 Novartis Warrants"). The 2023 Novartis Warrants are exercisable until February 2028 at an exercise price of £0.15 per ordinary share. Both tranches of warrants were recognized separately as equity instruments.

On February 7, 2025, Novartis exercised the 2020 Novartis Warrants and the Company subsequently issued and allotted 1,449,610 ordinary shares (equivalent to 289,922 ADSs) upon receipt of £0.4 million in satisfaction of the subscription price of £0.265 per ordinary share.

21. Issued capital and reserves

	Ordinary shares Number	Ordinary share capital £'000s	Share premium £'000s
At January 1, 2024	**701,217,089**	**2,104**	**267,770**
Issued during the year	74,510,945	223	37,879
At December 31, 2024	**775,728,034**	**2,327**	**305,649**
Issued during the year	19,930,470	60	4,834
At December 31, 2025	**795,658,504**	**2,387**	**310,483**

During the years ended December 31, 2025 and 2024, the following alterations to the Company's share capital have been made. For each share issuance, ordinary shares of £0.003 in nominal value in the capital of the Company were issued.

- In June 2024, the Company issued 12,531,300 ADSs representing 62,656,500 ordinary shares through an underwritten registered direct offering. The Company raised aggregate gross proceeds of $50.0 million (£39.5 million), or $47.0 million (£37.1 million) after underwriting discounts of $3.0 million (£2.4 million). The Company also incurred other issuance costs of £0.8 million related to the offering.
- In November 2024, 408,878 ADSs representing 2,044,390 ordinary shares with a value of £1.4 million were issued to AstraZeneca in respect of an agreed milestone (see Note 24).
- During the year ended December 31, 2024, 9,810,055 ordinary shares were issued and allotted following the exercise of employee share options and the vesting of restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs").
- In February 2025, the Company issued and allotted 17,105,450 ordinary shares on the non-cash conversion of the outstanding principal and accrued interest of the Novartis Loan Note (see Note 20).
- In February 2025, the Company issued and allotted 1,449,610 ordinary shares on the exercise of the 2020 Novartis Warrants (see Note 20).
- During the year ended December 31, 2025, 1,375,410 ordinary shares were issued and allotted following the exercise of employee share options and the vesting of RSUs.

Other capital reserves

	Share-based payments £'000s	Equity components of convertible loan notes £'000s	Other warrants issued £'000s	Merger reserve £'000s	Others £'000s	Total £'000s
At January 1, 2024	**29,381**	**32,212**	**155**	**40,818**	**33,104**	**135,670**
Share-based payments expense	5,601	—	—	—	—	5,601
Vesting of RSUs	(752)	—	—	—	—	(752)
Exercise of share options	(769)	—	—	—	—	(769)
At December 31, 2024	**33,461**	**32,212**	**155**	**40,818**	**33,104**	**139,750**
Share-based payments	5,718	—	—	—	—	5,718
At December 31, 2025	**39,179**	**32,212**	**155**	**40,818**	**33,104**	**145,468**

Share-based payments
The Company has one principal share-based incentive scheme under which options at market value to subscribe for the Company's shares, RSUs, deferred restricted stock units ("DRSUs") and PSUs have been granted to certain executives, non-executive directors ("NEDs") and employees, including key management personnel, as part of their remuneration.

The share-based payment reserve is used to recognize (i) the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration, and (ii) the reclassification of share capital and share premium amounts of shares issued on exercise or vesting of employee share awards on a non-cash basis.

Equity components of convertible loan notes
The Novartis Loan Note was a compound instrument consisting of liability and equity components. The equity components include the conversion option and warrants to subscribe for the Company's shares (see Note 20) which amounted to £1.4 million recognized in other reserves in equity.

On June 30, 2020, loan notes in an aggregate principal amount of £21.8 million (together with accrued interest) as part of a private placement transaction were converted into 125,061,475 ordinary shares. This resulted in £33.5 million recognized in other reserves in equity as a difference between the issued capital and share premium recognized on conversion and the carrying value of the embedded derivative financial liability extinguished.

Other warrants issued

On October 8, 2018, the Company issued warrants over a total of 1,551,699 ordinary shares, allowing TAP to subscribe for ordinary shares in the Company as part of the funding arrangements (see Note 2(i)). The total value of the equity component (consideration received for the warrants) as at both December 31, 2025 and 2024 was £0.2 million. On February 16, 2026, the Company received an exercise notice from TAP and subsequently issued and allotted 1,551,695 shares (equivalent to 310,339 ADSs) on the non-cash exercise of the warrants.

Merger reserve
The consideration paid to acquire Mereo BioPharma 5, Inc in 2019 was 24,783,320 ordinary shares with an acquisition date fair value of £40.9 million, based on the Company's quoted share price. The nominal value of the issued capital was £0.1 million with the excess, £40.8 million, classified within other capital reserves as a 'Merger reserve'.

Others
On June 30, 2020, the Company issued and allotted 125,061,475 ordinary shares of £0.003 in nominal value in the capital of the Company at a price of £0.174 per share to investors following the partial conversion of the loan notes issued as part of a private placement transaction. The legal proceeds were £21.8 million. This resulted in £33.1 million recognized in other reserves as a difference between the carrying value of the financial liability extinguished and the legal proceeds.

Other reserves and accumulated losses

	Year ended December 31,	
	2025	2024
	£'000s	£'000s
Other reserves	7,401	7,401
Accumulated losses	(429,445)	(394,596)

Other reserves represent a capital reduction undertaken in 2016 which created a reserve of £7.0 million. On June 3, 2020, the Company issued and allotted 89,144,630 ordinary shares to investors. The difference between the gross proceeds, £15.5 million, and the fair value of the consideration of the ordinary shares, £13.4 million, of £2.1 million, was recognized as a reduction to other reserves. During the year ended December 31, 2021, 15,414,626 private placement warrants were exercised, resulting in a £2.4 million reduction in the warrant liability which was recognized as an addition to “Other reserves". There have been no further amounts recognized in other reserves in both the years ended December 31, 2025 and 2024.

22. Changes in liabilities arising from financing activities

	Lease liabilities	Novartis Loan Note	Warrant liabilities	Other	Total
Carrying value at January 1, 2024	1,223	3,916	324	221	5,684
Financing cash flows	(611)		—	—	(611)
Non-cash changes					
Interest expense	100	551	—	24	675
Changes in fair value	—	—	330	—	330
Carrying value at December 31, 2024	**712**	**4,467**	**654**	**245**	**6,078**
Financing cash flows	(612)		—	—	(612)
Non-cash changes					
Converted during the year	—	(4,533)	—	—	(4,533)
Interest expense	49	66	—	45	160
Changes in fair value	—	—	(626)	—	(626)
Carrying value at December 31, 2025	**149**	**(0)**	**28**	**290**	**467**

23. Financial and capital risk management and fair value measurement

Capital risk management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern and ensure that sufficient capital is in place to fund the Company's R&D activities and operations. The Company's principal methods of adjusting the capital available are through issuing new shares, licensing and/or collaboration agreements or arranging suitable debt financing. The Company's share capital and share premium are disclosed in Note 21. The Company's convertible loans are disclosed in Note 20. The Company monitors the availability of capital with regards to its committed and forecasted future expenditure on an ongoing basis.

Until it was terminated during the year ended December 31, 2024, the Company had an Employee Benefit Trust (the "EBT") which held ADSs to satisfy exercises of options and vesting of RSUs under the Company's share option schemes (see Note 25).

Financial risk management objectives and policies

The Company seeks to maintain a balance between equity capital and other non-dilutive funding sources to provide sufficient cash resources to execute the business plan. In addition, the Company maintains a balance between cash held on deposit, short-term investments and investments in money market funds in pound sterling and other currencies to reduce its exposure to foreign exchange fluctuations in respect of its planned expenditure.

The Company's principal financial liabilities comprise warrants, trade and other payables and other liabilities which arise directly from its operations. The Company has various financial assets, including other receivables and cash and cash equivalents.

Interest rate risk

The Company's policy in relation to interest rate risk is to monitor short and medium-term interest rates and to place cash on deposit or in money market funds for periods that optimize the amount of interest earned while maintaining access to sufficient funds to meet the cost of is operating activities and future research and development activities.

The Company is not exposed to material exposure to interest rate risk in respect of interest payable.

Credit risk

The Company is dependent on a number of third parties for the delivery of its programs and, where required, pays upfront deposits and fees in advance of the delivery of services. The Company considers all of its material counterparties to be creditworthy and the credit risk for each of its major counterparties to be low, but continues to assess credit risk as part of its management of these third-party relationships. Financial instruments that subject the Company to credit risk consists primarily of cash and cash equivalents. The Company places cash and cash equivalents with established financial institutions with strong credit ratings. The Company's maximum exposure to credit risk for the components of the balance sheet at December 31, 2025 are the carrying amounts.

Liquidity risk
The Company's policy is to maintain adequate cash reserves at highly rated banks and financial institutions, and also seeks to invest in short-term deposits and money market funds to achieve a competitive rate of return. The Company's liquid resources are invested with regard to the timing of payments to be made in the ordinary course of business, while monitoring its funding requirements through preparation of short-term, mid-term and long-term forecasts.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments at December 31, 2025:

	Within 1 year £'000s	Between 1 and 3 years £'000s	Between 3 and 5 years £'000s	Over 5 years £'000s	Total £'000s
Leases	153	—	—	—	153
Trade and other payables	1,233	—	—	—	1,233
Accruals	1,506	—	—	—	1,506
Other liabilities	310	491	—	—	801

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments at December 31, 2024:

	Within 1 year £'000s	Between 1 and 3 years £'000s	Between 3 and 5 years £'000s	Over 5 years £'000s	Total £'000s
Leases	611	153	—	—	764
Trade and other payables	2,415	—	—	—	2,415
Accruals	3,247	—	—	—	3,247
Convertible loan notes	4,535	—	—	—	4,535
Other liabilities	403	450	—	—	853

The Company does not face a significant liquidity risk with regards to its lease liabilities.

The Company may incur potential payments upon achievement of clinical, regulatory and commercial milestones, as applicable, or royalty payments that may be required to be made under license agreements the Company entered into with various entities pursuant to which the Company has in-licensed certain intellectual property, mainly including license and asset purchase agreements with Novartis, AstraZeneca, and UCB/Amgen. Due to the uncertainty of the achievement and timing of the events requiring payment under these agreements, the amounts to be paid are contingent at this time and no such amounts are included herein.

The contingent amounts included in the 2015 asset purchase with Novartis comprise amounts equal to ascending specified percentages of tiered annual worldwide net sales (beginning at high single digits and reaching into double digits at higher sales) of products that include the assets acquired under the agreement. Additionally, the Company agreed that in the event it transfers, licenses, assigns or leases all or substantially all of its assets, it will pay Novartis a percentage of the proceeds of such transaction, subject to certain deductions. The payment of a percentage of proceeds is not payable with respect to any transaction involving equity interests of Mereo BioPharma Group plc, a merger or consolidation of Mereo BioPharma Group plc, or a sale of any assets of Mereo BioPharma Group plc.

The contingent amounts included in the license agreement with AstraZeneca include certain further development and regulatory milestones of up to $114.3 million and the issuance of additional shares to AstraZeneca for licensed products containing alvelestat. In addition, the Company has agreed to make payments to AstraZeneca based on specified commercial milestones of the product. The Company has also agreed to pay a specified percentage of sub-licensing revenue to AstraZeneca and to make royalty payments to AstraZeneca equal to ascending specified percentages of tiered annual worldwide net sales by the Company of licensed products (subject to certain reductions), ranging from the high single digits to low double digits.

Foreign currency and market risk
Foreign currency risk arises from R&D activities, commercial transactions and recognized assets and liabilities in foreign currencies, with the principal currency exposure being fluctuations in pound sterling, U.S. dollars and Euros.

The functional currency of the Company and all material subsidiaries is pound sterling, except for Mereo BioPharma 5 (formerly OncoMed) whose functional currency is U.S. dollars. The Company incurs expenditures in foreign currencies and is exposed to the risks of foreign exchange rate movements, with the impact recognized in the consolidated statement of comprehensive loss.

Funding secured in 2024, 2023, 2021 and 2020 was principally in U.S. dollars and, although the Company currently has no revenue from product sales, proceeds received from upfront milestones under its licensing and collaboration agreements have been denominated in U.S. dollars, while the majority of operating costs are denominated in pound sterling, U.S. dollars and Euros.

The Company seeks to minimize this exposure by passively maintaining foreign currency cash balances at levels appropriate to meet foreseeable foreign currency expenditures. The Company does not hedge potential future cash flows or income.

The table below shows analysis of the pound sterling equivalent of year-end cash and short-term deposits balances by currency:

	December 31,	
	2025 £'000s	2024 £'000s
Pound sterling	7,294	16,079
U.S. dollars	23,139	38,340
Euro	21	1,215
Swiss francs	4	4
Total	**30,458**	**55,638**

The table below shows those transactional exposures that give rise to net currency gains and losses recognized in the consolidated statement of comprehensive loss. Such exposures comprise the net monetary assets and monetary liabilities of the Company that are not denominated in the functional currency of the relevant subsidiary. As at December 31, these exposures were as follows:

	December 31,	
	2025 £'000s	2024 £'000s
Net foreign currency assets/(liabilities)		
U.S. dollars	23,139	38,340
Euro	21	1,215
Swiss francs	4	4
Total	**23,164**	**39,559**

The most significant currencies in which the Company transacts, other than pound sterling, are the U.S. dollar and the Euro. The Company also transacts in other currencies as necessary.

The following table illustrates the sensitivity to a 10% weakening or strengthening, which the Company determined was an appropriate reasonably possible movement, in the year-end rate in the U.S. dollar and the Euro against pound sterling:

December 31, 2025	U.S. dollar		Euro	
	Weakening £'000s	Strengthening £'000s	Weakening £'000s	Strengthening £'000s
(Increase)/Decrease in loss before tax	(2,104)	2,104	(2)	2
(Decrease)/Increase in equity	(2,104)	2,104	(2)	2

December 31, 2024	U.S. dollar		Euro	
	Weakening £'000s	Strengthening £'000s	Weakening £'000s	Strengthening £'000s
(Increase)/Decrease in loss before tax	(3,485)	3,485	(110)	110
(Decrease)/Increase in equity	(3,485)	3,485	(110)	110

The carrying values of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements are approximately equal to their fair values. The Company's financial assets and liabilities are measured at amortized cost with the exception of investments in money market funds and warrant liabilities, which are financial instruments recorded at fair value as follows:

Fair value hierarchy

Valuation as at December 31, 2025	Total £'000s	Quoted prices in active markets (Level 1) £'000s	Significant observable inputs (Level 2) £'000s	Significant unobservable inputs (Level 3) £'000s
Assets measured at fair value				
Cash equivalents (investments in money market funds)	16,903	—	16,903	—
Liabilities measured at fair value				
Warrant liabilities (Note 19)	28	—	28	—

Valuation as at December 31, 2024	Total £'000s	Quoted prices in active markets (Level 1) £'000s	Significant observable inputs (Level 2) £'000s	Significant unobservable inputs (Level 3) £'000s
Liabilities measured at fair value				
Warrant liabilities (Note 19)	654	—	654	—

Fair values of the investments in money market funds are determined based on the net asset value per share of each fund stated in the fund manager's statement. There were no transfers between Level 1 and Level 2 during the years ended December 31, 2025 and 2024.

Management assessed that the fair values of cash and short-term deposits, other receivables, trade and other payables and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

24. Commitments and contingencies

Each of Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited and Mereo BioPharma 3 Limited (together, the "Subsidiaries") issued to Novartis loan notes (which were assigned by Novartis to the Company in exchange for ordinary shares pursuant to the Subscription Agreement) and each of the Subsidiaries agreed to make future payments to Novartis comprising amounts equal to ascending specified percentages of tiered annual worldwide net sales (beginning at high single digits and reaching into double digits at higher sales) by such Subsidiary of products that include the assets acquired. The levels of ascending percentages of tiered annual worldwide net sales are the same for each Subsidiary under the respective Purchase Agreements. In accordance with the accounting polices described in Note 2, no liability is recognized within the consolidated balance sheet related to potential future payments to Novartis. If any amounts become due in the future, they will be recognized as a liability within the consolidated balance sheet.

Each Subsidiary further agreed that in the event it transfers, licenses, assigns or leases all or substantially all of its assets, it will pay Novartis a percentage of the proceeds of such transaction, subject to certain deductions. The Company will retain the majority of the proceeds from such a transaction. Such percentage is the same for each Subsidiary under the respective Purchase Agreements. The payment of a percentage of proceeds is not payable with respect to any transaction involving equity interests of Mereo BioPharma Group plc, a merger or consolidation of Mereo BioPharma Group plc, or a sale of any assets of Mereo BioPharma Group plc.

In October 2017, the Company's wholly owned subsidiary Mereo BioPharma 4 Limited entered into an exclusive license and option agreement ("the AstraZeneca License Agreement") and subscription deed (the "AstraZeneca Subscription Deed"), together (the "Original Agreements") with AstraZeneca. Each of these were amended in November 2024, when the Company entered into an amendment and restatement agreement related to the AstraZeneca License Agreement (the "Amended AstraZeneca License Agreement") and a Deed of Amendment and Restatement related to the AstraZeneca Subscription Deed (the "Amended AstraZeneca Subscription Deed") together (the "Amended AstraZeneca Agreements").

Under the terms of the Original Agreements, the Company obtained from AstraZeneca an exclusive worldwide, sub-licensable license under AstraZeneca's intellectual property rights relating to alvelestat, with an option to acquire such intellectual property rights following commencement of a pivotal trial and payment of related milestone payments, together with the acquisition of certain related assets. Upon entering into the Original Agreements, the Company made a payment of $3.0 million and issued 490,798 ordinary shares (equivalent to 98,159 ADSs) to AstraZeneca, for an aggregate upfront payment equal to $5.0 million. Upon execution of the Amended AstraZeneca License Agreement, the Company issued 2,044,390 ordinary shares and paid $0.5 million to AstraZeneca in respect of an agreed milestone.

Under the terms of the Amended AstraZeneca Agreements, the Company has agreed, in connection with certain further development and regulatory milestones, to make potential future payments both in cash and through the issue of a variable number of additional ADSs to AstraZeneca of up to $114.3 million in aggregate for products included in the Amended AstraZeneca License Agreement. The number of ADSs to be issued to satisfy each equity milestone is determined by dividing a monetary amount by a defined subscription price based on the weighted average trading price of our ADSs. In addition, the Company has agreed to make payments to AstraZeneca based on specified commercial milestones of the product. The Company has also agreed to pay a specified percentage of sub-licensing revenue to AstraZeneca and to make royalty payments to AstraZeneca equal to ascending specified percentages of tiered annual worldwide net sales by the Company of licensed products (subject to certain reductions), ranging from the high single digits to low double digits. Royalties will be payable on a licensed-product-by-licensed-product and country-by-country basis until the later of ten years after the first commercial sale of such licensed product in such country and expiration of the last patent covering such licensed product in such country that would be sufficient to prevent generic entry. The Company has agreed to use commercially reasonable efforts to develop and commercialize at least one licensed product.

The Amended AstraZeneca License Agreement will expire on the expiration of the last-to-expire royalty term with respect to all licensed products. Upon the expiration of the royalty term for a licensed product in a particular country, the licenses to the Company for such product in such country will become fully paid and irrevocable. Prior to exercise of the Option, if at all, the Company may terminate the Amended AstraZeneca License Agreement upon prior written notice. Either party may terminate the agreement upon prior written notice for the other party's material breach that remains uncured for a specified period of time or insolvency.

The Company enters into contracts in the normal course of business with CROs, CMOs and other third parties to assist in the performance of research and development activities and other services and products for operating purposes. The contracts with CROs generally provide for termination on notice, and therefore, are cancellable contracts and not included herein. The Company has manufacturing commitments with CMOs of £nil million as of December 31, 2025 (2024: £0.4 million).

In December 2024, the Company entered into a manufacturing and supply agreement with Ultragenyx under which Ultragenyx is responsible for the manufacture and supply of setrusumab to the Company in its territories. The Company is also required to reimburse Ultragenyx for a portion of the manufacturing process development costs, future commercial supply costs as well as a portion of costs in the event of cancellation of certain manufacturing slots. Pursuant to this agreement, the Company expects to recognize its share of the costs related to cancellation of certain manufacturing slots by Ultragenyx pursuant to this agreement in the first half of 2026. The amount of these costs is currently subject to verification.

25. Share-based payments

The Company currently grants equity awards under the Mereo 2019 Equity Incentive Plan (the "2019 EIP") and the 2019 Non-Employee Equity Incentive Plan (the “2019 NED EIP”). There are also still outstanding awards under two previous plans, the Mereo BioPharma Group Limited Share Option Plan and the Mereo Share Option Plan (together the "Previous Share Option Plans"), however no further grants are envisioned from these plans.

The 2019 EIP and 2019 NED EIP were adopted on April 4, 2019, and subsequently amended on February 3, 2020 and January 15, 2021. The 2019 EIP and 2019 NED EIP authorize the grant of a variety of types of share awards over the Company’s ADSs to executives and employees, and non-executives, respectively.

The charge for share-based payments arises solely in respect of awards made under the two active plans as follows:

	Year ended December 31,	
	2025 £’000s	2024 £’000s
2019 EIP	4,590	4,434
2019 NED EIP	1,128	1,167
Total	**5,718**	**5,601**

Options exercised and RSUs vesting in the year ended December 31, 2025 were settled by the Company issuing new shares for the equivalent number of shares underlying the award. Options exercised between March 2024 and December 31, 2024 were net share settled such that the Company withheld shares with a value equivalent to the exercise price. In both cases, a portion of the shares issued were then sold on the employee's behalf for an amount sufficient to cover their obligation for the applicable income and other employment taxes, and the proceeds were remitted to the appropriate taxing authorities. RSUs vesting in the period were settled by the Company issuing new shares for the equivalent number of shares underlying the award and settling taxes in the same way.

Prior to March 2024, the remaining shares held in the EBT were used to satisfy the exercise of Options and vesting of RSUs to employees. The EBT was terminated during the year ended December 31, 2024.

2019 EIP

The Company has awarded the following instruments under the 2019 EIP:

Market Value Options
Options permit the recipient to purchase ADSs at an exercise price equal to the market price of the underlying ADSs on the date of grant. Options issued under the 2019 EIP have a contractual term of 10 years and vest over four years,

with one-fourth of the award vesting on the first anniversary of the grant date and the remainder vesting in equal monthly installments over the three-year thereafter. No performance conditions apply to such Options.

A summary of the Company's Options activity and related information under the 2019 EIP for the years ended December 31, 2025 and 2024 is as follows. All outstanding Options are expected to vest:

	2025		2024	
	Number of options (ADSs)	Weighted Average Exercise Price ($)	Number of options (ADSs)	Weighted Average Exercise Price ($)
At January 1	11,271,023	2.02	9,595,161	1.63
Granted	2,398,730	2.89	2,502,269	3.36
Forfeited	(133,506)	2.41	(47,288)	2.01
Expired	(23,544)	3.70	(5,000)	3.32
Exercised	(34,820)	1.13	(774,119)	1.46
At December 31	**13,477,883**	**2.17**	**11,271,023**	**2.02**
Exercisable at December 31	8,644,082	1.96	5,720,248	1.89

Options outstanding as of December 31, 2025 had an exercise price of between $0.51 and $5.40 per ADS. The weighted average grant date fair value of options granted during the year was $2.40 (2024: $2.61). The weighted average share price at the date of exercise of options exercised during the year was $1.13 (2024: $3.77).

The weighted average contractual life of Options outstanding at December 31, 2025 and December 31, 2024 was 7.00 years and 7.57 years, respectively. For vested Options at December 31, 2025 and December 31, 2024 it was 6.26 years and 6.78 years, respectively.

The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2025	2024
Market price of ADSs ($)	2.89	3.36
Risk-free interest rate (%)	4.48	4.02
Expected life (years)	6.25	6.25
Expected volatility (%)	104.26	90.82
Expected dividends (%)	—	—

The expected volatility assumption is calculated by reference to the historical volatility of the Company's ADSs for the year ended December 31, 2025 and an appropriate peer group of companies for the year ended December 31, 2024. The grant date fair value is recognized over the requisite service period using the accelerated graded-vesting attribution method.

Restricted Stock Units
Each RSU entitles the holder a conditional right to receive an ADS at no cost upon the completion of the applicable vesting period. RSUs granted under the 2019 EIP vest over three years with one-third of the awards vesting on the first anniversary of the grant date and the remainder vesting in four equal six-monthly installments thereafter. Upon vesting of the RSUs, the Company issues the requisite ADSs, a portion of which are sold to satisfy the resulting withholding tax obligations, and the remaining ADSs are delivered to the holder. RSUs have a maximum contractual life of 3.0 years.

A summary of the Company's RSU activity and related information under the 2019 EIP for 2025 and 2024 is as follows. All outstanding RSUs are expected to vest:

	Number of RSUs (ADSs)	Weighted Average Grant Date Fair Value ($)
At January 1, 2024	489,225	1.03
Granted	204,914	3.36
Vested	(229,359)	1.03
Forfeited	(23,533)	1.36
At December 31, 2024	441,247	2.10
Granted	327,302	2.73
Vested	(240,262)	1.98
Forfeited	(69,912)	2.39
At December 31, 2025	**458,375**	**2.57**

At December 31, 2025, the weighted average remaining period of RSUs outstanding was 2.04 years.

The fair value of each RSU was calculated by reference to the value of the shares awarded. The grant date fair value is recognized over the vesting period using the accelerated graded-vesting attribution method.

2019 NED EIP

The Company has awarded the following instruments under the 2019 NED EIP:

Options
Options permit the recipient to purchase ADSs at an exercise price equal to the closing price of the Company's ADSs on the previous trading day. Options issued under the 2019 NED EIP have a contractual term of 10 years and vest monthly over one year. There are no performance conditions. A summary of the Company's Option activity and related information under the 2019 NED EIP for the years ended December 31, 2025 and 2024 is as follows. All outstanding Options are expected to vest:

	2025		2024	
	Number of options (ADSs)	Weighted Average Exercise Price ($)	Number of options (ADSs)	Weighted Average Exercise Price ($)
At January 1	1,542,087	2.16	1,355,087	1.66
Granted	440,000	3.16	360,000	3.87
Exercised	—	—	(173,000)	1.76
At December 31	**1,982,087**	**2.38**	**1,542,087**	**2.16**
Exercisable at December 31	1,908,759	2.35	1,482,087	2.09

Options outstanding as of December 31, 2025 had an exercise price of between $0.51 and $5.40 per ADS. The weighted average grant date fair value of options granted during the year was $2.51 (2024: $2.83). The weighted average share price at the date of exercise for options exercised during the year ended December 31, 2024 was $4.45.

The weighted average contractual life of Options outstanding at December 31, 2025 and December 31, 2024 was 7.0 years and 7.5 years, respectively. For vested Options at December 31, 2025 and December 31, 2024 it was 7.0 years and 7.4 years, respectively.

The fair value of each Option was estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2025	2024
Market price of ADSs ($)	3.16	3.87
Risk-free interest rate (%)	4.25	4.08
Expected life (years)	5.25	5.25
Expected volatility (%)	104.31	90.67
Expected dividends (%)	—	—

The expected volatility assumption is calculated by reference to the historical volatility of the Company's ADSs for the year ended December 31, 2025 and an appropriate peer group of companies for the year ended December 31, 2024. The grant date fair value is recognized over the requisite service period using the accelerated graded-vesting attribution method.

Deferred Restricted Stock Units
Non-Executive directors may voluntarily elect to convert their annual cash fees for services on the board of directors to DRSUs which were granted to NEDs who made such elections. The number of DRSUs granted is determined by dividing the amount of the annual cash compensation by the average closing trading price of the Company's ADSs over the most recent 30 trading days as of the date of grant. Each DRSU entitles the holder to receive an ADS at no cost upon the completion of the vesting period. DRSUs granted under the 2019 NED EIP vest in substantially equal monthly installments over the plan year. Payment of DRSUs in ADSs will generally be 180 days following separation of service but have no specified contractual term.

A summary of the Company’s DRSU activity and related information under the 2019 EIP for the years ended December 31, 2025 and 2024 is as follows. All DRSUs are expected to vest:

	Number of DRSUs (ADSs)
At January 1, 2024	729,982
Granted	125,393
At December 31, 2024	855,375
Granted	124,233
At December 31, 2025	**979,608**
Issuable	969,258

The fair value of each DRSU was calculated by reference to the value of the shares awarded. The grant date fair value is recognized over the vesting period using the accelerated graded-vesting attribution method.

Previous Share Option Plans

Mereo previously granted options to employees under the Previous Share Option Plans. No awards have been granted under either of these plans following the introduction of the 2019 EIP and the 2019 NED EIP and no further awards are envisioned.

A summary of the Company’s Options activity and related information under the Previous Share Options Plans for the years ended December 31, 2025 and 2024 is as follows; all outstanding Options are vested:

	Number of options (ADSs)	Weighted Average Exercise Price ($)
At January, 2024	1,572,358	9.22
Expired	(152,491)	8.78
At December 31, 2024	1,419,867	9.24
Expired	(1,312,259)	8.63
At December 31, 2025	107,608	16.68

Options outstanding as of December 31, 2025 had an exercise price of between $8.6 and $21.7 per ADS.

The weighted average contractual life of Options outstanding and vested at December 31, 2025 and 2024 was 1.1 years and 0.8 years, respectively.

26. Related party disclosures

Compensation of key management personnel of the Company
The remuneration of key management personnel of the Company is set out below in aggregate:

	Year ended December 31, 2025 £'000s	2024 £'000s
Short-term benefits	1,815	2,379
Post-employment benefits	116	136
Share-based payment charge	5,222	3,040
Total	**7,153**	**5,555**

The amounts disclosed in the table above are the amounts recognized as an expense during each reporting period for individuals who were deemed to be key management personnel for the period they were deemed to be key management personnel.

During the years ended December 31, 2025 and 2024, key management personnel included the executive director (the Chief Executive Officer), non-executive directors, the Chief Financial Officer, the General Counsel and Business Development, Chief Scientific Officer, and the Chief Patient Access and Commercial Planning.

27. Subsequent events

Putative Securities Class Action

On February 4, 2026, a putative class action complaint was filed in the United States District Court for the Southern District of New York against the Company, its Chief Executive Officer, Denise Scots-Knight, and its Chief Scientific Officer, John Lewicki (the "Defendants"). This action, captioned *Dodge v. Mereo Biopharma Group PLC* (No. 1:26-cv-988), alleges that the Defendants violated federal securities law by making false and misleading statements regarding the Company's business and operations. The Plaintiff seeks the payment of damages allegedly sustained by her and the putative class by reason of the allegations set forth in the complaint, plus interest, and legal and other costs and fees. The Company intends to vigorously defend against this action. Due to the nature of this matter and inherent uncertainties, it is not possible to provide an evaluation of the likelihood of an unfavorable outcome or an estimate of the amount or range of potential loss, if any.

	Notes	As at December 31, 2025 £'000s	2024 £'000s
Assets			
Non-current assets			
Property, plant and equipment	6	283	785
Investments in subsidiaries	4	53,329	132,562
		53,612	133,347
Current assets			
Prepayments		1,047	914
Other receivables		769	701
Intercompany receivables	5	2,299	—
Cash and cash equivalents		30,369	55,317
		34,484	56,932
Current liabilities			
Trade and other payables		1,183	2,310
Intercompany payables	5	—	9,141
Accruals		1,462	2,910
Lease liabilities		150	563
Provisions	8	—	782
Convertible loan notes	7	—	4,467
Warrant liabilities	9	28	654
Other liabilities		358	206
		3,181	21,033
Net current liabilities		31,303	35,899
Total assets less current liabilities		84,915	169,246
Non-current liabilities			
Provisions	8	—	115
Lease liabilities		—	149
Other liabilities		—	245
		—	509
Net assets		84,915	168,737
Equity			
Issued capital	10	2,387	2,327
Share premium	10	310,483	305,649
Other capital reserves	10	146,799	141,081
Other reserves	10	7,401	7,401
Accumulated losses		(382,155)	(287,721)
Total equity shareholders' funds		84,915	168,737

The accompanying notes form an integral part of these financial statements.

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to present an income statement for the year. The Company's loss for the financial year ended December 31, 2025 was £94.4 million (2024: loss of £67.7 million).

The financial statements on page 96 to 103 were approved by the Board of Directors on March 19, 2026 and signed on its behalf by:

Dr. Denise Scots-Knight
Director
March 19, 2026
Company number: 09481161 (England and Wales)

MEREO BIOPHARMA GROUP PLC
COMPANY STATEMENT OF CHANGES IN EQUITY

	Issued capital £'000s	Share premium £'000s	Other capital reserves £'000s	Employee Benefit Trust £'000s	Other reserves £'000s	Accumulated losses £'000s	Total equity £'000s
At December 31, 2023	2,104	267,770	137,001	(974)	7,401	(220,003)	193,299
Loss for the year	—	—	—	—	—	(67,718)	(67,718)
Share-based payments	—	—	5,601	—	—	—	5,601
Vesting of PSUs	20	(52)	—	—	—	—	(32)
Vesting of RSUs	1	(2)	(752)	752		—	(1)
Exercise of share options	8	533	(769)	222	—	—	(6)
Issuance of ordinary shares	194	37,400	—	—	—	—	37,594
At December 31, 2024	2,327	305,649	141,081	—	7,401	(287,721)	168,737
Loss for the year	—	—	—	—	—	(94,434)	(94,434)
Share-based payments	—	—	5,718	—	—	—	5,718
Exercise of share options	1	29	—	—	—	—	30
Vesting of RSUs	4	(4)	—	—	—	—	—
Conversion of convertible loan notes	51	4,430	—	—	—	—	4,481
Exercise of warrants	4	379	—	—	—	—	383
At December 31, 2025	2,387	310,483	146,799	—	7,401	(382,155)	84,915

The accompanying notes form an integral part of these financial statements.

1. Material accounting policies

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards but makes amendments where necessary in order to comply with the Companies Act 2006 and set out below where FRS 101 disclosure exemptions has been taken.

Under Section 408(4) of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Presentation of a cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- The compensation of key management personnel; and
- Required disclosures relating to capital management.

As the consolidated financial statements of Mereo BioPharma Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2, Share-Based Payments in respect of Group-settled share-based payments;
- Certain disclosures required by IAS 36, Impairment of Assets;
- Certain disclosures required by IFRS 13, Fair Value Measurement;
- Certain disclosures required by IFRS 7, Financial Instruments Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The financial information is presented in pound sterling and all amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units, unless otherwise stated.

1.2 Change of accounting policies

In the current year, the Company has applied the below amendments to IFRS issued by the IASB and endorsed by the UK Endorsement Board (the "UKEB") that are effective for the Company's annual period beginning on or after January 1, 2025. Its adoption did not have a material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IAS 21 – Lack of exchangeability

1.3 Summary of material accounting policies

The Company's accounting policies are consistent with those described in the consolidated financial statements of Mereo BioPharma Group plc, within Note 2 of the consolidated financial statements. Below are accounting policies which are specific to the Company.

a) Investment in subsidiaries

Investments in subsidiary undertakings are stated at cost less any provision for impairment. Amounts capitalized as investments in subsidiary undertakings are reviewed for impairment at each year end in accordance with IAS 36, Impairment of Assets.

b) Expected credit losses ("ECL") on intercompany receivables

The calculation of impairment provisions on intercompany receivables is subject to an ECL calculation, involving a prediction of future credit losses. The expected credit loss approach involves estimating actual and future credit risk. Expected loss rates are then applied to the gross receivables balance to calculate the impairment provision.

2. Significant accounting judgments, estimates and assumptions

The preparation of the Company financial statements requires the management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The Company bases its estimates and judgments on historical experience and on various other assumptions that it considers to be reasonable. Actual results may differ from these estimates under different assumptions or conditions.

Impairment of investments in subsidiaries and expected credit losses on associated intercompany receivables

The Group's investment in subsidiaries is correlated to the clinical assets which are recorded as intangible assets in the consolidated financial statements as the subsidiaries hold the rights to the respective clinical assets, as is the subsidiaries' ability to repay intercompany balances owed to the Company (if any).

An assessment was made in respect of indicators of impairment in the carrying value of the Group's investment in subsidiaries as at December 31, 2025 and the recoverability of associated intercompany amounts owed to the Company (if any). If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. The assessment of intangible assets involves a number of significant judgments regarding the likelihood of successful product approval, the costs of reaching approval, the estimated useful life of intangible assets following commercialization and the subsequent commercial profitability of the product once approved.

As described in Notes 4 and 5 of these Company financial statements, in the year ended December 31, 2025, the Company concluded that the carrying values of certain subsidiaries were no longer recoverable and the balances of £82.7 million in aggregate were fully written off (see Note 4). An allowance for ECLs of £17.1 million was also recognized in respect of amounts owed by these subsidiaries to the Company (see Note 5).

3. Loss for the year

The Company's loss for the year was £94.4 million (2024: loss of £67.7 million), which has been included in the Company's profit and loss account.

The auditor's remuneration for audit and other services is disclosed in Note 7 of the consolidated financial statements.

The average monthly number of persons employed by the Company during the year was:

	Year ended December 31, 2025 £'000s	2024 £'000s
By activity:		
Research and development	10	9
General and administrative	23	20
Total	33	29

Total compensation costs for persons employed by the Company (including Directors) during the year was:

	Year ended December 31, 2025 £'000s	2024 £'000s
Salaries	1,736	2,677
Social security costs	(365)	150
Pension contributions	65	62
Share-based payment expenses (Note 11)	3,375	3,271
Other employment costs	130	83
Total	4,941	6,244

Further information about share-based payment transactions is provided in Note 25 of the consolidated financial statements. In respect of directors' remuneration, amounts are included in the detailed disclosures in the audited section of the Directors' Remuneration Report on page 35, which are ascribed as forming part of these financial statements.

4. Investments

4.1 Investments in subsidiaries

Cost	£'000s
At January 1, 2024	**227,723**
Additions in the year	10,778
At December 31, 2024	**238,501**
Additions in the year	3,507
At December 31, 2025	**242,008**
Provision for impairment	
At January 1, 2024	**62,867**
Charge during the year	43,072
At December 31, 2024	**105,939**
Charge during the year	82,740
At December 31, 2025	**188,679**
Total investment in subsidiaries	
At December 31, 2024	132,562
At December 31, 2025	**53,329**

A capital contribution of £3.5 million (2024: £6.8 million) by Mereo BioPharma Group plc to its subsidiaries was recorded in the year ended December 31, 2025.

In the year ended December 31, 2025, the Company concluded that the carrying values of certain subsidiaries were no longer recoverable and the balance of £82.7 million in aggregate were fully written off.

In the year ended December 31, 2024, the Company concluded that the carrying values of one of its subsidiaries was no longer recoverable and the balance of £43.1 million in aggregate were fully written off.

The recoverable value of the investments were measured based on the value-in-use, and the discount rate used in the calculation of value in use was 18.0% (2024: 15.0%).

4.2 Information about subsidiaries

The following were subsidiary undertakings at the end of the year and have been included in the consolidated financial statements of the Group:

Name	Principal activities	Country of incorporation	% equity interest December 31, 2025	% equity interest December 31, 2024
Mereo BioPharma 1 Limited	Pharmaceutical R&D	U.K.	100	100
Mereo BioPharma 2 Limited	Pharmaceutical R&D	U.K.	100	100
Mereo BioPharma 3 Limited	Pharmaceutical R&D	U.K.	100	100
Mereo BioPharma 4 Limited	Pharmaceutical R&D	U.K.	100	100
Mereo BioPharma Ireland Limited	Pharmaceutical R&D	Ireland	100	100
Mereo BioPharma 5, Inc	Pharmaceutical R&D	U.S.	100 *	100 *
Navi Subsidiary, Inc.	Inactive	U.S.	100 *	100 *
Mereo BioPharma Europe B.V.**	Pharmaceutical R&D	Netherlands	100	N/A
Mereo US Holdings Inc.	Holding Company	U.S.	100	100

** Indirect holdings*
*** Incorporated during the year ended December 31, 2025*

The registered office of Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited, Mereo BioPharma 3 Limited and Mereo BioPharma 4 Limited is located at Fourth Floor, 1 Cavendish Place, London W1G 0QF. The registered office of Mereo BioPharma Ireland Limited is 6 Lapp's Quay, Cork, T12 TA48, Republic of Ireland. The registered office of Mereo BioPharma Europe B.V is Basisweg 10, 1043AP Amsterdam, Netherlands.

Mereo US Holdings Inc. was incorporated on December 3, 2018 for the sole purpose of effecting the business combination with Mereo BioPharma 5, Inc. (formerly OncoMed Pharmaceuticals, Inc.) on April 23, 2019. The registered office of Mereo US Holdings Inc., Mereo BioPharma 5, Inc. and its wholly owned subsidiary, Navi Subsidiary, Inc., is 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808, US.

5. Intercompany payables

Intercompany payables include both amounts owed to group undertakings and amounts owed by group undertakings (after offsetting balances that the Company has legally enforceable rights to set off) as follows:

	Year ended December 31, 2025 £'000s	2024 £'000s
Amounts owed by group undertakings	20,394	15,272
Amounts owed to group undertakings	(989)	(10,496)
	19,405	4,776
Allowance for ECL	(17,106)	(13,917)
Intercompany receivable/(payable)	**2,299**	**(9,141)**

These amounts are unsecured and repayable on demand. These amounts are non-interest bearing, except for certain amounts owed by group undertakings of £14.5 million as at December 31, 2025 which is interest bearing at 4.3% per annum.

The Company has assessed the extent to which amounts owed to the Company by group undertakings are impaired. For those balances that are neither overdue nor impaired, the Company has concluded that the ECLs that are possible from default events over the next twelve months are immaterial and consequently no allowance for impairment has been recognized. For balances assessed to be impaired, an ECL allowance of £17.1 million has been recognized to reflect the credit risk inherent in the balances during the year ended December 31, 2025 (2024: £13.9 million).

Set out below is the movement in the allowance for ECL of intercompany loan receivables:

	Year ended December 31,	
	2025 £'000s	2024 £'000s
At beginning of year	**13,917**	**—**
Charge during the year	3,189	13,917
At end of year	**17,106**	**13,917**

The calculation of the ECL provision is based on management's assessment of the probability of default ("PoD") and the percentage loss expected to arise in the event of default ("LGD"), multiplied by the current size of the loan receivable. The PoD and LGD rates are estimated on a loan-by-loan basis. The intercompany loan receivables have no expected credit losses if the Company has control of a counterparty within the Group and there are sufficient assets in the counterparty to allow the Company to facilitate repayment through realizing counterparty assets or through refinancing. There are intercompany receivables with a higher PoD and LGD which results in an ECL of 89.8% as at December 31, 2025 (2024: 100.0%) of the aggregate balance. Management estimates of these rates are judgmental and any changes in estimates would change the amount of ECL recognized.

Certain comparative information has been revised to conform with current year presentation.

6. Property, plant and equipment

As at December 31, 2025, the net book value of right-of-use assets is £0.2 million which relates to a building (2024: £0.6 million).

	Right-of-use asset (building) £'000s	Leasehold improvements £'000s	Office equipment £'000s	IT equipment £'000s	Total £'000s
Cost					
At January 1, 2025	2,465	567	147	141	3,320
Additions	—	—	—	16	16
Disposals	—	—	—	(63)	(63)
At December 31, 2025	**2,465**	**567**	**147**	**94**	**3,273**
Accumulated depreciation					
At January 1, 2025	(1,885)	(410)	(103)	(137)	(2,535)
Disposals	—	—	—	63	63
Depreciation for the year	(399)	(91)	(22)	(6)	(518)
At December 31, 2025	**(2,284)**	**(501)**	**(125)**	**(80)**	**(2,990)**
Net book value					
At December 31, 2024	580	157	44	4	785
At December 31, 2025	**181**	**66**	**22**	**14**	**283**

The Group's lease liabilities resides in the Company. Details on the lease liabilities of the Company, including maturity analysis, are provided in Note 12 of the consolidated financial statements.

7. Convertible loan notes
Details on the convertible loan notes of the Company are provided in Note 20 of the consolidated financial statements.

8. Provisions

	Year ended December 31, 2025 £'000s	2024 £'000s
At January 1,	897	182
Arising during the year	—	715
Released during the year	(897)	—
At December 31,	**—**	**897**

The provision for social security contributions on share options is calculated based on the number of options outstanding at the reporting date that are expected to be exercised. The provision is based on the estimated gain arising on exercise of the share options, using the best estimate of the market price at the balance sheet date.

9. Warrant liabilities
The Group's warrant liabilities resides in the Company. Details on the warrant liabilities of the Company are provided in Note 19 of the consolidated financial statements.

10. Share capital, share premium and other reserves
The Group's share capital all resides in the Company. Details on the share capital of the Company are provided in Note 21 of the consolidated financial statements.

11. Share-based payments
The charge for share-based payments, after deducting the amounts charged to its subsidiaries, arises across the following schemes:

	Year ended December 31, 2025 £'000s	2024 £'000s
2019 Equity Incentive Plan	2,271	2,105
2019 NED Equity Incentive Plan	1,104	1,168
	3,375	**3,273**

During the year ended December 31, 2025, The Company charged £1.8 million to its subsidiaries (2024: £1.6 million).

Details on the share-based payments of the Company, including deferred equity consideration, are provided in Note 25 of the consolidated financial statements.

12. Related party disclosures
Details of related parties are provided in Note 26 of the consolidated financial statements.

13. Subsequent events
Details of subsequent events are provided in Note 27 of the consolidated financial statements.