24 July 2018

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

Interim results for the six months ended 30 June 2018

Proteome Sciences announces its unaudited interim results for the six months ended 30 June 2018.

Financial highlights:

- TMT® reagent sales and royalties increased 9% to £1.05m (2017: £0.96m)
- Total revenues decreased 3% to £1.32m (2017: £1.36m)
- Gross profit decreased 5% to £0.74m (2017: £0.78m)
- Administrative expenses decreased 18% to £2.02m (2017: £2.45m)
- Loss before tax was £1.41m (2017: £1.80m)

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

“Performance during the first six months of 2018 was behind expectations, with recognised revenues from our services business still lagging committed work orders as we continue to build our customer base; TMT® revenues were ahead of the equivalent period in 2017. Sixteen service orders with a total value of £0.49m were agreed in this period, more than we secured during the whole of 2017. Costs were reduced as anticipated, with significant savings from the Company consolidating its operations partially offset by investment in the development of our new, higher-plex TMT® tags, the intellectual property (IP) for which formed the basis of an important extension to our exclusive License and Distribution Agreement with Thermo Scientific announced in April 2018.

Interest in our services platform is continuing to grow in both Europe and the US, with a record number of commercial projects initiated in the first half. Our challenge remains converting this into sustained revenues, a process which inevitably takes time. We are, therefore, pleased that Vulpes Investment Management has shown the confidence in our service proposition to provide a loan facility of £1.0m which gives us the additional working capital to enable this growth.

We continue to broaden the range of our proteomic services and are optimistic that these, combined with our commitment to reliability, cost and quality, will allow us to develop our presence in an important and expanding market. As in previous years, we expect a stronger second half with further progress.”

For further information:

Proteome Sciences plc
Dr Jeremy Haigh, Chief Executive Officer Tel: +44 (0)20 7043 2116
Dr Ian Pike, Chief Scientific Officer
Richard Dennis, Chief Commercial Officer

finnCap Limited (Nominated Adviser & Broker)
Geoff Nash/Hannah Boros (Corporate Finance) Tel: +44 (0)20 7220 0500
Abigail Wayne (Broking)

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

Proteome Sciences is a leader in applied proteomics offering high sensitivity, proprietary technologies and workflows for mapping cell signalling pathways (SysQuant®) and for the discovery, validation and assay development of protein biomarkers (TMTcalibrator™). The company has its headquarters in London, UK, with laboratory facilities in Frankfurt, Germany from where the PS Biomarker Services™ division provides outsourced proteomics services and proprietary biomarker assays to biopharmaceutical and diagnostics companies and to academia.

Proteome Sciences has patented several novel protein biomarkers for diagnostic and treatment applications in important areas of human therapeutics such as cancer, stroke and Alzheimer's disease, and these are available for license.

This announcement contains inside information for the purpose of Article 7 of EU Regulation 596/2014

Chief Executive Officer's Report

Services

Revenues recognised from our re-established services business were £0.27m in the first half (2017: £0.29m). Although lower than anticipated, this was materially affected by the decision of Genting TauRx Diagnostic Centre not to continue with a diagnostic biomarker assay development project in Alzheimer's disease. Sixteen work orders with a total value of £0.49m were agreed in this period, more than we secured during the whole of 2017. These orders (compared with only six in the equivalent period last year) reflect commitments from a variety of customers, and their distribution between Europe and the US (ten vs six) and between new and repeat business (seven vs nine) gives us confidence in the strength of our underlying service proposition. As in previous years we expect the second half to be significantly stronger than the first.

Currently our customer base is predominantly SMEs but we have started engaging larger biopharmaceutical companies in discussion and expect that, over time, this will translate into larger work orders providing greater scale and allowing us to make further progress towards breakeven. Converting their interest into formal work orders, and then efficiently into recognised revenues, remains the primary objective for the Company and significant effort is now being deployed in operational effectiveness which focuses on standard metrics of service delivery.

Nine projects were completed in the first half and customer feedback has been consistently strong with evidence that we are starting to win business from our competitors. A significant marketing exercise was initiated with a co-ordinated email campaign and attendance at 10 scientific conferences across the US and Europe. As the proteomics market expands, and with it interest in using unbiased methods to measure larger numbers of proteins in biological samples, our mass spectrometric (MS)-based techniques and workflows continue to attract attention as a logical precursor to the development of targeted assays. Extending our service offering will of course be fundamental to the future of this business. Good Clinical Laboratory Practice (GCLP) accreditation has been a driver of increasing project interest, and in support of this our routine ISO 9001:2015 recertification process was completed without incident early in the year.

Engagement of Cenibra GmbH as our sales agents in central Europe at the start of the year completed the transition from employing a direct sales force in our primary commercial territories and allows us to expand our sales activities while maintaining tight control over our cost base.

Licences

TMT® sales and royalties have remained strong during the first half (£1.05m) and are ahead of the same period in 2017 (£0.96m). While a change in the ordering pattern for stock reagents to support more flexible TMT® kit manufacture has led to somewhat slower growth in recent months, we are confident that full year growth will continue at historical rates and according to plan.

Restocking our 11-plex supplies has been a priority during the first half and is scheduled for completion during the third quarter providing for anticipated commercial needs until the middle of 2020.

An extension to our exclusive License and Distribution Agreement with Pierce Biotechnology Inc. (a part of Thermo Fisher Scientific Inc.) has extended the current licence to include IP relating to a new class of higher-plex TMT® reagents currently in development and on schedule for completion in the fourth quarter. Such higher-plex technology represents the next phase in the evolution of isobaric tagging and will enable further advances in the efficiency and utility of mass spectrometric protein analyses. Our successful and exclusive collaboration with Thermo Fisher has seen TMT® become the market leader and the established standard for multiplex, quantitative proteomic experiments; the development of such higher-plex TMT® reagents has been a long-standing objective for both companies.

Research & Development

Our research efforts have focused on developing the clusterin blood test for neurodegeneration, improving productivity in our main workflows, and introducing high-performance plasma proteomics in partnership with one of our customers, Pliant Inc., with whom we presented data at the American Thoracic Society meeting in May. This was the first report of our new Super Depletion of abundant plasma proteins combined with TMTcalibrator™ where we were able to quantify over 8,000 proteins and identify potential new biomarkers for the respiratory disease, idiopathic pulmonary fibrosis (IPF).

The clusterin assay provides early assessment of the level of brain damage in neurodegeneration and we have developed a new quantitative method to allow its use in assessing patients prior to their enrolment in, and during, clinical trials. We will be evaluating its final performance in the coming months and aim to launch it as our first clinical-grade test under the GCLP certification which we obtained for our Frankfurt facility in 2017.

Outlook

Although revenues from our services platform are behind plan, experience during the first half gives us increasing confidence in the market opportunity for MS-proteomics providing that we have the right business proposition and continue to invest in the development of new assays and workflows. In support of this view, the value of work orders being discussed in the third quarter is currently significantly greater than revenues recognised in the first half.

Uncertainties surrounding the eligibility of our commercial work for R&D tax credits have been resolved after a prolonged period of discussion with HMRC, and the recent provision of a £1.0m loan facility from Vulpes Investment Management gives us additional momentum and the working capital to establish a sustainable services business.

The development of new 'higher-plex' TMT® tags has been a long-standing goal in response to a clear customer need, and through the extension of our exclusive relationship with Thermo Scientific we believe there is the potential to expand further a market in which we are already dominant.

As I have stated previously, much remains to be done if we are to establish our place as a preferred services business, particularly in an environment which favours companies with broader technology platforms than our own. While we continue to make solid progress, and remain heavily focused on generating service revenues, growth in the underlying business is unlikely to replace fully the substantial milestone payment received from Thermo Scientific late last year; accordingly, we now expect 2018 revenues to be similar to 2017.

Jeremy Haigh
Chief Executive Officer

23 July 2018

Finance Director's Report

Revenues in the first half (£1.32m) were slightly below the equivalent period in 2017 (£1.36m), the major reason being a slower than anticipated uptake in sales of our services.

After our laboratory consolidation in Frankfurt and office relocation to central London during 2017, our administrative expenses showed a positive 18% reduction to £2.02m (2017: £2.45m).

The loss of £1.43m after taxation is broadly similar to the first half in 2017 (£1.45m), which can be explained by the inclusion of a significant R&D tax credit in the previous period. As at 30 June 2018, the Group had cash resources of £0.50m (2017: £0.87m), which increased significantly at the beginning of July as described in the post-balance sheet event (see Note 1.2).

Stefan Fuhrmann
Finance Director

23 July 2018

Consolidated income statement
For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 (unaudited) £’000	Six months ended 30 June 2017 (unaudited) £’000
Continuing operations			
Revenue			
Licences, sales & services		1,319	1,352
Grant services		5	5
Revenue- Total		1,324	1,357
Cost of sales		(586)	(580)
Gross profit		738	777
Restructuring expenses (exceptional items)		-	(137)
Administrative expenses (other)		(2,016)	(2,311)
Administrative expenses - Total		(2,016)	(2,448)
Operating loss		(1,278)	(1,671)
Finance Income		-	1
Finance costs		(134)	(131)
Loss before taxation		(1,412)	(1,801)
Tax		(14)	350
Loss for the period		(1,426)	(1,451)
Loss per share			
Basic and diluted	2	(0.48p)	(0.49p)

Consolidated statement of comprehensive income
For the six months ended 30 June 2018

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000
Loss for the period	(1,426)	(1,451)
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	3	46
Total comprehensive expense for the period	(1,423)	(1,405)

Consolidated balance sheet
As at 30 June 2018

	30 June 2018 (unaudited) £'000	31 December 2017 (audited) £'000
Non-current assets		
Goodwill	4,218	4,218
Property, plant and equipment	150	281
	4,368	4,499
Current assets		
Inventories	789	946
Trade and other receivables	522	1,124
Cash and cash equivalents	497	908
	1,808	2,978
Total assets	6,176	7,477
Current liabilities		
Trade and other payables	(604)	(726)
Borrowings	(9,096)	(8,946)
	(9,700)	(9,672)
Net current liabilities	(7,892)	(6,694)
Non-current liabilities		
Provisions	(416)	(363)
	(416)	(363)
Total liabilities	(10,116)	(10,035)
Net liabilities	(3,940)	(2,558)
Equity		
Share capital	2,952	2,952
Share premium account	51,466	51.466
Share-based payment reserve	3,546	3,503
Merger reserve	10,755	10,755
Translation reserve	(64)	(67)
Retained loss	(72,595)	(71,167)
Total (deficit)	(3,940)	(2,558)

Consolidated cash flow statement
For the six months to 30 June 2018

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000
Loss before tax	(1,412)	(1,801)
Adjustments for:		
Net finance costs	134	130
Depreciation of property, plant and equipment	131	176
Share-based payment expense	46	50
Operating cash flows before movements in working capital	(1,101)	(1,445)
Decrease/(increase) in inventories	155	44
Decrease/(increase) in receivables	202	(524)
(Decrease)/increase in payables	(84)	(84)
Increase in provisions	15	24
Cash used in operations	(813)	(1,985)
Tax refunded / (paid)	400	-
Net cash outflow from operating activities	(413)	(1,985)
Cash flows from investing activities		
Purchases of property, plant and equipment	-	(18)
Interest received	-	1
Net cash outflow from investing activities	-	(17)
Financing activities		
Proceeds on issue of shares	-	3
Repayment of hire purchase payables	-	(65)
Net cash outflow from financing activities	-	(62)
Net decrease in cash and cash equivalents	(413)	(2,064)
Cash and cash equivalents at beginning of period	908	2,884
Effect of foreign exchange rate changes	2	49
Cash and cash equivalents at end of period	497	869

Notes

For the six months to 30 June 2018

1.1 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 2017 Annual Report. The financial information for the half years ended 30 June 2018 and 30 June 2017 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 2017 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2017 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 2017 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 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018, which will be adopted in the 2018 financial statements. These are:

- IFRS 9 *Financial Instruments*; and
- IFRS 15 *Revenue from Contracts with Customers*.

Details of the impact of these two standards are given below. Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to have a material impact on the Group.

IFRS 9 *Financial Instruments*

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement, and has had an effect on the Group in the following areas:

- The impairment provision on financial assets measured at amortised cost (such as trade and other receivables) has been calculated in accordance with IFRS 9’s expected credit loss model, which differs from the incurred loss model previously required by IAS 39. This has not resulted in a change to the impairment provision at 1 January 2018.

IFRS 15 *Revenue from Contract with Customers*

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various Interpretations previously issued by the IFRS Interpretations Committee, noting the Company has adopted the modified retrospective approach. There is no material impact on any revenue stream for the Group, noting:

- There have been no changes to the revenue recognition related to the sale of goods. This continues to be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.
- Revenue recognition related to the sale of services has now been aligned with the final delivery of pre-defined packages of work to the customer, which may constitute either a part or the whole of a service order.

The Board of Directors approved this interim report on 23 July 2018

1.2 Events after the balance sheet date

On 2 July 2018, Proteome Sciences plc secured a loan facility of £1.0m from Vulpes Investment Management. Interest accrues at 2.5% per annum above the UK sterling base rate and is repayable alongside the principal loan on 31 December 2019. This loan is deemed a related party transaction by nature of a common director being on both the boards of Proteome Sciences plc and Vulpes Investment Management.

2. Loss per share from continuing operations

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Loss per share		
Loss for the purpose of basic loss per share being net loss attributable to equity holders of the parent (£'000)	(1,426)	(1,451)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	295,182,056	294,486,738
Weighted average number of ordinary shares for the purpose of diluted loss per share	295,182,056	294,486,738

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.