# HORIZON DISCOVERY GROUP PLC

(“Horizon”, “the Group” or “the Company”)

## Interim Results for the Six Months Ended 30 June 2018

### *Accelerating revenue growth and prioritising core markets*

**Cambridge, UK, 17 September 2018:** Horizon Discovery Group plc (LSE: HZD), a global leader in the application of gene editing and gene modulation technologies, today announces its interim results for the six months ended 30 June 2018.

**Financial Highlights**

| | **H1 18** | | | | **H1 17** |
|---|---|---|---|---|---|
| | **At constant currency[1] £m** | ***Growth %*** | **As reported £m** | ***Growth %*** | **As reported £m** |
| **Group** | | | | | |
| Revenue | 27.3 | *126%* | 25.1 | *107%* | 12.1 |
| *Gross margin* | | | *63%* | | *64%* |
| **Research products** | | | | | |
| Revenue | 16.7 | *735%* | 15.3 | *665%* | 2.0 |
| *Gross margin* | | | *63%* | | *74%* |
| **Applied products** | | | | | |
| Revenue | 5.0 | *52%* | 4.6 | *39%* | 3.3 |
| *Gross margin* | | | *77%* | | *72%* |
| **Services** | | | | | |
| Revenue | 5.6 | *-18%* | 5.2 | *-24%* | 6.8 |
| *Gross margin* | | | *53%* | | *57%* |

- Revenues on a like-for-like basis of £11.1 million (H1 17: £12.1 million), £12.0 million on a constant currency basis (excluding Dharmacon totalling £14.0 million)
- Dharmacon revenue growth of 5.4% over prior half year period to £14.0 million (£15.3 million at constant currency) on a pro forma basis
- Reported EBITDA loss before exceptional items[2] improved to £2.2 million (H1 17: £5.1 million)
- Cash balance of £24.9 million (FY17: £28.1 million, H1 17: £4.8 million)

[1] Constant currency is included to show the effect of exchange rates on our reported revenues. This is calculated by applying the prior period’s average monthly exchange rate to this period’s results.

[2] EBITDA is calculated by adding back exceptional items of £1.6 million, depreciation of £1.7 million and amortisation of £2.3 million to the operating loss of £7.8 million. This demonstrates the operating performance of the Group.

**Business Highlights (including post-period end)**

- Terry Pizzie appointed as Chief Executive Officer of the Group
- Investment strategy implemented to prioritise core markets with highest growth potential
- Two CRISPR screening agreements signed with major pharmaceutical companies, including AstraZeneca
- £1.1 million site-wide Bioproduction licence signed with another major pharmaceutical company

**Financial Outlook**:

- Strong start to trading in H2 2018
- Revenues expected to be second half weighted consistent with previous years
- Revenues slightly ahead of consensus expectations for FY 18
- Negative EBITDA before exceptional items for H1 18 expected to be offset by positive EBITDA for H2 18

**Terry Pizzie, Chief Executive Officer of Horizon Discovery, commented:** *"I am pleased to report a strong first half performance that saw significant revenue growth due to a robust contribution from the Dharmacon business. We have made a strong start to the second half of the year and, in combination with our sales being second half weighted, we expect revenues to be slightly ahead of expectations for the year. I am particularly pleased at the continued development of our major customer relationships, culminating in two new significant agreements already signed in the third quarter in the key growth area of CRISPR screening.*

*"Together with the Board and the leadership team, I am excited that we have taken the opportunity since my appointment to update and evolve Horizon's five-year investment strategy to prioritise and invest in a number of highly promising core growth areas of our business to enhance our market positioning. We are at the cutting edge of a rapidly changing market and of a significant opportunity as gene editing and gene modulation become embedded at an industrial scale into our customers' workflows."*

**Analyst briefing today**

An analyst briefing will be held at 12:00pm BST at the offices of Numis Securities Ltd., 10 Paternoster Sq., London, EC4M 7LT. There will be a simultaneous live conference call and the presentation will be available on the Group's website at www.horizondiscovery.com.

Please visit the website approximately ten minutes before the conference call, at 11:50am BST, to download the presentation slides. Conference call details:

Conference ID: 4789816
Participant dial-in: 0800 376 7922
US Participant dial-in: +1 866 966 1396
Standard International dial-in: +44 (0) 2071 928 000

An audio replay file will be made available by the end of the day on the Group's website at https://www.horizondiscovery.com/about-us/investor-relations.

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**About Horizon Discovery Group plc** www.horizondiscovery.com

Horizon Discovery Group plc (LSE: HZD) ("Horizon") is a world leader in gene editing and gene modulation technologies. Horizon designs and engineers cells using its translational genomics platform, a highly precise and flexible suite of DNA editing tools (rAAV, ZFN, CRISPR and Transposon) and, following the acquisition of Dharmacon, Inc., its functional genomics platform comprising gene knockdown (RNAi) and gene expression (cDNA, ORF) tools, for research and clinical applications that advance human health. Horizon's platforms and capabilities enable researchers to alter almost any gene or modulate its function in human or mammalian cell-lines.

Horizon offers an extensive range of catalogue products and related research services to support a greater understanding of the function of genes across all species and the genetic drivers of human disease and the development of personalised molecular, cell and gene therapies. These have been adopted by over 10,000 academic, drug discovery, drug manufacturing and clinical diagnostics customers around the globe, as well as in the Company's own R&D pipeline.

Horizon is headquartered in Cambridge, UK, and is listed on the London Stock Exchange's AIM market under the ticker “HZD”.

## CHIEF EXECUTIVE OFFICER’S REVIEW

### Strategy for growth

The future of healthcare has never held so much promise. The genomic revolution continues to drive drug discovery away from traditional approaches towards the future of precision medicine. Horizon’s current and target customers are undergoing a period of rapid transformation as they adapt to this revolution. The early waves of innovation, driven by the availability of next generation sequencing and patient data, have created valuable information about the potential causes of genetic diseases. Horizon is at the forefront of the next wave, as the application of gene editing and gene modulation are becoming industrialised and powerful biological tools are used to explore the root causes of diseases. Horizon’s offerings help our customers understand biology, identify and validate new drug targets, improve the accuracy of diagnostics and enhance the manufacturing of biological drugs.

In light of this rapid change, and since my appointment as CEO, we have taken the opportunity to refresh our five-year strategic plan. Horizon is uniquely positioned to capitalise on rapidly growing market demand through our scientific and commercial leadership. With limited direct competition, Horizon has strong prospects for growth and is moving swiftly to capitalise on these opportunities.

Our goals remain ambitious: to harness the power of the cell in order to be the "go to" provider of IP-rich cell engineering solutions and to establish leadership positions in our key markets, based on a highly scalable and repeatable business model.

To achieve this, Horizon intends to gain a commanding share of its core high growth markets. Our strategy will see us prioritise the highest value, highest growth areas of our core markets, in particular CRISPR screening and reagents, cell therapy, reference standards, bioproduction and cell engineering.

Our growth will be supported by investments in automation to increase production capacity, improved data handling to add customer and business insight, digitisation to enhance customer experience through our eCommerce channel and other areas of commercially-led scientific innovation. Investment projects commenced in H2 2018 and are expected to complete within 12-24 months. We expect these investments to generate significant payback to Group in the short- and long-term by driving new business opportunities, supporting existing customer relationships and opening up new avenues of growth.

I believe that, through our strengths in commercial excellence, scientific innovation and in delivering valuable applications for customers, we will continue to build an impactful and transformational business that powers the next wave of precision medicine and delivers sustainable value to our shareholders.

## Business Unit Performance Review

**Research products**

- Revenue as reported: £15.3 million (H1 17: £2.0 million)
- Revenue at constant currency: £16.7 million
- Gross margin: 63% (H1 17: 74%)

The availability of gene editing and modulation tools for researchers, underpinned by the increase in sequencing data, has substantially increased the use of these tools to understand biology.

Research products now represent over half of our revenues, with the change in revenue mix largely reflecting the Company's acquisition of Dharmacon in August 2017. Horizon's main customers for this revenue stream are academic research labs and biopharmaceutical companies, with sales that are high volume and transactional in nature, captured primarily through our eCommerce platforms.

Dharmacon revenues were £14.0 million, £15.3 million on a constant currency basis. One year after the acquisition of Dharmacon, our initial integration plan is substantially complete, ahead of schedule. The first half of this year saw significant integration efforts including ERP systems, supply chain and logistics. In light of this, we are particularly pleased that the Dharmacon business has returned to growth of 5.4% over the second half of 2017 (on a pro forma basis). This return to growth was driven by market share gains in RNAi products in all territories and growth in CRISPR reagents.

Our other research product revenues are expected to build as the sales team continues to develop its knowledge of the product offering, as our investments to increase automation and gene editing capacity generate growth and improve margins, and as our web platform continues to develop in the second half of the year.

**Applied products**

- Revenue as reported: £4.6 million (H1 17: £3.3 million)
- Revenue at constant currency: £5.0 million
- Gross margin: 77% (H1 17: 72%)

Bioproduction

With 7 out of 10 new drugs now being biological rather than small molecules, there is significant demand for Horizon's high quality bioproduction cell lines from drug manufacturers, including pharmaceutical and biotechnology companies requiring therapeutic antibodies for research and clinical trials. Horizon's high quality bioproduction cell lines offer competitive drug yields at attractive economics.

With our cell lines validated by successful Investigational New Drug (IND) filings by customers, our market access and reputation are now well established, resulting in an increasing number of customers proceeding directly to full commercial licenses with no evaluation period. Bioproduction revenues were £1.1 million for the period (H1 17: £0.9 million) and contributed a significant increase in gross margins of 74% (H1 17: 64%).

The Group anticipates continued momentum following a strong start to H2 2018, including a £1.1 million site-wide licence with a major pharmaceutical company.

Molecular reference standards

The targeting of new precision medicines to patients requires an increased accuracy in diagnostic testing based on sequencing data and understanding of biomarkers for the disease. Our industry leading Molecular Reference Standards continue to transform the way that the potential sources of error in molecular diagnostic testing are being controlled.

Our molecular standards grew strongly in the period, with revenues increasing to £3.5 million (H1 17: £2.4 million) at a high gross margin of 77% (H1 17: 75%).

**Services (including Leveraged R&D)**

- Revenue as reported: £5.2 million (H1 17: £6.8 million)
- Revenue at constant currency: £5.6 million
- Gross margin: 53% (H1 17: 57%)

Our Services business includes both the paid-for generation of new products and the application of those products to generate valuable data, primarily for biopharmaceutical customers.

Demand for gene editing services remains strong, particularly with respect to *in vitro* gene editing, an area in which we are looking to invest to increase the degree of automation and available capacity to service market demand. Horizon has seen an improvement in *in vivo* gene editing revenues since recruitment of specialist sales team dedicated to this market area during the period.

As we anticipated, major pharmaceutical companies are rapidly adopting gene editing at industrial scale in order to identify and validate new biological targets for precision medicines, with particular interest in the rapidly emerging area of functional genomic screening (also known as CRISPR screening). We are now seeing a transition away from our traditional screening services, where revenues have declined, towards this rapidly growing and highly valuable emerging area in which

Horizon has a market leading capability that complements our core gene editing business, as shown by the Group's completion of over 350 functional genomic screens to date.

Since the end of the period, we have announced two CRISPR screening agreements with major pharmaceutical companies, which are significant in representing the direction of travel of our customers' focus in the screening services market. With AstraZeneca, we were pleased to announce that Horizon's Edit-R crRNA libraries, which enable both gain-of-function (CRISPRa) and loss-of-function (CRISPRi) screening, have been adopted as part of their functional genomics discovery platform, having completed an evaluation period since late 2017. AstraZeneca has also joined Horizon's Genomics Discovery Initiative that brings together over 60 visionary research institutions and investigators, to serve as a network for education, trends, advancements and sharing of best-practices in the application of gene editing.

We were also pleased to have announced a collaboration with a second major pharmaceutical company to further develop an approach to single cell RNAseq-linked CRISPR Screening. This approach promises to combine the advantages of pooled CRISPR screening with the increased resolution provided by an arrayed approach to CRISPR screening.

As we continue to develop a high quality forward order book, we have begun to consolidate our existing screening capabilities and invest in the further development of our gene editing capacity with a view to increasing the automation and scalability of these high growth potential service areas.

*Leveraged R&D*

Our focus in leveraged innovation during the period has been twofold.

Firstly, we have sought to realise value from our existing investments. These include novel synthetic lethal targets identified as we developed our CRISPR screening capability, and the out-licensing of certain RNAi intellectual property rights from the Dharmacon estate to therapeutic partners. Additionally, following a review of promising *in vitro* data from our Avvinity Therapeutics joint venture, we invested a second tranche of £1.4 million post period to further the progress of the business towards third party funding.

Secondly, we have continued to fund innovation in core areas, including CRISPR screening, through our leveraged model of monetising our portfolio of products.

**FINANCIAL REVIEW**

The Group reports H1 18 revenues of £25.1 million (H1 17: £12.1 million), representing growth of 107% against the equivalent prior period, in line with Board expectations. With approximately 80% of revenues denominated in USD, the Group experienced significant foreign exchange headwinds in the period. Revenues on a constant currency basis grew by 126% to £27.3 million. Revenues on a like-for-like basis (pre-acquisition of Dharmacon) were £11.1 million (H1 17: 12.1 million), £12.0 million on a constant currency basis. We expect revenues to be second half weighted, consistent with previous years.

During the period, we increased our geographic reach both in the US, where we now have a substantial customer and operational footprint, Europe and Asia Pacific. In particular, we have seen strong growth in APAC which generated revenues of £3.3 million (H1 17: £1.2 million).

Reported gross margins for H1 18 were 63% (H1 17: 64%), which included the full period effect of Dharmacon, and which represents three consecutive interim periods of gross margins in excess of 60%.

**Operating costs**

Total operating expenses for the period were £22.1 million (H1 17: £15.0 million), which included the full period effect of Dharmacon. These expenses included £4.0 million of non-cash items relating to depreciation and amortisation of intangible assets arising from acquisitions (H1 17: £2.2 million).

Our reported EBITDA loss before exceptional items improved to £2.2 million (H1 17: £5.1 million). Exceptional items for the period totalled £1.6 million (H1 17: £0.9 million) arising from one-off costs associated with the Dharmacon acquisition, integration and restructuring, rebranding, bid defence and leadership changes.

We report a loss after tax of £7.6 million for the period, representing an improvement over the prior period (HY 17: £8.2 million loss), in line with Board expectations as we continue to invest for growth.

**Balance sheet**

The long-term assets of the business remained relatively constant during the period at £141 million (31 December 2017: £142 million). Overall net assets of the Group were £167 million at the end of the period (31 December 2017: £171 million), with the Group having benefited from a reduction in working capital to £10.4 million (31 December 2017: £11.6 million).

The Group remains well funded with cash resources of £24.9 million (31 December 2017: £28.1 million) reflecting a substantial reduction in operating, investing and financing net cash outflows since the previous half year, in addition to increased revenues arising from a full period of trading from the integrated Dharmacon unit. This funding provides a robust position to support our investment for growth strategy.

**Current trading and outlook**

We are excited at the opportunities ahead of the Group as gene editing becomes broadly adopted at industrial scale. We have implemented a new investment strategy, prioritising our identified core growth areas of business, supported by a long-term investment plan that will help drive the scale necessary to meet market demand and fulfil the significant growth potential of the business.

We have made a strong start to trading in the second half of the year, including significant new customer relationships in CRISPR screening, continued momentum in our applied products business and a positive trajectory from our research products. We anticipate a second half weighting of revenues in line with previous years, with full year revenues slightly ahead of consensus expectations.

## Independent review report to Horizon Discovery Group plc

for the six months ended 30 June 2018

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the consolidated income statement, consolidated statement of other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

**Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

**Deloitte LLP**

Statutory Auditor

Cambridge, UK

17 September 2018

## HORIZON DISCOVERY GROUP PLC

## CONDENSED CONSOLIDATED INCOME STATEMENT
### Six months ended 30 June 2018

| | Note | Unaudited Six months ended 30 June 2018 £`000 | Unaudited Six months ended 30 June 2017 £`000 | Audited Year ended 31 December 2017 £`000 |
|---|---|---|---|---|
| **REVENUE** | 2 | 25,112 | 12,101 | 36,510 |
| Cost of sales | | (9,241) | (4,373) | (13,824) |
| **Gross profit** | | 15,871 | 7,728 | 22,686 |
| Other operating income | 2 | 269 | 415 | 608 |
| Sales, marketing and distribution costs | | (5,724) | (3,961) | (7,485) |
| Research and development costs | | (7,363) | (4,222) | (11,918) |
| Corporate and administrative expenses | | (9,159) | (7,040) | (13,701) |
| Share of results of joint ventures | | (137) | (218) | (379) |
| Exceptional items | 3 | (1,583) | (934) | (3,708) |
| **OPERATING LOSS** | | (7,826) | (8,232) | (13,897) |
| Investment income | 2 | 61 | - | 1 |
| Finance costs | | (3) | (257) | (441) |
| **LOSS BEFORE TAX** | | (7,768) | (8,489) | (14,337) |
| Taxation | | 149 | 274 | 4,687 |
| **LOSS FOR THE PERIOD** | | (7,619) | (8,215) | (9,650) |
| **LOSS PER SHARE** | | | | |
| Basic and diluted (pence) | 4 | (5.1p) | (8.6p) | (8.4p) |

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
**Six months ended 30 June 2018**

| | Unaudited Six months ended 30 June 2018 £`000 | Unaudited Six months ended 30 June 2017 £`000 | Audited Year ended 31 December 2017 £`000 |
|---|---|---|---|
| **LOSS FOR THE PERIOD** | (7,619) | (8,215) | (9,650) |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | 2,911 | (1,837) | (6,609) |
| **Other comprehensive income for the period net of tax** | 2,911 | (1,837) | (6,609) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | (4,708) | (10,052) | (16,259) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | (4,708) | (10,052) | (16,259) |

# HORIZON DISCOVERY GROUP PLC

## CONDENSED CONSOLIDATED BALANCE SHEET
## As at 30 June 2018

| | Note | Unaudited As at 30 June 2018 £`000 | Unaudited As at 30 June 2017 £`000 | Audited As at 31 December 2017 £`000 |
|---|---|---|---|---|
| **Non current assets** | | | | |
| Goodwill | 5 | 75,263 | 34,651 | 73,831 |
| Other intangible assets | | 51,426 | 15,679 | 52,742 |
| Property, plant and equipment | | 12,482 | 11,918 | 13,059 |
| Investments | | 1,723 | 2,021 | 1,859 |
| Other receivables | | 433 | 433 | 433 |
| | | 141,327 | 64,702 | 141,924 |
| **Current assets** | | | | |
| Inventories | | 2,533 | 2,017 | 2,573 |
| Trade and other receivables | | 18,441 | 10,507 | 20,584 |
| Cash and cash equivalents | | 24,867 | 4,756 | 28,084 |
| | | 45,841 | 17,280 | 51,241 |
| **Total assets** | | 187,168 | 81,982 | 193,165 |
| **Current liabilities** | | | | |
| Trade and other payables | | (10,662) | (11,389) | (11,552) |
| **Net current assets** | | 35,179 | 5,891 | 39,689 |
| **Non-current liabilities** | | | | |
| Deferred tax | | (9,057) | (975) | (9,908) |
| Long term provisions | | (191) | - | (187) |
| Other payables | | (338) | - | (361) |
| **Total liabilities** | | (20,248) | (12,364) | (22,008) |
| **Net assets** | | 166,920 | 69,618 | 171,157 |
| **Equity** | | | | |
| Share capital | 6 | 3,125 | 2,596 | 3,121 |
| Share premium account | | 137,975 | 62,406 | 137,681 |
| Share option reserve | | 2,651 | 2,280 | 2,478 |
| Merger reserve | | 67,457 | 35,709 | 67,457 |
| Retained earnings | | (44,288) | (33,373) | (39,580) |
| **Total equity** | | 166,920 | 69,618 | 171,157 |

# HORIZON DISCOVERY GROUP PLC

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## Six months ended 30 June 2018

| | Unaudited Share capital £`000 | Unaudited Share premium account £`000 | Unaudited Share option reserve £`000 | Unaudited Merger reserve £`000 | Unaudited Retained earnings £`000 | Total £`000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 3,121 | 137,681 | 2,478 | 67,457 | (39,580) | 171,157 |
| Loss for the period | - | - | - | - | (7,619) | (7,619) |
| Shares issued | 4 | 294 | - | - | - | 298 |
| Accumulated other comprehensive income | - | - | - | - | 2,911 | 2,911 |
| Credit to equity for equity settled share based payment transactions | - | - | 173 | - | - | 173 |
| Balance at 30 June 2018 | 3,125 | 137,975 | 2,651 | 67,457 | (44,288) | 166,920 |

| | Unaudited Share capital £`000 | Unaudited Share premium account £`000 | Unaudited Share option reserve £`000 | Unaudited Merger reserve £`000 | Unaudited Retained earnings £`000 | Total £`000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | 2,583 | 61,999 | 2,177 | 34,452 | (23,321) | 77,890 |
| Loss for the period | - | - | - | - | (8,215) | (8,215) |
| Shares issued | 4 | 407 | - | - | - | 411 |
| Contingent share consideration to be issued on Haplogen acquisition | 9 | - | - | 1,257 | - | 1,266 |
| Accumulated other comprehensive income | - | - | - | - | (1,837) | (1,837) |
| Credit to equity for equity settled share based payment transactions | - | - | 103 | - | - | 103 |
| Balance at 30 June 2017 | 2,596 | 62,406 | 2,280 | 35,709 | (33,373) | 69,618 |

## HORIZON DISCOVERY GROUP PLC

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT
**Six months ended 30 June 2018**

| | Note | Unaudited Six months ended 30 June 2018 £`000 | Unaudited Six months ended 30 June 2017 £`000 | Audited Year ended 31 December 2017 £`000 |
|---|---|---|---|---|
| **Net cash outflow from operating activities** | 7 | (2,243) | (3,629) | (13,871) |
| **Investing activities** | | | | |
| Interest and bank charges paid | | (123) | - | (622) |
| Interest received | | 60 | - | 1 |
| Acquisition of subsidiaries net of cash acquired and associated settlement costs | | - | - | (37,519) |
| Purchases of property, plant and equipment | | (718) | (1,360) | (2,340) |
| Proceeds on disposal of property, plant and equipment | | - | - | 2 |
| Purchase of intangible assets | | (512) | (551) | (1,725) |
| **Net cash used in investing activities** | | (1,293) | (1,911) | (42,203) |
| **Financing activities** | | | | |
| Proceeds on issue of shares net of expenses | | 298 | 410 | 77,572 |
| New bank loans raised | | - | 4,000 | 5,000 |
| Repayment of borrowing | | - | (162) | (5,000) |
| **Net cash from financing activities** | | 298 | 4,248 | 77,572 |
| **Net (decrease) in cash and cash equivalents** | | (3,238) | (1,292) | 21,498 |
| **Cash and cash equivalents at beginning of period** | | 28,084 | 6,071 | 6,071 |
| Effect of exchange rate changes | | 21 | (23) | 515 |
| **Cash and cash equivalents at end of period** | | 24,867 | 4,756 | 28,084 |

### 1. ACCOUNTING POLICIES

**General information**

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2017 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This consolidated interim financial information has been reviewed, not audited.

**Basis of preparation**

The annual financial statements of Horizon Discovery Group plc are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The condensed consolidated set of financial statements included in this half-yearly financial report has not been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed consolidated interim information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2017 except where disclosed otherwise in this note.

**Risks and uncertainties**

An outline of the key risks and uncertainties faced by the Group was described on pages 37 to 39 of the Company's Annual Report and Financial Statements for the year ended 31 December 2017. A further assessment was made at the half year and the significant risks identified were unchanged from those in the annual report. It is anticipated that the risk profile will not significantly change for the remainder of the year. Risk is an inherent part of doing business and the strong cash position of the Group, along with the growth profile of the business, leads the Directors to believe that the Group is well placed to manage business risks successfully.

**Going concern**

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, the going concern basis has been adopted in preparing the half-yearly financial information.

**Adoption of new and revised standards**

In the current period the Group has adopted IFRS 15 Revenue from Contracts with Customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitiled to exchange for those goods or services.

The Group has also applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. The only significant impact on the group is in relation to the impairment of trade receivables.

There are no new standards that have been issued but are not yet effective that are expected to have a material impact on the Group with the exception of IFRS 16: Leases.

**1. ACCOUNTING POLICIES (Continued)**

On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability on all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense.

**2. REVENUE**

An analysis of the Group's revenue is as follows:

| | Unaudited Six months ended 30 June 2018 £`000 | Unaudited Six months ended 30 June 2017 £`000 | Audited Year ended 31 December 2017 £`000 |
|---|---|---|---|
| Products | 19,931 | 5,321 | 22,819 |
| Services | 4,995 | 6,780 | 13,691 |
| Leveraged R&D | 186 | - | - |
| | 25,112 | 12,101 | 36,510 |
| Other operating income | 269 | 415 | 608 |
| Interest received | 61 | - | 1 |
| | 25,442 | 12,516 | 37,119 |

**3. EXCEPTIONAL ITEMS**

| | Unaudited Six months ended 30 June 2018 £`000 | Unaudited Six months ended 30 June 2017 £`000 | Audited Year ended 31 December 2017 £`000 |
|---|---|---|---|
| Acquisition and integration costs | (297) | (379) | (2,607) |
| Restructuring costs | (11) | (555) | (1,101) |
| Rebranding costs | (232) | - | - |
| CEO exit costs | (445) | - | - |
| Legal and advisory costs | (598) | - | - |
| | (1,583) | (934) | (3,708) |

The exceptional items in the current period are costs relating to the acquisition and integration of GE Healthcare Dharmacon Inc., restructuring costs relating to the consolidation of operations from Vienna into the UK headquarters, rebranding costs, costs relating to the departure of Darrin Disley as Chief Executive Officer, and legal and advisory costs relating to the rejection of the unsolicited proposal from Abcam plc and resolution of joint venture matters.

## 4. LOSS PER SHARE

The calculations of basic and diluted loss per share are based upon the following data:

| | Unaudited Six months ended 30 June 2018 £`000 | Unaudited Six months ended 30 June 2017 £`000 | Audited Year ended 31 December 2017 £`000 |
|---|---|---|---|
| **Loss** | | | |
| Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company | (7,619) | (8,215) | (9,650) |
| **Number of shares** | | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 149,188,169 | 96,108,974 | 114,755,641 |
| **Loss per share** | (5.1p) | (8.6p) | (8.4p) |

Basic EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period. Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

IAS 33 – Earnings per Share, requires presentation of diluted earnings per share where a company could be called upon to issue shares that would decrease net profit or increase net loss per share. No adjustment has been made to the basic loss per share as at 30 June 2018, as the exercise of share options would have the effect of reducing the loss per ordinary share, and therefore is not dilutive.

## 5. GOODWILL

| | Unaudited £000 |
|---|---|
| **Cost** | |
| At 30 June 2017 | 34,651 |
| Recognised on acquisition of subsidiary, Dharmacon Inc | 41,984 |
| Effects of movements in foreign exchange | (2,804) |
| At 31 December 2017 | 73,831 |
| Effects of movements in foreign exchange | 1,432 |
| At 30 June 2018 | 75,263 |
| **Accumulated impairment losses** | |
| At 30 June 2017, 31 December 2017 and 30 June 2018 | - |
| **Net book value** | |
| At 30 June 2018 | 75,263 |
| At 31 December 2017 | 73,831 |
| At 30 June 2017 | 34,651 |

## 6. SHARE CAPITAL

Share capital as at 30 June 2018 amounted to £3,125,000. During the period, the Group issued 437,759 £0.01 ordinary shares through the exercise of employee share options.

## 7. NOTES TO THE CASH FLOW STATEMENT

| | Unaudited Six months ended 30 June 2018 £`000 | Unaudited Six months ended 30 June 2017 £`000 | Audited Year ended 31 December 2017 £`000 |
|---|---|---|---|
| Loss for the period | (7,619) | (8,215) | (9,650) |
| Adjustments for: | | | |
| Investment revenues | (61) | - | (1) |
| Finance costs | 142 | 330 | 640 |
| Depreciation of property, plant and equipment | 1,709 | 1,236 | 2,707 |
| Amortisation of intangible assets | 2,318 | 1,004 | 2,978 |
| Profit on disposal of property, plant and equipment | - | - | (4) |
| Tax credit | (149) | (274) | (4,687) |
| Share option charge | 150 | 110 | 320 |
| Share of loss of joint venture | 137 | 218 | 379 |
| Operating cash flows before movements in working capital | (3,373) | (5,591) | (7,318) |
| Decrease/(increase) in inventories | 63 | (90) | 12 |
| Decrease/(increase) in receivables | 2,116 | 3,389 | (5,229) |
| Decrease in payables | (1,602) | (1,622) | (1,678) |
| Cash generated by operations | (2,796) | (3,914) | (14,213) |
| Tax credit received | 553 | 285 | 342 |
| Net cash from operating activities | (2,243) | (3,629) | (13,871) |

## 8. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. There has been no material change in the type of related party transactions described in the financial statements for the year ended 31 December 2017.

## 9. SUBSEQUENT EVENTS

On 3 August 2018 the Company invested a further £1.4 million in Avvinity Therapeutics Limited in return for 125,000 shares, increasing the Company's share of Avvinity's equity from 33% to 43%. At the date of this announcement there had been no other subsequent events to report.