25 July 2019

Proteome Sciences plc
(“Proteome Sciences” or the “Company”)

Interim results for the six months ended 30 June 2019

Proteome Sciences announces its unaudited interim results for the six months ended 30 June 2019.

Financial highlights:

- Proteomics services revenues increased 30% to £0.35m (2018: £0.27m)
- TMT® reagent sales and royalties increased 30% to £1.37m (2018: £1.05m)
- Total revenues increased 32% to £1.74m (2018: £1.32m)
- Gross profit increased 30% to £0.96m (2018: £0.74m)
- Administrative expenses decreased 40% to £1.21m (2018: £2.02m)
- Loss before tax was £0.41m (2018: £1.41m)

Commenting on these results, Jeremy Haigh, Chief Executive Officer of Proteome Sciences, said:

“Performance during the first six months of 2019 was very encouraging, building on the momentum developed in the second half of 2018. Recognised revenues from our services platform were significantly ahead of the equivalent period in 2018 and, most importantly, we issued a record number of quotes for new business in the second quarter, a fundamental lead indicator of future customer engagement. TMT® revenues also grew strongly in the period, bolstered by initial sales of our new TMTpro™ 16-plex isobaric mass tags which enable increased multiplexing and are now available as a standard option across our upgraded services portfolio. Administrative costs continue to reduce, and cash reserves are stronger; as a consequence, the Company is beginning to demonstrate a much-anticipated level of fiscal stability and growth which should enable some near-term investment that will be vital if we are to remain competitive in such a rapidly developing market.

We are confident that our commercial strategy is starting to gain traction after a slow start early in 2018 and, with the promise of a stronger second half which has been characteristic of previous years, we expect to report further progress.”

For further information:

Proteome Sciences plc

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About Proteome Sciences plc. (www.proteomics.com)

Proteome Sciences plc is a specialist provider of contract proteomics services to enable drug discovery, development and biomarker identification, and employs proprietary workflows for the optimum analysis of tissues, cells and body fluids. SysQuant® and TMT®MS2 are unbiased methods for identifying and contextualising new targets and defining mechanisms of biological activity, while analysis using Super-Depletion and TMTcalibrator™ provides access to over 8,500 circulating plasma proteins for the discovery of disease-related biomarkers. Targeted assay development using mass spectrometry delivers high sensitivity, interference-free biomarker analyses in situations where standard ELISA assays are not available.

The Company has its headquarters in London, UK, with laboratory facilities in Frankfurt, Germany.

Chief Executive Officer's Report

Services

Revenues recognised from the proteomics services business increased 30% in the first half to £0.35m (2018: £0.27m), maintaining the sales momentum established during the second half of 2018. Importantly, 58 quotes and pricing requests were issued compared with only 20 during the equivalent period last year, an increase of nearly 200%, and this included a record number of 34 quotes in the second quarter alone. Such metrics are fundamental lead indicators of future performance and although they do not guarantee work orders (our current conversion rate is approximately 35%, in line with industry standards) they do provide a valuable signal of early customer engagement alongside conventional lag indicators such as revenue. Much attention has been directed towards improving our sales cycle time in an effort to speed up project execution and revenue generation, and it is encouraging to note that the average time between issuing an initial quote and the formal project purchase order has reduced to 43 days in the first half (2018: 53 days).

As interest in our proteomics platform increases it is essential that we can access our prospective customers quickly and easily, particularly in Europe (EU) which currently contributes only about one third of our revenues. To this end, and in line with our strategy to invest in the services business, we have recruited a Sales Manager for the European region and are delighted that Dr Illip Burmester has agreed to join the Company from 1 September 2019 based out of our German facility. Consequently, we have terminated our sales agency agreement with Cenibra GmbH and thank them for their support commercialising our services across central EU over the last 18 months. Promotional activities have also been increased, with a particular focus on the machine learning and artificial intelligence communities which we believe will provide a strong source of new business.

TMT®

TMT® revenues of £1.37m were strong during the first half, ahead of plan and 30% above sales and royalties for the equivalent period in 2018 (£1.05m) suggesting continued growth in the core 11-plex market and recognising the introduction of TMTpro™ .

TMTpro™ (16-plex isobaric mass tags) was introduced by Thermo Scientific at the American Society for Mass Spectrometry (ASMS) meeting in Atlanta last month and is a completely re-designed set of isobaric mass tags developed and patented by Proteome Sciences, with multiple benefits over previous TMT® reagents. As well as offering five extra channels, this new chemistry also provides a 9-plex set of single-Dalton resolved tags for use with TMT® complement ion quantification. Moreover, the reporter ion is more readily fragmented and offers gains in signal-to-noise both in MS2 and MS3 analyses. Testing has shown that these new reagents perform equivalently to the current 11-plex TMT® in terms of the numbers of quantified peptides and proteins, while providing a 50% increase in the number of samples that can be analysed in a single experiment. Proteome Sciences is the only contract research organisation able to provide customers with access to the higher plexing rates and extended performance of TMTpro™: adding these 16-plex reagents to our standard service workflows will provide significant benefits in both the size and speed of our biomarker discovery projects, and justifies the dedication of our research efforts towards refining this technology over the last year.

Other Licences

In recent months Randox has increased publicity about its putative stroke diagnostic (which incorporates some of our intellectual property) including presentations at EuroMedLab in Barcelona and at the Goodwood Festival of Speed. This is obviously encouraging and has led to much speculation about the revenue potential of the stroke biochip array which is now functional as a 30-minute test on a fully automated point of care platform (the MultiSTAT analyser). However, its research-use only (RUO) status will not change until the ongoing clinical validation study at University College London Hospitals (UCLH) has been completed, the device is Conformité Européene (CE) marked and the product is officially released for commercial sale.

Outlook

With both our primary revenue streams demonstrating strong year on year growth, and operating expenditure held under tight control, the Company is increasingly well placed to take advantage of the market opportunity afforded by quantitative mass spectrometric (MS) proteomics. To achieve this our service platform must remain competitive and investment will be necessary to ensure that we can continue to provide a high quality, cost effective portfolio of services to a broad range of bioscience clients primarily in the US and EU, but eventually other regions of the world. Such investment has begun with the addition of a Sales Manager dedicated to the EU region, more aggressive promotional activities, research into new workflows and targeted assays, and the prospect of upgraded instrumentation.

Proteome Sciences now holds a unique position as the only contract research organisation licensed to provide customers with access to the higher plexing rates and extended performance of TMTpro™, an advance critical to realising the power of proteomics in support of larger cohort studies which are fundamental to the delivery of precision medicines. As providers of an enabling technology, we must understand our role in the evolving landscape of healthcare delivery and be agile enough to collaborate with others who either require our services or offer complementary capabilities on which we may depend. As I have stated often in the last three years, much has yet to be done to achieve our goal, but the Company is making solid progress and we fully expect 2019 revenues to be well ahead of 2018 in our pursuit of profitability.

Jeremy Haigh
Chief Executive Officer

24 July 2019

Finance Director's Report

Revenues in the first half (£1.74m) were higher than the equivalent period in 2018 (£1.32m), the major reasons being a particularly strong second quarter for TMT® sales accompanied by higher sales of proteomics services.

Ongoing efforts to reduce administrative expenses realised a 40% reduction to £1.21m (2018: £2.02m), while the cost of sales increased by 32% to £0.78m (2018: £0.59m) in line with our higher sales revenues. Financing costs for the first half increased to £0.16m in comparison with £0.13m in the previous year.

A loss of £0.43m after taxation is significantly lower than for the first half of 2018 (£1.43m) and this can be explained by the increase in revenues coupled with a reduction of administrative expenses, partially offset by the higher cost of sales and financing. As at 30 June 2019 the Group had cash resources of £0.83m (30 June 2018: £0.50m).

Stefan Fuhrmann
Finance Director

24 July 2019

Consolidated income statement
For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000
Continuing operations			
Revenue			
Licences, sales & services		1,726	1,319
Grant services		14	5
Revenue- Total		1,740	1,324
Cost of sales		(782)	(586)
Gross profit		958	738
Administrative expenses (other)		(1,207)	(2,016)
Administrative expenses - Total		(1,207)	(2,016)
Operating loss		(249)	(1,278)
Finance costs		(161)	(134)
Loss before taxation		(410)	(1,412)
Tax		(16)	(14)
Loss for the period		(426)	(1,426)
Loss per share			
Basic and diluted	2	(0.14p)	(0.48p)

Consolidated statement of comprehensive income
For the six months ended 30 June 2019

	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000
Loss for the period	(426)	(1,426)
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	11	3
Total comprehensive expense for the period	(415)	(1,423)

Consolidated balance sheet
As at 30 June 2019

	30 June 2019 (unaudited) £'000	31 December 2018 (audited) £'000
Non-current assets		
Goodwill	4,218	4,218
Property, plant and equipment	81	56
	4,299	4,274
Current assets		
Inventories	1,012	1,147
Trade and other receivables	1,523	320
Contract assets	272	328
Cash and cash equivalents	835	958
	3,642	2,753
Total assets	7,941	7,027
Current liabilities		
Trade and other payables	(1,678)	(541)
Contract liabilities	-	(25)
Borrowings	(10,097)	(9,936)
	(11,775)	(10,502)
Net current liabilities	(8,133)	(7,749)
Non-current liabilities		
Provisions	(358)	(343)
	(358)	(343)
Total liabilities	(12,133)	(10,845)
Net liabilities	(4,192)	(3,818)
Equity		
Share capital	2,952	2,952
Share premium account	51,466	51,466
Share-based payment reserve	3,553	3,532
Merger reserve	10,755	10,755
Translation reserve	(12)	(43)
Retained loss	(72,906)	(72,480)
Total (deficit)	(4,192)	(3,818)

Consolidated cash flow statement
For the six months to 30 June 2019

	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000
Loss before tax	(410)	(1,412)
Adjustments for:		
Net finance costs	161	134
Depreciation of property, plant and equipment	21	131
Share-based payment expense	22	46
Operating cash flows before movements in working capital	(206)	(1,101)
Decrease/(increase) in inventories	135	155
Decrease/(increase) in receivables	1,147	202
(Decrease)/increase in payables	(1,111)	(84)
Increase in provisions	15	15
Cash used in operations	(92)	(813)
Tax refunded / (paid)	(16)	400
Net cash outflow from operating activities	(108)	(413)
Cash flows from investing activities		
Purchases of property, plant and equipment	(46)	-
Net cash outflow from investing activities	(46)	-
Financing activities		
Net cash outflow from financing activities	-	-
Net decrease in cash and cash equivalents	(154)	(413)
Cash and cash equivalents at beginning of period	958	908
Effect of foreign exchange rate changes	31	2
Cash and cash equivalents at end of period	835	497

Notes

For the six months to 30 June 2019

1 Basis of preparation and accounting policies

These interim consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 31 December 2018 Annual Report. The financial information for the half years ended 30 June 2019 and 30 June 2018 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The annual financial statements of Proteome Sciences plc ('the Group') are prepared in accordance with IFRS as adopted by the European Union. The comparative financial information for the year ended 31 December 2018 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2018 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 December 2018 was unqualified but did include a reference to uncertainty surrounding going concern, to which the auditors drew attention by way of emphasis and did not contain a statement under 498(2) - (3) of the Companies Act 2006.

The directors have concluded that the Group has adequate resources to continue operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly consolidated financial statements.

With only the addition of IFRS 16 Leasing standards Proteome Sciences plc has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2018 annual financial statements.

New standards, interpretations and amendments adopted by the Group

A new standard became applicable for the current reporting period, and the group had to change accounting policies as a result of adopting IFRS16 *Leases*. The impact of the adoption of the leasing standard is disclosed in the note below.

IFRS 16 "Leases" – (effective for 2019 annual financial report)

The Group adopted IFRS 16 Leases from the 1 January 2019, which has resulted in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease which extend over a period of more than 12 months. Leases currently classified as operating leases, include operational leasing contracts of equipment and rental contracts for building, office space and equipment. The amounts recognised establish a lease liability and a right of use asset shown on the balance sheet. The amount is based on the future cash flow discounted by an assumed interest rate of 2.5% above the Barclays Bank base rate and is based on the fair assessment by the management. Where the amount contains a separable service part, this amount will be treated separately. For rental contracts, which include heating, cooling and other services centrally provided by the landlord which cannot be separately determined leases are not split out.

Under the former policy leases were classified as operating leases. The Group did not recognise related assets or liabilities but instead lease payments were spread over the lease term and the total commitment was disclosed in its annual financial statements.

The Group has not restated the prior year's figures in applying IFRS 16 as there were no leases exceeding the 12 month recognition threshold on the balance sheet date.

For the current year, at the 30 June 2019, the application of IFRS 16 resulted in the recognition of a lease liability of £1.16m. A right of use asset of the same amount is recognised on the balance sheet. This is due to the extension of the lease at the Group's Frankfurt facility for a period of 5 years. The Group will recognise the right of use asset within the line items debtors and other receivables and liabilities and other payables within the balance sheet. This will ensure there is no immediate impact to net assets on that date.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will not change the loss per share for the Group.

The Board of Directors approved this interim report on 24 July 2019.

2. Loss per share from continuing operations

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Loss per share		
Loss for the purpose of basic loss per share being net loss attributable to equity holders of the parent (£'000)	(426)	(1,426)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	295,182,056	295,182,056
Weighted average number of ordinary shares for the purpose of diluted loss per share	295,182,056	295,182,056

3. Cautionary statement

This document contains certain forward-looking statements relating to Proteome Sciences plc ('the Group'). The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Group to differ materially from those contained in any forward-looking statement. These statements are made by the directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.