10 August 2020

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

Interim results for the six months ended 30 June 2020

Proteome Sciences announces its unaudited interim results for the six months ended 30 June 2020.

Financial highlights:

- Proteomics services revenues increased 71% to £0.60m (H1 2019: £0.35m)
- TMT® reagent sales and royalties down 8% to £1.27m (H1 2019: £1.37m)
- Total revenues increased 9% to £1.90m (H1 2019: £1.74m)
- Gross profit increased 11% to £1.07m (H1 2019: £0.96m)
- Costs increased 11% to £2.22m (H1 2019: £1.99m)
- Loss before tax was £0.48m (H1 2019: £0.41m)

Commenting on these results, Dr. Ian Pike, Interim Chief Executive Officer of Proteome Sciences, said:

“We reported our first post-tax profit last year and saw this as the basis for further growth towards sustainable profitability. The first six months of 2020 have been extraordinary as the world confronts the ongoing COVID-19 pandemic and I am profoundly grateful to our dedicated staff and extended customer base for their unstinting support during these challenging times. Challenges during the period around laboratory access due to the COVID-19 lockdown had some negative impact on TMT® revenues, which declined marginally compared to the strong performance in H1 2019 prior to the launch of TMTpro™. However, we expect sales to show good growth in the second half and for the full year.

Our service business started the year with a strong order book and large bank of samples, allowing us to remain fully operational. Consequently, I am delighted to report 71% growth in service revenues during the period, further accelerating the progress made in 2019. Despite cancellation of all physical conferences and trade shows, we have maintained an aggressive programme of customer engagement and the number of quotes and orders for new business is running at double the value of the same period last year.

The increase in revenues was matched by a disproportionate increase in costs as we had to bring forward some TMTpro™ re-stocking in light of strong sales in the last quarter of 2019. Costs otherwise remained flat and the net impact is a similar loss before tax with the equivalent period last year.

We expect full year revenues to be similar to last year, with improved TMT® and TMTpro™ sales in the second half alongside strong demand for proteomic services in the second half as laboratory access for research and development activities is re-starting in many countries. Whilst there remains a degree of risk that a second wave of COVID-19 may yet require reinstatement of movement restrictions, we are well set to meet these challenges and continue to improve our financial performance through the full year.”

For further information:

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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

Following the good growth attained across the business in 2019, which led to our first operating profit, the outlook for 2020 was very positive. Despite the difficulties of operating a global sales operation during the coronavirus outbreak, we still managed to grow revenues in the first half of the year. We have been able to leverage strong relationships with our existing customers to secure new orders during the lockdown, and with only a moderate drop in TMT® sales at a time when many laboratories have remained closed for non-essential research, this is encouraging for the future. We have also seen a strong presence of TMT® and TMTpro™ usage in COVID-19 research, though we lack the required biological containment facilities to handle infectious samples ourselves. With positive growth in overall revenue and the receipt of the £0.75m TMT® sales milestone in March, we have improved our cash position over the past six months and remain focused on meeting the needs of our customers and licensees through the remainder of the year.

<u>Services</u>

Recognised revenues from the proteomics services business increased 71% in the first half to £0.60m (2019: £0.35m), reflecting the strong order book and banked samples we had in-hand prior to the COVID-19 restrictions. We completed 13 projects during the period with another 8 initiated and running into H2. A further 12 projects are ordered with samples expected during the current quarter. Importantly, despite the shut-down of most of our customers' laboratories, 40 quotes and pricing requests were issued compared with 29 during the equivalent period last year. We have also booked new orders worth over £0.77m, representing a 115% increase over H1 2019 (£0.36m) with the balance between US (60%) and EU (40%) customers reflecting our reversion to a direct sales model in Europe in the summer last year. We also maintained a strong level of repeat orders from existing customers, which accounted for 55% of the total by value, as we become established as preferred suppliers.

Overall, these metrics show the benefits of our focus on improving our sales cycle to speed up project execution and revenue generation. Inevitably, the lead times to placing and execution of orders has extended slightly during the lockdown, but we expect things to improve in the second half of the year. We continue to have strong orders for our TMTcalibrator™ blood and CSF biomarker discovery workflow with two major projects in neurodegeneration completed in the first half of the year, and further orders received across a range of different disease areas. We are also seeing good interest in our new workflows for immune-oncology and protein degradation therapies with both attracting orders from new customers.

Prior to the shut-down of global travel, we concluded a 2-week business development visit to California through which we gained three new orders. Subsequently, we have been using a mixture of videoconferencing and presentation at virtual trade shows to broaden further our outreach and customer base. As we do not expect there to be much opportunity to engage in physical meetings during the remainder of 2020, we are reviewing the mix of sales and marketing tools at our disposal to ensure we can continue to grow sustainable revenues.

<u>TMT®</u>

TMT® revenue of £1.27m was 8% lower than the same period last year (H1 2019: £1.37m), reflecting the impact of temporary laboratory closures during the COVID-19 control measures in most major markets, and the pre-sale of TMTpro™ bulk materials ahead of the launch in the first half of 2019. We are encouraged that whilst slightly down in absolute terms, the first half sales are broadly consistent with the same period last year, with no evidence that the launch of TMTpro™ is impacting on sales of TMT® reagents.

To meet the strong uptake of TMTpro™ we have completed re-synthesis of the early tags made in smaller batch sizes during initial development. This work was completed ahead of schedule in the second quarter, contributing to a slight increase in operating costs, and we now have sufficient stocks of all 16 tags to meet the expected requirements of our licensee Thermo Scientific well into 2021. We also have good stock levels of all standard TMT® reagents.

We also saw that a number of early proteomics studies of SARS-Cov-2, the virus causing COVID-19 infection, used TMT® and TMTpro™, revealing the main sites of virus/host protein interactions and identifying blood biomarkers predicting severe disease, as well as potential drug targets and established drugs that could be re-purposed for treatment of the infection. Whilst we are unable to work with SARS-Cov-2 infected material directly, we are pursuing a number of academic collaborations based on our TMTpro™ plasma workflows and the Tryptophan Metabolite assay that uses TMT® for sample multiplexing as several metabolites including kynurenine have been reported as potential predictors of severe infection.

Other Licences

Developments of clinical stroke diagnostic tests by our licensees Randox Laboratories and Galaxy CCRO are ongoing. The impact of COVID-19 on global clinical trials has inevitably delayed progress of Randox's development but we expect this to now progress as enrolment re-starts as the pandemic eases. Galaxy is continuing to progress development of a point-of-care test and currently hopes to initiate clinical trials in the UK before the end of the year.

Outlook

Over the last three years we have achieved good growth in our services revenues whilst restructuring the business to improve operating efficiency and manage costs. The outlook for our portfolio of TMT® and TMTpro™ tags remains positive as more academic and pharmaceutical laboratories are re-opening following relaxing of COVID-19 restrictions. Whilst we saw a small decline in revenues in the first half of the year, we expect revenues to be higher in the second half of the year, and anticipate modest growth in like-for-like sales for the full year.

Having carried a strong order book over into the first half of 2020, we are seeing significant growth of recognised proteomics services revenues and orders being placed, despite the challenges imposed by COVID-19. With over half of our revenues now coming from existing customers, we are clearly becoming established as preferred providers of proteomic services. In the current climate we consider these relationships as critical to our long-term success and we have dedicated more sales and marketing resources to continue to build our presence across multiple teams in each organisation. A review of our customer engagement channels in the current climate will be reflected later in the year with an enhanced website and greater visibility on professional media platforms.

Based on orders received to date and the steady number of requests for quotes relating to projects in the second half of 2020 we expect to demonstrate significant increases in both full year proteomics services revenues and order book value to carry into 2021. We expect this, combined with improved TMT® and TMTpro™ sales, will deliver total revenues similar to last year.

Dr. Ian Pike
Interim Chief Executive Officer
7 August 2020

Finance Director's Report

Revenues in the first half of £1.90m were 9% higher than the equivalent period in 2019 (£1.74m), with the slight decrease in TMT® and TMTpro® sales due to the COVID-19 lockdown restrictions offset by a strong increase of proteomic service sales.

Costs of sales and administrative expenses increased by 11% to £2.22m, slightly above revenue growth. This was the result of bringing forward ordering of critical materials originally planned for later in the year. Financing costs for the first half increased marginally to £0.17m in comparison with £0.16m in the previous year.

The loss of before taxation of £0.48m is above that for the first half of 2019 (£0.41m) and is primarily attributable to increased production costs and decrease in sales and royalties of TMT® and TMTpro™ reagents. As at 30 June 2020 the Group had cash resources of £1.45m (30 June 2019: £0.84m).

Stefan Fuhrmann
Finance Director

7 August 2020

Consolidated income statement
For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000
Continuing operations			
Revenue			
Licences, sales & services		1,872	1,726
Grant services		27	14
Revenue- Total		1,899	1,740
Cost of sales		(833)	(782)
Gross profit		1,066	958
Administrative expenses		(1,382)	(1,207)
Operating loss		(316)	(249)
Finance costs		(168)	(161)
Loss before taxation		(484)	(410)
Tax		(30)	(16)
Loss for the period		(514)	(426)
Loss per share			
Basic and diluted	2	(0.17p)	(0.14p)

Consolidated statement of comprehensive income
For the six months ended 30 June 2020

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000
Loss for the period	(514)	(426)
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	42	11
Total comprehensive expense for the period	(472)	(415)

Consolidated balance sheet
As at 30 June 2020

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Non-current assets		
Goodwill	4,218	4,218
Property, plant and equipment	68	75
Right-of-use asset	518	581
	4,804	4,874
Current assets		
Inventories	957	871
Trade and other receivables	567	486
Contract assets	233	1,331
Cash and cash equivalents	1,451	799
	3,208	3,487
Total assets	8,012	8,361
Current liabilities		
Trade and other payables	(711)	(738)
Contract liabilities	(16)	(26)
Borrowings	(10,430)	(10,262)
Lease Liabilities	(524)	(584)
	(11,681)	(11,610)
Net current liabilities	(8,473)	(8,123)
Non-current liabilities		
Provisions		
Pension Provisions	(449)	(403)
	(449)	(403)
Total liabilities	(12,130)	(12,013)
Net liabilities	(4,118)	(3,652)
Equity		
Share capital	2,952	2,952
Share premium account	51,466	51,466
Share-based payment reserve	3,620	3,615
Merger reserve	10,755	10,755
Translation reserve	(66)	(109)
Retained loss	(72,845)	(72,331)
Total shareholders deficit	(4,118)	(3,652)

Consolidated cash flow statement
For the six months to 30 June 2020

	Six months ended 30 June 2020 (unaudited) £'000	Six months ended 30 June 2019 (unaudited) £'000
Loss before tax	(484)	(410)
Adjustments for:		
Net finance costs	168	161
Depreciation of property, plant and equipment and right of use assets	82	21
Share-based payment expense	5	22
Operating cash flows before movements in working capital	(229)	(206)
Decrease/(increase) in inventories	(86)	135
Decrease/(increase) in receivables	1,016	(1,147)
(Decrease)/increase in payables	(36)	1,111
Increase in provisions	46	15
Cash generated from / (used in) operations	711	(92)
Tax refunded / (paid)	(30)	(16)
Net cash inflow / (outflow) from operating activities	681	(108)
Cash flows from investing activities		
Purchases of property, plant and equipment	(6)	(46)
Net cash outflow from investing activities	(6)	(46)
Financing activities		
Lease payments	(60)	
Net cash outflow from financing activities	(60)	-
Net increase / (decrease) in cash and cash equivalents	615	(154)
Cash and cash equivalents at beginning of period	799	958
Effect of foreign exchange rate changes	37	31
Cash and cash equivalents at end of period	1,451	835

Notes

For the six months to 30 June 2020

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 2019 Annual Report. The financial information for the half years ended 30 June 2020 and 30 June 2019 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 2019 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2019 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 2019 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.

Proteome Sciences plc has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2019 annual financial statements.

There have been no new standards adopted since the presentation of the financial statements 2019.

The Board of Directors approved this interim report on 7 August 2020.

2. Loss per share from continuing operations

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Loss per share		
Loss for the purpose of basic loss per share being net loss attributable to equity holders of the parent (£'000)	(514)	(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.