

**deepmatter™**

**HALF YEAR REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2019**

**DEEPMATTER GROUP PLC**  
**DIRECTORS, OFFICERS AND ADVISERS**

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**Directors**

James Ede-Golightly	Non-Executive Chairman
Mark Warne	Chief Executive Officer
Michael Bretherton	Finance Director (resigned 28 June 2019)
Lauren Lees	Finance Director (appointed 28 June 2019)
Lee Cronin	Scientific Founder & Non-Executive Director (resigned 12 April 2019)
David Cleevely	Non-Executive Director (resigned 12 April 2019)
Laurence Ede	Non-Executive Director
Bettina Goerner	Non-Executive Director (appointed 15 March 2019)

**Company Secretary**

Michael Bretherton (resigned 28 June 2019)  
Lauren Lees (appointed 28 June 2019)

**Registered Office**

St Brandon's House  
29 Great George Street  
Bristol  
BS1 5QT

**Nominated Adviser and Broker**

Shore Capital & Corporate Limited and Shore Capital Stockbrokers Limited  
Cassini House  
57 St James's Street  
London  
SW1A 1LD

**Auditor**

Nexia Smith & Williamson  
Portwall Place  
Portwall Lane  
Bristol BS1 6NA

**Registrar**

Neville Registrars Limited  
Neville House  
Steelpark Road  
Halesowen B62 8HD

**Company Number**

05845469 (England and Wales)

**DEEPMATTER GROUP PLC**  
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**DEEPMATTER GROUP PLC**  
**CHIEF EXECUTIVE'S STATEMENT**

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**Chief Executive's Statement**

**Overview**

Having now led the DeepMatter team for over a year, I am pleased to report that we are continuing to progress at pace and in line with our strategic roadmap. We are working towards an objective which will see the disruption of an industry, and we reached several key milestones over the six-month reporting period on our journey towards that goal.

These milestones include the completion of an equity placing which raised approximately £4.0m, the acquisition of InfoChem GmbH, and the strengthening of our management team and operational structure with two key Board appointments and the appointment of David Cleevely and Professor Lee Cronin as Chairman and member respectively to the Group's Advisory Committee.

Post-period end, we also announced our first revenue generating contract for the DigitalGlassware™ platform and launch of the open access DigitalGlassware™ online portal, both key milestones on the road to a wide deployment of our technology across the industry, as well as our increasing international footprint.

DeepMatter's aim is for its platform to become integral to research and process chemistry, providing those involved with a cost-effective, easy-to-use solution that will save them significant time, effort and money. The research industry is ripe for modernisation, and we are confident that our technology, positioning and capability mean that we are able to capitalise on this opportunity. The Group's vision remains to progress its platform to enable the use of artificial intelligence in chemistry, ultimately to the stage where chemicals can be synthesised autonomously through robotics operating on the DeepMatter platform.

***DigitalGlassware™ platform***

In the near term, we are delivering an integrated software, hardware and machine learning enabled platform, DigitalGlassware™, to scientists across research and process development sectors. Our immediate focus will be on the marketing of our DigitalGlassware™ platform to the pharmaceutical, life science and contract research industries.

The DigitalGlassware™ platform allows experiments to be accurately and systematically recorded, coded and entered into a shared data cloud. The platform is designed to enable scientists to collaborate effectively; sharing the details of their experiments from anywhere and in real-time. This ensures that work is not needlessly duplicated; time and money wasted; and ultimately new discoveries can be made faster.

The Pioneer Programme, launched in May 2018, is expected to complete by the year end. Our seven global partners, which include multinational life sciences companies, research institutions and leading academic institutions, have worked with us to guide the testing and enhancement of our technology. This process has provided us with valuable insights, expert feedback and given us confidence that the product is now fit for purpose on a wider scale. We would like to thank them all for joining us on this important stage of our growth journey.

As expected, the Group has also begun to identify unique chemistry insights, which it will use to create intellectual property and share with the wider scientific community in due course, as further proof of the validity of the platform. For example, correlating reaction yields and purities to multiple features recorded in data to determine which features are significant in changing synthesis outcomes. Through these efforts, the potential of the DigitalGlassware™ technology is gaining recognition in the scientific community.

**DEEPMATTER GROUP PLC**  
**CHIEF EXECUTIVE'S STATEMENT**

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To date, the DigitalGlassware™ platform has been used to collect data from over 1,100 days of chemistry research across over 2000 individual experimental runs. Data has been collected and structured, comprising nearly 17 billion sensor readings over 400 million samples. Of the most frequently used synthetic reaction types in medicinal chemistry\*, the majority are now represented in the DigitalGlassware™ platform to one extent or another.

\*as reported in the frequently cited publication by Brown and Boström of pharmaceutical company AstraZeneca in the *Journal of Medicinal Chemistry* 59, 4443 (2016)

***First revenue-generating purchase order***

Building upon the DigitalGlassware™ Pioneer Programme, the Group is focused on deploying its technology to an increasingly large user base and continuing to commercialise the platform.

A major milestone for the Group in its goal towards monetisation was achieved post-period end with its first revenue-generating purchase order for the DigitalGlassware™ platform from o2h discovery, an Anglo-Indian medicinal chemistry service provider. Having participated in the Pioneer Programme, and being impressed by the DigitalGlassware™ technology, o2h has elected to pay for the provision of a greater number of user licences for deployment across one of its laboratories.

***Launch of DigitalGlassware™ online portal***

In August 2019 we launched our open access DigitalGlassware™ online portal in order to facilitate the distribution of the platform to a wider audience, outside of commercial users. The portal allows the scientific world to view and interact with the uniquely contextualised, rich and real-time data originated from chemistry lab experiments conducted using DeepMatter's proprietary technology. Paying clients of the DigitalGlassware™ platform are able to nominate which data remains proprietary, for their sole use, and which can be made shareable via the online portal. The portal is important to showcase how DigitalGlassware™ works under real reaction scenarios and, crucially, how it can save time and money and increase lab productivity. Since the launch of the portal, the Company has observed a 72% increase in social media following and an 131% increase of visitors per week to [deepmatter.io](http://deepmatter.io).

***InfoChem GmbH***

In February 2019 we completed the acquisition of InfoChem GmbH a specialist in cheminformatics, from global publisher Springer-Verlag GmbH ("Springer Nature"). The total consideration payable was £2.031 million satisfied as to £0.321 million (€0.374 million) in cash and 68,400,000 new ordinary shares in the capital of the Group.

This acquisition was critical to the accelerated development of the DigitalGlassware™ platform, immediately bringing cost effective access to extensive scientific expertise, established data sources and chemical information software tools to the Group. Integration of these capabilities has begun well, and we expect to see significant further progress in the second half.

***ICSynth™: innovative retro-synthesis tool***

InfoChem's lead software product, ICsynth™, is a key asset for the Group. This desktop machine learning based synthesis design tool reduces costs and identifies unique choices for chemical reactions. The Synthesis Planning market is growing rapidly, and we see a strong opportunity to take market share with this product which, unlike peers, allows retrosynthesis prediction for novel molecules, in-house installation using our customers' knowledge model and the use of any reaction database as a knowledge model. An update to the tool will be released in Q4 2019, rich in new features followed by the launch of an advanced user interface by Q2 2020.

**DEEPMATTER GROUP PLC**  
**CHIEF EXECUTIVE'S STATEMENT**

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***SICM divestment***

In January 2019, the Company announced that its subsidiary, OpenOLabs Limited, had disposed of Scanning Ion Conductance Microscope, by way of an asset purchase agreement. The Group acquired OpenOLabs in 2017 to secure access to some of its key technology assets. With this objective complete, the remainder of the OpenOLabs business, being non-core to the Group's continuing operations, was sold for cash to Scientific Digital Imaging Plc.

**Strengthened Financial and Operational structure**

***Placing***

During the period, we completed a placing to raise approximately £4.0 million through the issue of a total of 160,185,680 shares at 2.5 pence per share. Since then, the proceeds have begun to be used, to further finance ongoing DigitalGlassware™ technology development, including integration of cheminformatics capabilities, user and partner support, marketing, data science initiatives, manufacture of hardware and for working capital requirements of the enlarged Group. These funds have greatly strengthened the business and we would like to thank all the new and existing investors who took part for their support.

The integration of InfoChem has financially bolstered the business and will see DeepMatter benefit from recurring revenues and an additional sales channel.

***Board appointments***

There have been two key Board appointments during the period. Following the InfoChem acquisition, Bettina Goerner, Managing Director Database Research Group at Springer Nature, was appointed as a Non-Executive Director in March 2019. This was followed by the appointment of Lauren Lees as Financial Director on 28 June 2019, taking over the role from Michael Bretherton.

We were delighted to be able to retain the expertise of two of our long-standing PLC Board members, through their appointment to the Advisory Committee, whose role is to develop the Group's strategy and proposition in an innovative, interdisciplinary context. The Committee comprises David Cleevely, as Chairman, and Professor Lee Cronin. Both have now stepped down from their roles on the Board.

We now benefit from the combination of a Board, concentrated on operational and strategic delivery, and an Advisory Committee providing far-sighted knowledge and industry experience. Our previously announced search for a new Non-Executive Chairman remains ongoing.

**Financial Review**

The Group generated its first revenues over the period, a total of £0.22m, from InfoChem's ongoing sales to its established customer base.

The Group incurred a continuing operational loss for the six months ended 30 June 2019 of £1.76m (H1 2018: loss from operations of £0.91m) which after tax and discontinued operations of SICM, resulted in an overall after-tax loss of £1.62m (H1 2018: loss of £0.98m). This was broadly in line with the Board's expectations as the Group continues to commercialise the DigitalGlassware™ platform and integrates cheminformatic capabilities.

In the current financial period, the Group has reviewed and aligned the revenue recognition policies adopted upon the acquisition of InfoChem GmbH with those of the Group and 'IFRS 15 - Contracts with Customers'. The review resulted in changes being made to the revenue recognised upon acquisition and

**DEEPMATTER GROUP PLC**  
**CHIEF EXECUTIVE'S STATEMENT**

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full disclosure will be made of the impact of these changes in the consolidated annual financial statements of the Group for the year ending 31 December 2019.

The Group held cash balances at 30 June 2019 of £4.08m (30 June 2018: £2.07m) compared to £1.09m at 31 December 2018. The £2.99m increase in cash during the half year is attributable to the proceeds raised from the placing of shares offset by the continuing investment in the operations of the Group.

**Outlook**

Thus far, 2019 is progressing to plan, with the Group's focus on driving deployment with key opinion leaders bearing fruit. We are engaging with a number of industry participants and look forward to updating shareholders in due course.

Our plan to deliver the first complete site rollout to early adopters is well underway, with the o2h deployment now complete. We are excited by the scale of the pipeline of opportunities we have built and are focused on the effective execution of wider deployment and further monetisation of the DigitalGlassware™ platform.

We continue to see the platform developing during the year as further cheminformatics capabilities are integrated and the expanding dataset demonstrates its value.

We remain confident about the future and, with a robust strategy in place, look forward to driving our vision and achieving our long-term objectives.

Mark Warne  
Chief Executive Officer  
19 September 2019

**DEEPMATTER GROUP PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS TO 30 JUNE 2019**

	<b>6 months ended 30 June 2019</b> <b>(Unaudited)</b>	<b>6 months ended 30 June 2018</b> <b>(Unaudited)</b>	<b>Year ended 31 December 2018</b> <b>(Audited)</b>
	£'000	£'000	£'000
<b>Continuing operations</b>			
Revenue	215	-	-
Cost of Sales	(182)	-	-
<b>Gross Profit</b>	<b>33</b>	-	-
Research and development costs	(845)	(628)	(1,399)
Share based payments	(168)	(3)	(6)
Administrative costs	(781)	(280)	(600)
<b>Operating loss</b>	<b>(1,761)</b>	(911)	(2,005)
Finance income	11	6	12
Finance cost	(1)	-	-
<b>Loss before tax</b>	<b>(1,751)</b>	(905)	(1,993)
Income tax credit	86	98	180
<b>Loss from continuing operations</b>	<b>(1,665)</b>	(807)	(1,813)
<b>Discontinued Operations</b>			
Profit/(loss) from discontinued operations	29	(173)	(104)
Profit on disposal of discontinued operations	14	-	-
<b>Net result from discontinued operations</b>	<b>43</b>	(173)	(104)
<b>Loss and total comprehensive loss for the period</b>	<b>(1,622)</b>	(980)	(1,917)
<b>Other comprehensive income</b>			
<i>Amounts which may be reclassified to profit or loss</i>			
Currency translation differences	34	-	-
Other comprehensive income for the year	34	-	-
<b>Total comprehensive loss for the year attributable to equity holders of the company</b>	<b>(1,588)</b>	<b>(980)</b>	<b>(1,917)</b>
<b>Loss per share attributable to the equity holders of the Company:</b>			
Basic and diluted loss per share (pence) on continuing operations	(0.25)	(0.15)	(0.33)
Basic and diluted loss per share (pence) on total operations	(0.24)	(0.18)	(0.35)

**DEEPMATTER GROUP PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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	Share equity £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Shares to be issued reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 31 December 2017</b>	<b>55</b>	<b>3,287</b>	<b>5,334</b>	<b>1</b>	<b>204</b>	<b>-</b>	<b>(768)</b>	<b>8,113</b>
Total comprehensive loss for the six months to 30 June 2018	-	-	-	-	-	-	(980)	(980)
<i>Transactions with owners;</i>								
Share based payment charge	-	-	-	3	-	-	-	3
<b>Balance at 30 June 2018</b>	<b>55</b>	<b>3,287</b>	<b>5,334</b>	<b>4</b>	<b>204</b>	<b>-</b>	<b>(1,748)</b>	<b>7,136</b>
Total comprehensive loss for the six months to 31 December 2018	-	-	-	-	-	-	(937)	(937)
<i>Transactions with owners;</i>								
Share based payment charge	-	-	-	3	-	-	-	3
<b>Balance at 31 December 2018</b>	<b>55</b>	<b>3,287</b>	<b>5,334</b>	<b>7</b>	<b>204</b>	<b>-</b>	<b>(2,685)</b>	<b>6,202</b>
Loss for the six months to 30 June 2019	-	-	-	-	-	-	(1,622)	(1,622)
Currency Translation differences	-	-	-	-	-	34	-	34
<b>Total comprehensive loss for the six months to 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>(1,622)</b>	<b>(1,588)</b>
<i>Transactions with owners;</i>								
Issue of shares for cash	16	3,849	-	-	-	-	-	3,865
Shares to be issued and issuable on acquisition of subsidiary	3	637	-	-	1,070	-	-	1,710
Share based payment charge	-	-	-	168	-	-	-	168
<b>Balance at 30 June 2019</b>	<b>74</b>	<b>7,773</b>	<b>5,334</b>	<b>175</b>	<b>1,274</b>	<b>34</b>	<b>(4,307)</b>	<b>10,357</b>

**DEEPMATTER GROUP PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	As at 30 June 2019 (Unaudited) £'000	As at 30 June 2018 (Unaudited) £'000	As at 31 December 2018 (Audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets and goodwill	6,389	4,938	4,914
Investments	3	3	3
Property, plant and equipment	205	32	29
	<b>6,597</b>	4,973	4,946
<b>Current assets</b>			
Inventories	-	27	74
Trade and other receivables	355	149	152
Taxation recoverable	86	98	289
Cash and cash equivalents	4,082	2,066	1,086
	<b>4,523</b>	2,340	1,601
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(612)	(177)	(345)
Lease liabilities	(124)	-	-
	<b>(736)</b>	(177)	(345)
<b>Net current assets</b>	<b>3,787</b>	2,163	1,256
<b>Non-current liabilities</b>	<b>(27)</b>	-	-
<b>Total net assets</b>	<b>10,357</b>	7,136	6,202
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Called up share capital	74	55	55
Share premium	7,773	3,287	3,287
Merger reserve	5,334	5,334	5,334
Shares to be issued reserve	1,274	204	204
Share based payments reserve	175	4	7
Foreign Currency Translation reserve	34	-	-
Retained (deficit) / earnings	(4,307)	(1,748)	(2,685)
<b>Total equity attributable to shareholders of the Company</b>	<b>10,357</b>	7,136	6,202

The condensed interim financial statements were approved by the Board of Directors and authorised for issue on 19 September 2019 and were signed on its behalf by:

Lauren Lees  
*Director*

Company number: 05845469

**DEEPMATTER GROUP PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	6 months ended 30 June 2019 (Unaudited) £'000	6 months ended 30 June 2018 (Unaudited) £'000	Year ended 31 December (Audited) £'000
<b>Cash flows from operating activities</b>			
Operating loss from continuing operations	(1,761)	(911)	(2,005)
Profit/loss from discontinued operations	29	(173)	(213)
Adjustments for:			
Depreciation and amortisation charges	119	28	59
Share based payments charge	168	3	6
<b>Operating cash outflows before movement in working capital</b>			
(Increase)/decrease in inventories	74	(17)	(64)
(Increase)/decrease in trade and other receivables	(24)	(22)	(25)
(Decrease)/increase in trade and other payables	32	(104)	64
<b>Cash used in operations</b>	<b>(1,363)</b>	<b>(1,196)</b>	<b>(2,178)</b>
Interest received	11	6	12
Taxation received	289	-	-
<b>Net cash used in operating activities</b>	<b>(1,063)</b>	<b>(1,190)</b>	<b>(2,166)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(5)	(9)	(13)
Capitalisation of development costs	(38)	-	-
Cash and bank in subsidiary at acquisition net of cash payment	267	-	-
<b>Net cash used in investing activities</b>	<b>224</b>	<b>(9)</b>	<b>(13)</b>
Cashflows from financing activities			
Proceeds from issue of share capital	3,865	-	-
Payment of lease liabilities	(30)	-	-
<b>Cash generated from financing activities</b>	<b>3,835</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,996</b>	<b>(1,199)</b>	<b>(2,179)</b>
Cash and cash equivalents at beginning of period	1,086	3,265	3,265
<b>Cash and cash equivalents at end of period</b>	<b>4,082</b>	<b>2,066</b>	<b>1,086</b>

**DEEPMATTER GROUP PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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**1) BASIS OF PREPARATION**

The condensed interim financial statements of DeepMatter Group Plc are unaudited condensed consolidated financial statements for the six months ended 30 June 2019. These include unaudited comparatives for the six months ended 30 June 2018 together with audited comparatives for the year ended 31 December 2018.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's annual financial statements as at 31 December 2018. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS.

The financial information for the year ended 31 December 2018 does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. A copy of the audited financial statements for that year has been delivered to the Registrar of Companies. The Auditors' opinion on those financial statements was unqualified, did not draw attention to any matters by way of an emphasis of matter paragraph, and it contained no statement under section 498(2) or section 498(3) of the Companies Act 2006.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, with the exception of the adoption of IFRS 16 and changes to accounting policies for IFRS 15, IFRS 8, IFRS 2 and IAS 21. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Going concern**

Information on the business environment, financial position and the factors underpinning the Group's future prospects and portfolio are included in the Chief Executive's Statement. The Directors confirm that they are satisfied that the Group has adequate resources to continue in business based on the current liquid resources available. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**2) SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those followed in the preparation of the consolidated annual financial statements of DeepMatter Group Plc for the year ended 31 December 2018 with the exception of the adoption of IFRS 16.

The impact of the alignment of accounting policies following the acquisition of InfoChem GmbH will be disclosed in full in the consolidated annual financial statements of the Group for the year ending 31 December 2019.

Changes in accounting policies applied to IFRS 15, IFRS 8, IFRS 2 and IAS 21.

**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 entitled to exchange for those goods or services.

**DEEPMATTER GROUP PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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In the current financial year, the Group carried out a review to align the revenue recognition policies of InfoChem GmbH with those of the Group and 'IFRS 15 Revenue from Contracts with Customers'. The following assessment and changes were made;

- Software licenses, which upon acquisition, were previously deferred and recognised over the software license term, are now recognised upfront where the performance obligation is satisfied upon the delivery of the license to the customer impacting revenue and deferred revenue disclosed within trade and other payables and accrued income disclosed within other debtors.
- Hosted software licenses, which were deferred over the license term, continue to be recognised in line with the satisfaction of the performance obligation over the license term and revenue not yet earned is accounted for within deferred income.
- Software services and maintenance, which, upon acquisition, were previously recognised on completion of the performance obligation, are now recognised in line with the satisfaction of the performance obligation over the contract term impacting accrued income disclosed within other debtors.
- Project and consulting work, which, upon acquisition, were recognised on completion of the relevant performance obligations continue to be recognised on completion of the relevant performance obligations.

Full disclosure of the revenue recognition model applied under IFRS 15 will be made in the consolidated annual financial statements of the Group for the year ending 31 December 2019.

**IFRS 16 - Leases**

In the current financial year, the Group has adopted IFRS 16 Leases which has resulted in the Group recognising a right-of-use asset and lease liability for all contracts that are or contain a lease. The Group has applied the modified retrospective adoption method, with no restatement of prior year comparatives. Full disclosure of the accounting policy in respect of IFRS 16 will be made in the consolidated annual financial statements of the Group for the year ending 31 December 2019.

**IFRS 2 - Share-based Payments**

During the period ending 30 June 2019, options were granted to Mark Warne over 25,000,000 ordinary shares at an exercise price of 2.5 pence, reflecting the 2.5 pence issue price of the placing of shares issued between the 12 and 13 March 2019 to raise gross cash proceeds of £4 million. Provided Mark remains an employee, his options vest over 36 months starting from the commencement of his employment but subject to specific share price triggers being reached. All unexercised options lapse after 10 years from the date of grant. No other directors have been granted share option awards.

Full disclosure of the accounting policy adopted will be made within the consolidated annual financial statements of the Group for the year ending 31 December 2019.

**IAS 21 - Foreign currency transactions**

As required by IAS 21, the results and financial position of all Group entities that have a functional currency different from the presentation currency are translated in the presentation currency as follows;

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position
- Income and expenses for each income statement are translated at average exchange rates; and

**DEEPMATTER GROUP PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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- All resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

### **3) SEGMENTAL REPORTING**

#### **Operating Segments**

The Chief Operating Decision Maker has been identified as the Chief Executive Officer ("CEO") of the company. The Group has two operating segments and the CEO reviews the Group's internal reporting which recognises these two segments in order to assess performance and allocate resources. The Group has determined its reportable segments which are also its operating segments based on these reports. The Group currently has two operating and reportable segments being DeepMatter and InfoChem;

- DeepMatter – this segment owns, develops and is in the early stage of commercially exploiting intellectual property, software, hardware and data analysis capabilities (including machine learning) combined as a visionary, disruptive platform called DigitalGlassware, enabling step changes in productivity and discovery for scientists in the pharma and life science sectors.
- InfoChem – this segment develops and commercialises cheminformatics software to handle, store and retrieve chemical structures and reactions for application in pharma, life sciences and scientific publications. The segment has industry established market leading tools for the production of synthesis planning and reaction prediction solutions and the automatic extraction of scientific information from text and images.

Information regarding the operation of the reportable segments is included below. The CEO assesses the performance of the operating segments based on revenue and a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) before any allocation of Group overheads, charges for share based payment and costs associated with acquisitions. This segment EBITDA is used to measure performance as the CEO believes such information is most relevant in evaluating the results of the segment.

The Group's EBITDA for the year has been calculated after deducting the Group overheads from the EBITDA of the two segments as reported internally. Group overheads include the cost of the Board, listing costs, all the costs of running the premises in Glasgow and Munich, Group marketing, finance and legal and professional fees.

The segment information is prepared using accounting policies consistent with those of the Group as a whole.

The assets and liabilities of the Group are not reviewed by the chief operating decision-maker on a segment basis and therefore none of the Group's assets and liabilities are segmental assets and liabilities and are all unlocated for segmental disclosure purposes. For that reason, the Group has not disclosed details of segmental assets and liabilities.

The discontinued operations of SICM which was disposed of on the 15 January is not reviewed by the chief operating decision maker and has therefore not been disclosed within operating segments.

In the six-month period ended 30 June 2019, the Group had 4 customers that exceeded 10% of total revenue, being 21%, 18%, 13% and 12%.

All segments are continuing operations.

**DEEPMATTER GROUP PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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**Revenue by Operating Segment**

	6 months ended 30 June 2019 (Unaudited)			6 months ended 30 June 2018 (Unaudited)			Year ended 31 December 2018 (Audited)		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
DeepMatter	-	-	-	-	-	-	-	-	-
InfoChem	222	-	222	-	-	-	-	-	-
<b>Revenue for the period</b>	<b>222</b>	<b>-</b>	<b>222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**DEEPMATTER GROUP PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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**Profit by Operating Segment**

	6 months ended 30 June 2019 (Unaudited)			6 months ended 30 June 2018 (Unaudited)			Year ended 31 December 2018 (Audited)		
	EBITDA before share based payments and acquisition costs	Depreciation, amortisation, acquisition costs & share based payments	Operating Profit/(loss)	EBITDA before share based payments and acquisition costs	Depreciation, amortisation, acquisition costs & share based payments	Operating Profit/(loss)	EBITDA before share based payments and acquisition costs	Depreciation, amortisation, acquisition costs & share based payments	Operating Profit/(loss)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DeepMatter	(736)	(30)	(766)	(671)	(28)	(699)	(1,464)	(59)	(1,523)
InfoChem	(224)	(89)	(313)	-	-	-	-	-	-
Group overheads	(472)	-	(472)	(209)	-	(209)	(476)	-	(476)
Acquisition costs	-	(42)	(42)	-	-	-	-	-	-
Share based payments	-	(168)	(168)	-	(3)	(3)	-	(6)	(6)
<b>Profit before tax and interest</b>	<b>(1,432)</b>	<b>(329)</b>	<b>(1,761)</b>	<b>(880)</b>	<b>(31)</b>	<b>(911)</b>	<b>(1,940)</b>	<b>(65)</b>	<b>(2,005)</b>
Group interest and tax			96			104			192
Discontinued operations			29			(173)			(104)
Profit on disposal of discontinued operation			14			-			-
<b>Profit for the period</b>	<b>(1,432)</b>	<b>(329)</b>	<b>(1,622)</b>	<b>(880)</b>	<b>(31)</b>	<b>(980)</b>	<b>(1,940)</b>	<b>(65)</b>	<b>(1,917)</b>

Group overheads, share based payments, acquisition costs, interest and tax are not allocated to segments.

**DEEPMATTER GROUP PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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**4) LOSS PER SHARE (BASIC AND DILUTED)**

Basic earnings or loss per share is calculated by dividing the gain or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted earnings or loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

	<b>6 months ended 30 June 2019</b>	<b>6 months ended 30 June 2018</b>	<b>Year ended 31 December 2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Continuing operations</b>			
Loss attributable to equity holders of the Group (£'000)	(1,665)	(807)	(1,813)
Weighted average number of shares in issue ('000)	<b>662,535</b>	550,740	550,743
<b>Basic and diluted loss per share (pence)</b>	<b>(0.25)</b>	(0.15)	(0.33)
<b>Total operations</b>			
Loss attributable to equity holders of the Group (£'000)	(1,622)	(980)	(1,917)
Weighted average number of dilutive shares in issue	<b>662,535</b>	550,740	550,743
<b>Basic and diluted loss per share (pence)</b>	<b>(0.24)</b>	(0.18)	(0.35)

Basic loss per share is based on the loss after tax for the period and the weighted average number of ordinary shares of £0.0001 each in issue during the period. Diluted loss per share is calculated by adjusting the average number of ordinary shares in issue during the period to assume conversion of all dilutive potential ordinary shares. The Company had a total of 74,116,667 potentially issuable dilutive ordinary shares in existence at the 30 June 2019 period end; (31 December 2018: 23,816,667; 30 June 2018: 23,873,334), comprised of 9,316,667 share options, 22,000,000 deferred consideration shares issued in relation to the acquisition of OpenOLabs Limited and 42,800,000 deferred consideration shares issued in relation to the acquisition of InfoChem GmbH. The 74,116,667 potentially issuable dilutive shares have not been included in the calculations below due to their potential issuance having an effect to reduce loss per share attributable to equity holders.

**5) RELATED PARTY TRANSACTIONS**

The Group has taken advantage of the exemptions contained within IAS 24 – ‘Related Party Disclosures’ from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation.

In addition, during the period the Company paid remuneration to the Directors’ in accordance with their service contracts and letters of appointment.

**6) HALF YEAR FINANCIAL REPORT**

A copy of this half year report, as well as the prior year annual statutory accounts, is available on the Company’s website at [www.deepmattergroup.com](http://www.deepmattergroup.com)