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Horizon Discovery Group plc
Results for the Six Months Ended 30 June 2019

Cambridge, UK, 16 September 2019: Horizon Discovery Group plc (LSE: HZD) ("Horizon", "the Group" or "the Company"), a global leader in the application of gene editing and gene modulation technologies, today announces its results for the six months ended 30 June 2019.

Group Financial highlights

- Reported revenue of £28.6m an increase of 13.9% on the prior year (HY18: £25.1m) or growth of 8.8% on a constant currency basis[1]
- Gross margin increased by 5.3 percentage points to 68.5% (HY18: 63.2%)
- Adjusted EBITDA[1] loss of £0.9m[2] (HY18: £2.2m loss), including a positive impact of £1.3m from the implementation of *IFRS 16 Leases*
- Loss after taxation[2] of £5.3m for the half year (HY18: £7.6m)
- Cash position at 30 June 2019 of £24.8m (HY18: £24.9m)

Business Unit performance*

- Research Reagents: Reported revenue of £16.5m up 11.5% on the prior half year period (HY18: £14.8m) or growth of 6.8% on a constant currency basis[1]
- Screening: Reported revenue of £4.3m up 38.7% on the prior half year period (HY18: £3.1m) or growth of 32.3% on a constant currency basis[1]
- Bioproduction: Reported revenue of £2.8m up 154.5% on the prior half year period (HY18: £1.1m) or growth of 145.5% on a constant currency basis[1]
- Diagnostics: Reported revenue of £2.5m down 28.6% on the prior half year period (HY18: £3.5m) or a decline of 31.4% on a constant currency basis[1]
- *In Vivo*: Reported revenue of £2.5m down 3.8% on the prior half year period (HY18: £2.6m) or a decline of 11.5% on a constant currency basis[1]

Other

- Post period end, licensing partner Celyad received FDA acceptance of an IND filing for CYAD-02 its CAR-T cell therapy based on Horizon's optimized SMARTvector™ shRNA technology, triggering the first milestone payment to the Group
- Product revenue increased 14.6% to £22.8m (HY18: £19.9m); Service revenue increased 11.5% to £5.8m (HY18: £5.2m)

Financial Outlook

- Strong start to trading in H2 2019
- Revenues for FY19 are expected to be second half weighted (consistent with previous years) and in line with current market expectations
- The Group is trading in line with expectations for FY 2019

1 Refer to the financial review for the definition and reconciliation of alternate performance measures

2 The HY19 results incorporate the impact of adopting IFRS16 Leases. Refer to the financial review for the reconciliation

**New market aligned business unit structure introduced in January 2019. Prior year equivalents provided for comparison. A detailed explanation of the performance of each Business Unit is provided in the CEO Review.*

Terry Pizzie, Chief Executive Officer of Horizon Discovery, commented:

"Horizon has enjoyed a solid performance in the first half of the year with the business as a whole performing in line with expectations."

"I am pleased to report Group revenues of £28.6m, an increase of 13.9% on the prior year (HY18: £25.1m) or a growth of 8.8% on a constant currency basis. This growth has largely been driven by strong performance in the Group's Bioproduction and Screening business units, which increased revenues by 154.5% and 38.7% respectively. The Group's Research Reagent business unit, which encompasses more than half of Group revenues, also had a good start to the year and we expect strong growth in the second half as this Business Unit benefits from the increased capacity in Cell Line engineering that we have implemented in the first half. We have experienced some organisational challenges with our Diagnostics business unit, but the corrective action that we have put in place should lead to an improved performance in the second half."

"I am pleased to report that the business is on track to complete the delivery of the productivity and eCommerce initiatives that we are implementing as part of our Investing for Growth strategy. We expect these investments to generate significant payback in the short and long-term, by reducing costs, increasing capacity and operating leverage, whilst also opening up new avenues of growth."

"With our traditional second-half weighting and strong order book for the remainder of 2019, we are well positioned to deliver on our strategy, as we continue to transform Horizon from a scientifically-led business, into a fully commercial tools and services company with industrialised processes and customer-directed R&D."

Analyst briefing

An analyst briefing will be held at 12:00pm BST on Monday 16 September 2019 at the offices of Numis, 10 Paternoster Sq., London, EC4M 7LT. There will be a simultaneous live conference call.

Conference call details:

- *Participant UK dial-in: 0800 376 7922*
- *Participant US dial-in: 1 866 966 1396*
- *International dial-in: +44 (0) 2071 928000*
- *Participant code: 6674702*

A live webcast of the meeting and presentation slides, will be available on the Group's website:

https://www.horizondiscoveryplc.com/category/presentations-recordings/

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About Horizon Discovery Group plc www.horizondiscovery.com

Horizon Discovery Group plc (LSE: HZD) ("Horizon") drives the application of gene editing and gene modulation within the global life science market – supporting scientists on the path from research to therapy.

Built upon more than a decade of experience in the engineering of cell lines, Horizon offers an unmatched portfolio of tools and services to help scientists gain a greater understanding of gene function, identify genetic drivers behind human disease, deliver biotherapeutics, cellular and gene therapies for precision medicine as well as develop and validate diagnostic workflows.

Horizon's solutions enable almost any gene to be altered, or its function modulated, in human and other mammalian cell lines.

The Company's customers include many of the world's foremost academic institutes, global biopharmaceutical and biotechnology companies as well as clinical diagnostic laboratories. Insight into the challenges faced by these organizations enables Horizon to focus efforts on development of innovative solutions that not only differentiate the Company's offering, but also fuel development of the next wave of precision medicines.

Horizon is headquartered in Cambridge, UK with offices in USA and Japan. The Group is listed on the London Stock Exchange's AIM market under the ticker HZD.

CEO REVIEW

I am pleased to report a solid performance in the first half of the financial year with the Group as a whole performing in line with expectations. Reported revenues of £28.6m increased 13.9% on the prior year (HY18: £25.1m) representing growth of 8.8% on a constant currency basis[1]. Gross Margins increased by 5.3 percentage points to 68.5% (HY18: 63.2%) largely driven by a strong performance in our Bioproduction business unit. Our adjusted EBITDA[1] loss of £0.9m[2] (HY18: £2.2m) is in line with our expectations as we continue to invest in our business with a focus on achieving growth and market share. We report a loss after tax[2] of £5.3m for the period, representing an improvement over the prior period (HY18: £7.6m loss).

As we indicated in our FY18 results statement, from the start of this year we implemented a new Business Unit structure to allow the Group to better develop and target the product and service offerings increasingly required by our evolving markets. As a result, we replaced the former reporting structure of Research Products, Applied Products and Services (reported as Products and Services at a Group level), with five market-aligned Business Units: Research Reagents, Screening, Bioproduction,

Diagnostics and *In Vivo*. Each of these business units comprise a mix of products and services that are tailored to the specific needs of their respective customer segments.

The implementation of this new structure has resulted in some organisational changes within the business, some of which are still bedding down. However, I am pleased to report that the increased focus that it has delivered, through having dedicated Business Unit Managers and Product Managers, has largely delivered the expected results, with the exception of Diagnostics, where some organisational challenges led to a disappointing first half performance (see Performance by Business Unit)

This set of results is the first in which the Group has reported according to this new structure. Further details of the composition of these Business Units and their performance in the half year are set out below. In summary, revenue growth for the first six months was driven by a notably strong performance in Bioproduction (up 154.5% on the prior year equivalent) and Screening (up 38.7% on the prior year equivalent).

Research Reagents, which encompassed 58% (HY18: 59%) of Group revenues, grew by 11.5% in the period. We expect continued strong growth in the second half of the year, as this business unit benefits from the substantially increased capacity in Cell Line engineering achieved in the first half.

In Vivo's performance was down 3.8% on the prior year reflecting the continuing challenges the business is facing in its market.

Diagnostics was down 28.6% on the prior year due to organisational issues in this business unit. These have been identified and the corrective action that we have put in place should lead to an improved performance in the second half.

Whilst we will henceforth report according to this new structure, for this period we have also provided commentary on the way we formerly reported, in order to help investors track performance in the first half of the financial year. Accordingly, Group Product revenue increased 14.6% to £22.8m (HY18: £19.9m); whilst Group Services revenue increased 11.5% to £5.8m (HY18: £5.2m).

Investing for Growth

This time last year, the Group announced its new "Investing for Growth" strategy to support our goal to become the 'go-to' provider of IP-rich cell engineering solutions and to establish leadership positions in key target markets. This has led us to prioritise the highest value, highest growth areas of our core markets, in particular CRISPR screening and reagents, cell engineering, bioproduction and diagnostic reference standards.

To support this growth, we have committed £5m over an 18 month period to an investment program which is focussed on supporting growth across the Group and includes investments in automation to increase production capacity, in Laboratory Information Management Systems (LIMS) to improve data handling, in Business Intelligence to add customer and business insight, and in digitisation to enhance customer experience through our eCommerce channel. Alongside this, we are continuing to invest in commercially led, scientific innovation in order to stay at the forefront of emerging technologies and maintain our market-leading position.

We are now nine months into this programme and the work is still ongoing, but I am pleased to report that the goals we set ourselves in the first half of the year have all been achieved. As planned, by re-engineering our existing process we have successfully delivered the expected tripling of capacity in

Cell Line Engineering with no additional headcount. We expect to increase this further through the addition of automation by the end of the first quarter of 2020, which will result in a five-fold increase in capacity compared to the start of 2019. The redevelopment of the Group's web and e-commerce project is also progressing to plan and is on track for completion in October 2019. This will consolidate what are currently two separate web sites (former Horizon and Dharmacon) into a single platform that will provide an enhanced customer experience and opportunities for cross-selling across the Group's entire portfolio.

We expect these investments to generate significant payback in the short and long-term, by reducing costs, increasing capacity and operating leverage, whilst also opening up new avenues of growth.

Performance by Business Unit

The metrics included below are all reported measures unless otherwise stated.

Research Reagents

- Revenue of £16.5m up 11.5% on the prior year (HY18: £14.8m)
- On a constant currency basis Revenue of £15.8m up 6.8%

The Research Reagents business unit comprises the tools (both products and services) that allow scientists in both academia and drug discovery to better understand disease mechanisms, and to identify the drivers behind disease via both permanent and transient changes in gene expression. It includes Horizon's extensive catalogue of off-the-shelf (OTS) cell models (formerly classified under Research Products) and bespoke cell engineering services (formerly classified under Services) and Dharmacon's custom-made and OTS gene modification (RNAi) and gene editing (CRISPR) reagents (formerly categorised under Research Products) which are delivered from the Group's manufacturing and global logistics centre in Boulder, Colorado.

Horizon's main customers for this revenue stream are academic research labs and early-stage biopharmaceutical companies, which are leveraging Dharmacon's leadership position in RNAi/siRNA and CRISPR reagents to perform gene modulation and editing. Sales are typically high volume and transactional in nature, captured primarily through the Group's website, with some sold via field sales.

Horizon's OTS cell models are sold from the Group's website. Off-the shelf models are available for immediate delivery, with an express service that delivers cell models selected from a predefined menu. Horizon's bespoke cell line engineering service is available to those customers with highly specific requirements and is predominantly sold to biotech and biopharmaceutical companies through the Group's field sales and Key Accounts sales organisation.

Research Reagents delivered sales of £16.5m in HY19, up 11.5% on the prior year, with the Group benefiting from increased cross-selling and continuing recovery in the former Dharmacon business. This accounted for 58% of the Group's revenues and delivered solid growth during the period.

We expect the overall growth rate of Research Reagents to increase in the second half, as the business unit benefits from the three-fold increase in cell line engineering capacity delivered in H1 (through re-engineering existing processes) with automation bringing this up to a five-fold increase by the end of the first quarter of 2020.

Since the Group's inception, cell line engineering has been a core capability of Horizon and is also an enabler for other business units (e.g. Diagnostics and Screening). The market is currently fragmented

with no dominant players and our ambition is to significantly grow revenues over the next 18-24 months. The increase in capacity is key to this, as it will enable us to decrease our manufacturing costs and extend our offering, with more compelling solutions on both price and turnaround times.

This will have two main effects. Firstly, it will significantly increase our addressable market, as we will now have a more competitive offering and secondly, the increased project volumes will allow us to increase operational leverage across other business units, for example Diagnostics.

Screening (including leveraged R&D)

- Revenue of £4.3m up 38.7% on the prior year (HY18: £3.1m)
- On a constant currency basis Revenue of £4.1m up 32.3%

The Screening business unit comprises tools and services that address major challenges in drug development, including Horizon's CRISPR Screening and high throughput compound screening (both formerly categorised under Services) and Dharmacon's CRISPR and RNAi libraries (formerly categorised under Research Products). Customers for this revenue stream are mid-to-large biotech and biopharmaceutical companies, which are targeted by the Group's field sales and Key Accounts team and have the choice of buying either a fully outsourced service or just the tools they need (CRISPR libraries) to do their own screening in-house.

Horizon has a market-leading position in this arena with more than 500 CRISPR screens completed and ongoing, including with 8 out of the top 20 global biopharmaceutical companies. In the early part of 2019, we announced the launch of the world's first primary human T-Cell CRISPR screening service, underlining our leading position in this important developing market.

In addition to this extensive know-how and track record, Horizon's ability to leverage Dharmacon's manufacturing expertise is a major differentiator, as it means that we do not need to source CRISPR reagents from other suppliers. The ability to package CRISPR reagents into libraries for sale to organisations seeking to do their own CRISPR screening is also a major factor in helping us to engage with biopharmaceutical companies on both a tool supply and outsourcing basis.

Screening delivered revenues of £4.3m for the period (HY18: £3.1m), an increase of 38.7% on the prior year. Much of this growth has been driven by an increase in the number of highly complex large-scale screens for major biopharmaceutical companies. Demand continues to be very strong in the second half. We have received an order for £850k – the largest single order to date and we will begin to see revenue from this contract in H2 2019. Given the complexity and timescales of some of these major projects, there can be a long time period between initiation of a project and full revenue recognition. We are therefore evaluating the development of simpler, standardised screens that can provide run-rate business alongside these major projects, in order to iron-out some of the lumpiness in the revenues.

Bioproduction

- Reported revenue of £2.8m up 154.5% on the prior year (HY18: £1.1m)
- On a constant currency basis Revenue of £2.7m up 145.5%

The Bioproduction business unit was formerly categorised under Applied Products. The business unit's offering is a Chinese Hamster Ovary (CHO) cell line which has been modified by gene editing to improve the speed and efficacy of production of biologic drugs. The cell line is available off-the-shelf as a product, which is sold under license, with bespoke CHO cell line development also available. The

customers for this cell line are biotech, biopharmaceutical and contract manufacture organisations globally, which are served by Horizon's Key Account Partner sales team.

Biologics have revolutionised the treatment of many diseases and now account for six out of the top 10 'blockbuster' drugs. CHO cells are the predominant system used in the biologics manufacturing processes due to their ability to produce complex biologics at scale and their track record of regulatory approval.

There is strong demand from companies pursuing biologic drugs and looking for cost-effective ways to commence biomanufacturing. However, high entry costs and restrictive licensing conditions can make it difficult to gain access to CHO cells suitable for manufacturing biologics. Horizon is differentiated in this market by offering a high-quality gene edited, proprietary cell line, with a clear IP position, freedom to operate and a disruptive, predictable pricing model.

Our cell lines have now been validated by five successful Investigational New Drug (IND) filings by customers (three in the USA and two in China) which means the Group's market access and credentials are now well established. The growing acceptance in the market has meant that during H1, an increasing number of customers have proceeded directly to full commercial licenses without going through an initial evaluation period, significantly shortening the sales cycle.

We remain optimistic for revenue growth during the second half, but mindful of the fact that the sales of these high value contracts tend to be lumpy in nature and that the strong performance reported at the end of FY18, in which two new commercial licences in excess of £1m were signed, has set a high bar for a year-on-year comparison.

Diagnostics

- Revenue of £2.5m down 28.6% on the prior year (HY18: £3.5m)
- On a constant currency basis Revenue of £2.4m down 31.4%

The Diagnostics business unit comprises gene-edited cell lines that have been developed to mimic human genetic diseases (especially cancer). These standards are used to check the performance of diagnostic tests and to validate new diagnostic tests. The business unit was formerly categorised as Molecular Diagnostics under Applied Products.

Horizon is a leading innovator of cell line-derived reference standards and provides a source of genetically defined, quantitative, sustainable and independent third-party reference material, critical to the validation and routine performance monitoring of assays.

The business unit's offering includes off-the-shelf cell-based reference standards, which are typically sold through the Group's eCommerce platform, and both tailored and bespoke reference standards that are developed to customers' specific requirements and predominantly sold via the Group's field sales team. The customers for these reference standards include academic laboratories, drug discovery companies and clinical laboratories (including clinical R&D).

The key drivers for these tools are the need for fast, minimally invasive, methods for detection of disease (as opposed to patient derived biopsies) against a regulatory backdrop for increased standardisation to remove subjectivity.

Performance in the first half of the year has been disappointing, the root cause of which was internal organisational issues rather than external market factors. We have now implemented a number of

changes in this business unit and are confident that these will lead to an improved performance in the second half.

In Vivo

- Revenue of £2.5m down 3.8% on the prior year (HY18: £2.6m)
- On a constant currency basis Revenue of £2.3m down 11.5%

The *In Vivo* Business Unit provides genetically engineered rat and mice models from its premises in Boyertown, Pennsylvania and St Louis, Missouri, USA. *In Vivo's* animal models feature specific gene deletions, insertions, repressions and modifications, and are used as pre-clinical models for human genetic disease for drug discovery. They are available as both OTS models and bespoke models developed to customers' specific requirements. Customers include academic researchers and drug discovery and development companies, who are served by a dedicated specialist *In Vivo* sales team.

In our FY2018 results statement issued in April 2019, we highlighted that *In Vivo* was facing some challenging market headwinds and that we had reset our expectations for the growth of the business. Against this backdrop, it is pleasing that revenues in the period were broadly in line with the previous year.

There are a number of contributing factors for these market challenges, including a decreasing demand for custom animal models and pricing pressure. Additionally, *In Vivo's* market is dominated by a handful of very large dedicated incumbents and gene editing is not a disruptive force in this market, which means it will be challenging for the Group to establish a market leading position in this segment. We are therefore continuing to monitor the situation carefully to determine the best course of action for this business.

Maintaining market leadership

Horizon is committed to investing in partnerships and high-value technologies that maintain the Group's market leadership positions.

In October 2018, we announced a partnership with Celyad (Euronext Brussels and Paris, and Nasdaq: CYAD) a clinical-stage biopharmaceutical company focused on the development of CAR-T cell-based therapies, which had licensed the Horizon's novel shRNA technology to generate its second non-gene-edited allogeneic platform.

Post period end, in early July 2019, Celyad secured FDA Acceptance of an Investigational New Drug (IND) application for CYAD-02, the autologous NKG2D based CAR-T cell therapy that deploys Horizon's optimised SMARTvector™ shRNA technology. The Phase 1 trial with initiation planned for early 2020, will be the first CAR-T cell therapy to employ the SMARTvector™ platform. Horizon will receive a milestone payment for the successful IND filing.

In January 2019, Horizon signed a strategic partnership with Rutgers, The State University of New Jersey (US), to develop and commercialise base editing, a novel technology platform that has the potential to provide more accurate gene editing and fewer unintended genomic changes than currently available gene editing methodologies.

As part of the agreement, Horizon has an option to exclusively license the base editing technology for use in all therapeutic applications. During the first half of the year, Horizon has been working through the one-year evaluation phase of the technology prior to taking the full licence. Data collated so far is consistent with expectations and we expect to complete our evaluation in the second half of 2019.

Also, in January, we announced the launch of the world's first primary human T-Cell CRISPR screening service to meet the requirements of immunology-based research in drug discovery.

In the past, the use of CRISPR screens in primary T lymphocytes has proved to be challenging, owing to complex issues around the introduction of the screening components and Cas9 in particular. Horizon has adapted its established CRISPRko (knockout) platform to address these issues enabling us to deliver a robust screening platform, which allows customers working in the immuno-oncology space to find gene targets and potential therapeutic avenues in primary cells (T lymphocytes freshly isolated from the body) rather than having to work through surrogate cell lines.

This is significant because we believe that the therapeutic development pipeline for all diseases will move away from screening in immortalised (cancer) cell lines and move towards screens in primary cells, as they more closely represent real patients.

In order to capitalise on this market shift, Horizon has leveraged its proprietary manufacturing expertise to make guide RNAs as a long single strand, rather than as two separate components (CRISPR RNA (crRNA) and tracrRNA) which is how they are usually supplied.

There is a growing body of research that indicates that such synthetic single guide RNA strands are able to edit genes in primary cells without any detectable changes elsewhere in the genome. The research also indicates that synthetic single guide RNAs are more effective in primary cells, suggesting that screens might work better in primary cells with a synthetic single guide library.

Horizon's work during the first half of the year should lead to the launch of its first pooled synthetic single guide library in Q4 2019, which will include subset libraries of our well established druggable genome library. The whole genome library will be complete later in 2020.

Summary and outlook 2019

The market opportunity for gene editing and gene modulation is substantial and growing rapidly. Horizon is at the forefront of this innovation wave and our products and services are powering three key areas in the therapeutics ecosystem:

- Research: the demand for life science tools designed to understand the genetic basis of disease;
- Development: the need to improve the speed and reduce the costs of drug development and associated companion diagnostics; and
- Therapy: providing the tools to enable new therapeutic approaches, including personalised medicines (cell and gene therapies) and immuno-oncology

Scientific interest in these fields continues to accelerate as gene editing and gene modulation become embedded in basic research and drug discovery programmes. The Group's core competence in cell-line engineering (which underpins all of our business units) enables us to create a unique and high value portfolio of tools and services, which combined with our commercial reach, provides the basis for sustainable competitive advantage and strong prospects for growth.

In line with previous years, we anticipate a strong second half weighting to our performance. With an already strong order book for the second half of 2019, the Board expects FY19 revenues to be in-line with market expectations and to maintain a positive adjusted EBITDA.

On 23 June 2016, the UK held a referendum on continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). Unless and until the Brexit negotiation and

parliamentary-ratification processes are complete, it is difficult to anticipate the potential impact on the Group's performance.

The Group has responded by engaging proactively with key external stakeholders and establishing a cross-functional team to understand, assess, plan and implement operational actions that may be required. The Group has adopted a base case planning assumption of a hard Brexit/no deal. The Board reviews the potential impact of Brexit regularly.

Terry Pizzie
Chief Executive Officer

16 September 2019

FINANCIAL REVIEW

A solid revenue performance during HY19 of £28.6m (HY18: £25.1m), represents growth of 13.9% against the equivalent prior period, being in line with market expectations. Revenue growth is 8.8% on a constant currency basis[1] and consistent with prior years we expect revenues to be second half weighted.

Reported gross margins for HY19 were 68.5% (HY18: 63.2%), which benefitted from an increasing proportion of Bioproduction and screening revenues.

Our reported adjusted EBITDA[1] loss improved to £0.9m[2] (HY18: £2.2m loss). This included the benefit of £1.3m due to the implementation of *IFRS 16 Leases*. On a like for like basis, the adjusted EBITDA[1] loss was £2.2m.

Exceptional items for the period totalled £0.1m (HY18: £1.6m) relating to the departure of Richard Vellacott as Chief Financial Officer.

We report a loss after tax[2] of £5.3m for the period, representing an improvement over the prior period (HY18: £7.6m loss) substantially due to the implementation of *IFRS 16 Leases* and an increase in the tax credit.

Management consider the following as additional alternative performance measures to supplement statutory measures of performance as they provide additional insight. Constant currency is the measured current year revenues based on the prevailing foreign exchange rates from the prior year.

Adjusted EBITDA	**HY 2019 £m**	**HY 2018 £m**
Operating loss	(5.7)	(7.8)
Amortisation and depreciation	4.7	4.0
EBITDA	**(1.0)**	**(3.8)**
Exceptional items (note 3)	0.1	1.6
Adjusted EBITDA	**(0.9)**	**(2.2)**

Exceptional items
Exceptional items, due to their size, nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement.

The reported income statement for HY19 incorporates the modified retrospective adoption of IFRS 16 (refer to Notes 1 and 10 to the Financial Statements). The impact on the HY2019 alternative performance measure is depicted below:

Adjusted EBITDA Impact of adopting IFRS 16 HY2019	**Prior to IFRS16 £m**	**IFRS 16 Impact £m**	**As Reported HY2019 £m**
Operating loss	(6.0)	0.3	(5.7)
Amortisation and depreciation	3.7	1.0	4.7
EBITDA	**(2.3)**	**1.3**	**(1.0)**
Exceptional items (note 3)	0.1		0.1
Adjusted EBITDA	**(2.2)**	**1.3**	**(0.9)**

Balance Sheet Impact of adopting IFRS 16 HY2019	**Prior impact IFRS16 £m**	**IFRS 16 Impact £m**	**As Reported HY2019 £m**
Right of use assets	-	11.2	11.2
Trade and other payables	(10.1)	0.6	(9.5)
Current lease liabilities	-	(3.0)	(3.0)
Non-current lease liabilities	-	(11.3)	(11.3)

Operating costs
Total operating expenses (excluding exceptional items) for the period are £25.2m (HY18: £22.1m). This is in line with expectations as we invest in our people and infrastructure in order to deliver our ambitious strategic objectives.

Balance sheet
Overall net assets of the Group were £136.8m at the end of the period (31 December 2018: £143.3m). Group working capital (net current assets less cash) is £6.9m (31 December 2018: £10.8m), after allowing for the £2.4m impact of IFRS 16 to current liabilities.

The Group remains well funded with cash resources of £24.8m (31 December 2018: £26.7m). This funding provides a robust position to support our investment in key strategic projects such as the new eCommerce platform which will be launched later this year.

Current trading and outlook
We anticipate a stronger second half performance in line with prior years, underpinned by a robust order book, the launch of our eCommerce platform and the three-fold increase in capacity in Cell Line engineering.

Independent review report to Horizon Discovery Group plc

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 2019 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 10. 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 Financial Reporting Council. 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 has 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 Financial Reporting Council 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 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 2019 is

not prepared, in all material respects, in accordance with accounting policies the Group intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Statutory Auditor

Cambridge, UK

13 September 2019

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 £`000	Unaudited Six months ended 30 June 2018 £`000	Audited Year ended 31 December 2018 £`000
REVENUE	2	28,554	25,112	58,733
Cost of sales		(9,002)	(9,241)	(19,205)
Gross profit		19,552	15,871	39,528
Other operating income	2	1,014	269	2,204
Sales, marketing and distribution costs		(7,065)	(5,724)	(13,003)
Research and development costs		(7,864)	(7,363)	(15,241)
Corporate and administrative expenses		(10,892)	(9,159)	(20,737)
Share of results of joint ventures		(313)	(137)	(299)
Exceptional items	3	(143)	(1,583)	(33,185)
OPERATING LOSS		(5,711)	(7,826)	(40,733)
Investment income	2	40	61	90
Finance costs		(463)	(3)	(11)
LOSS BEFORE TAX		(6,134)	(7,768)	(40,654)
Taxation		884	149	4,833
LOSS FOR THE PERIOD		(5,250)	(7,619)	(35,821)
LOSS PER SHARE				
Basic and diluted (pence)	4	(3.5p)	(5.1p)	(23.9p)

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Six months ended 30 June 2019

	Unaudited Six months ended 30 June 2019 £`000	Unaudited Six months ended 30 June 2018 £`000	Audited Year ended 31 December 2018 £`000
LOSS FOR THE PERIOD	(5,250)	(7,619)	(35,821)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	482	2,911	6,936
Tax on items that may be reclassified subsequently to profit or loss	-	-	314
Other comprehensive income for the period net of tax	482	2,911	7,250
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(4,768)	(4,708)	(28,571)
Total comprehensive income attributable to:			
Owners of the Company	(4,768)	(4,708)	(28,571)

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED BALANCE SHEET
Six months ended 30 June 2019

	Note	Unaudited As at 30 June 2019 £`000	Unaudited As at 30 June 2018 £`000	Audited As at 31 December 2018 £`000
Non current assets				
Goodwill	5	51,940	75,263	51,750
Other intangible assets		44,558	51,426	45,644
Property, plant and equipment		10,905	12,482	11,680
Right of use assets		11,161	-	-
Investments		2,647	1,723	2,960
Other receivables		433	433	433
		121,644	141,327	112,467
Current assets				
Inventories		2,272	2,533	2,541
Trade and other receivables		15,280	18,441	19,071
Corporation tax receivable		1,820	-	3,053
Cash and cash equivalents		24,831	24,867	26,740
		44,203	45,841	51,405
Total assets		165,847	187,168	163,872
Current liabilities				
Trade and other payables		(9,481)	(10,662)	(13,912)
Lease liabilities	10	(2,990)	-	-
Net current assets		31,732	35,179	37,493
Non-current liabilities				
Deferred tax		(5,043)	(9,057)	(5,955)
Long term provisions		(201)	(191)	(197)
Other payables		-	(338)	(495)
Lease liabilities	10	(11,349)	-	-
Total liabilities		(29,064)	(20,248)	(20,559)
Net assets		136,783	166,920	143,313
Equity				
Share capital	6	3,135	3,125	3,134
Share premium account		139,195	137,975	139,102
Share option reserve		3,418	2,651	3,100
Merger reserve		67,457	67,457	67,457
Retained earnings		(76,422)	(44,288)	(69,480)
Total equity		136,783	166,920	143,313

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2019

	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 2019	3,134	139,102	3,100	67,457	(69,480)	143,313
Restatement of opening retained earnings for IFRS16	-	-	-	-	(2,174)	(2,174)
Loss for the period	-	-	-	-	(5,250)	(5,250)
Other comprehensive income for the period	-	-	-	-	482	482
Shares issued	1	93	-	-	-	94
Credit to equity for equity settled share based payment transactions	-	-	318	-	-	318
Balance at 30 June 2019	3,135	139,195	3,418	67,457	(76,422)	136,783

	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)
Other comprehensive income for the period	-	-	-	-	2,911	2,911
Shares issued	4	294	-	-	-	298
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

HORIZON DISCOVERY GROUP PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
Six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 £`000	Unaudited Six months ended 30 June 2018 £`000	Audited Year ended 31 December 2018 £`000
Net cash inflow/(outflow) from operating activities	7	1,309	(2,243)	1,519
Investing activities				
Interest and bank charges paid		(602)	(123)	(11)
Interest received		38	60	90
Acquisition of investment in joint venture		-	-	(1,400)
Purchases of property, plant and equipment		(607)	(718)	(2,708)
Purchase of intangible assets		(1,182)	(512)	(851)
Net cash outflow from investing activities		(2,353)	(1,293)	(4,880)
Financing activities				
Proceeds on issue of shares net of expenses		93	298	1,433
Principal elements of lease payments (2018 – principal elements of finance lease payments)		(982)	-	-
Net cash (outflow)/inflow from financing activities		(889)	298	1,433
Net decrease in cash and cash equivalents		(1,933)	(3,238)	(1,928)
Cash and cash equivalents at beginning of period		26,740	28,084	28,084
Effect of exchange rate changes		24	21	584
Cash and cash equivalents at end of period		24,831	24,867	26,740

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 2018 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 2018 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 36 and 37 of the Company's Annual Report and Financial Statements for the year ended 31 December 2018. The identified critical accounting estimates in the 2018 Annual Report and Financial Statements were:

- Revenue recognition; and
- Deferred tax assets.

The critical accounting judgements identified and disclosed in the 2018 Annual Report and Financial Statements were:

- Goodwill, other intangible assets and other asset valuation; and
- Forecasts and discount rates.

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 had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases following the modified retrospective approach. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 10 below.

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

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.

2. REVENUE

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

	Unaudited Six months ended 30 June 2019 £`000	Unaudited Six months ended 30 June 2018 £`000	Audited Year ended 31 December 2018 £`000
Revenue	28,554	25,112	58,733
Other operating income	1,014	269	2,204
Interest received	40	61	90
	29,608	25,442	61,027

3. EXCEPTIONAL ITEMS

	Unaudited Six months ended 30 June 2019 £`000	Unaudited Six months ended 30 June 2018 £`000	Audited Year ended 31 December 2018 £`000
Impairment charges	-	-	(32,124)
CFO exit costs	(143)	-	-
Acquisition and integration costs	-	(297)	-
Restructuring costs	-	(11)	-
CEO exit costs	-	(445)	(476)
Legal and advisory costs	-	(598)	(585)
Rebranding costs	-	(232)	-
	(143)	(1,583)	(33,185)

The exceptional items in the current period are costs relating to the departure of Richard Vellacott as Chief Financial Officer.

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 2019 £`000	Unaudited Six months ended 30 June 2018 £`000	Audited Year ended 31 December 2018 £`000
Loss			
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(5,250)	(7,619)	(35,821)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	150,421,755	149,188,169	149,597,584
Loss per share	(3.5p)	(5.1p)	(23.9p)

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 2019, 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 2018	75,263
Effects of movements in foreign exchange	2,379
At 31 December 2018	77,642
Effects of movements in foreign exchange	314
At 30 June 2019	77,956
Accumulated impairment losses	
At 30 June 2018	-
Impairment losses for the period	(25,892)
At 31 December 2018	(25,892)
Effects of movements in foreign exchange	(124)
At 30 June 2019	(26,016)
Net book value	
At 30 June 2019	51,940
At 31 December 2018	51,750
At 30 June 2018	75,263

As part of the FY18 goodwill and intangibles impairment review enhanced disclosures were presented in relation to the Genomic Products CGU which management consider are still relevant. These were described on page 74 of the annual report.

6. SHARE CAPITAL

Share capital as at 30 June 2019 amounted to £3,135,000. During the period, the Group issued 81,606 £0.01 ordinary shares through the exercise of employee share options.

7. NOTES TO THE CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2019 £`000	Unaudited Six months ended 30 June 2018 £`000	Audited Year ended 31 December 2018 £`000
Loss for the period	(5,250)	(7,619)	(35,821)
Adjustments for:			
Investment revenues	(40)	(61)	(90)
Finance costs	627	142	11
Depreciation of property, plant and equipment	1,354	1,709	2,876
Amortisation of intangible assets	2,363	2,318	5,354
Amortisation of right of use assets	1,000	-	-
Goodwill, intangible asset and property, plant and equipment impairment charges	-	-	32,124
Loss on disposal of property, plant and equipment	-	-	7
Loss on disposal of intangible assets	71	-	145
RDEC tax credit in other operating income	(125)	-	-
Tax credit	(884)	(149)	(4,833)
Share option charge	318	150	622
Share of loss of joint venture	313	137	299
Operating cash flows before movements in working capital	(253)	(3,373)	694
Decrease in inventories	271	63	33
Decrease/(increase) in receivables	4,429	2,116	(1,894)
(Decrease)/increase in payables	(4,709)	(1,602)	3,610
Cash generated by operations	(262)	(2,796)	2,443
Tax received/(paid)	1,571	553	(924)
Net cash from operating activities	1,309	(2,243)	1,519

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 2018.

9. SUBSEQUENT EVENTS

On 6 August 2019 the Company invested a further £700k in Avvinity Therapeutics Limited in return for 62,500 shares, increasing the Company's share of Avvinity's equity from 43% to 47%. At the date of this announcement there had been no other subsequent events to report.

10. ADOPTION OF IFRS16

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. Short-term leases are leases with a lease term of 12 months or less.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the exclusion of short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Adjustments on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured

at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was between 5.13% and 8.85%. The group did not have any leases previously classified as finance leases prior to the adoption of IFRS 16.

The incremental borrowing rates have been determined on a lease by lease basis, using the reference rate and country risk premium, plus the entity credit risk premium, plus asset specific risk adjustments.

The reference rate has been derived from government bonds of the country with the leased asset with a term corresponding to the weighted average lease length and currency. No country risk premium was required for any of the leases as the country of the leased asset matched the country in whose currency the lease was denominated in, so there is no foreign currency risk. The entity credit risk premium was determined by reference to each entity within the group holding finance leases financial performance to 31 December 2018 (the date of transition to IFRS 16) compared to similar companies with external credit ratings. Using these credit ratings, the credit risk premium for each lease and entity has been estimated using corporate bond curves for companies in the Healthcare sector with a matching credit rating and term.

For property leases, asset risk adjustments were made based on operational risk of each asset, which includes whether security has been provided for the lease by the Group. This only asset which required an asset specific adjustment was the UK property, as it had a remaining term of more than ten years on transition to IFRS 16.

	£'000
Operating lease commitments disclosed as at 31 December 2018	**19,043**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	15,217
Add: Additional identified leases not included in 2018 operating lease disclosure, discounted at lessee's incremental borrowing rate of at the date of initial application	75
Total right of use assets	15,292
Of which are:	
Current lease liabilities	2,967
Non-current lease liabilities	12,325
Total right of use assets	**15,292**

The associated right-of-use assets for all leases were measured on the modified retrospective basis as if the new rules had always been applied but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

An impairment of the In Vivo CGU was made at 31 December 2018 so all assets valued at their recoverable amount. One lease identified related to this unit, so value of the right of use asset has been impaired to £nil at 1 January 2019. The effect of this additional impairment above the expected amortisation over the useful life of the asset was £687,000. This has been included as part of the restatement of opening reserves on transition to IFRS 16.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 £'000	1 January 2019 £'000
Properties	11,124	12,095
Equipment	42	50
Total right of use assets	11,166	12,145

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right of use assets – Increase by £12,145,000
- Accruals – Decrease by £700,000
- Lease liabilities – Increase by £15,292,000
- Deferred taxation liabilities – Decrease by £97,000

The net impact on retained earnings at 1 January 2019 was a decrease of £2,350,000

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.