

29 May 2020

DeepMatter Group Plc
("DeepMatter" or the "Company")

Final results for the year ended 31 December 2019

DeepMatter Group Plc(AIM: DMTR), the AIM-quoted company focusing on digitising chemistry is pleased to announce its audited financial results for the year ended 31 December 2019.

Financial Highlights

- First year revenues of £1.2m (2018: nil), including first revenues for DigitalGlassware™ and income following the acquisition of InfoChem GmbH ("InfoChem")
- Loss from continuing operations after tax of £3.02m (2018: loss of £1.81m)
- Cash as at 31 December 2019 of £2.6m (31 December 2018: £1.1m)
- Net assets as at 31 December 2019 of £9.10m (31 December 2018: £6.20 million)

Operational Highlights

- Successful completion of DigitalGlassware™ Pioneer Programme and conversion of first pioneer to revenue generating contract
- Growing market validation and awareness, including collaboration with AstraZeneca, and post period end, with the Institute of Process Research and Development (iPRD) at the University of Leeds, the University of Nottingham's School of Chemistry and the Drug Discovery Unit of the Cancer Research UK Beatson Institute
- Strengthened management team with the appointment of new Financial Director, Chief Operating Officer & Marketing lead

COVID-19 & Outlook

- The Board has taken early measures to minimise discretionary spend, reduce overheads and protect the business during this period of uncertainty
- The change to working practices within laboratories caused by social distancing is highlighting the need to share scientific data both remotely and within the lab, accelerating the digitisation of the laboratory and underlining the value proposition of the DigitalGlassware™ platform
- The Company's pipeline of revenue remains strong and the impact of the virus on customer working practices has increased interest in our DigitalGlassware™ platform and other products

Mark Warne, CEO of DeepMatter, said: *"I am pleased with the progress that the Group made during 2019, delivering the first revenues for DigitalGlassware™ and executing on all the strategic objectives for the year. The integration of InfoChem is now successfully complete, with the acquisition contributing to the Group's overall revenues, while adding technological capabilities and customers.*

"I cannot speak highly enough of our employees who, following the year end, have risen to the challenge and uncertainty created by the COVID-19 pandemic, including serving our customers professionally via remote working and enabling the Company to act to safeguard the business, ensuring tight control of costs and hence preserving our resources.

"As a business we continue to capitalise on the established sales pipeline, but as our customer base adapts its working practices within laboratories as a result of social distancing practices, we see increased interest in the need to share scientific data both remotely and within the lab, accelerating the digitisation of the laboratory and underlining the value proposition of the DigitalGlassware™ platform.

"With an established blue-chip customer base, proven technology, recurring revenues and growing market awareness, we believe we have the right structure to succeed and look to the long-term future with confidence."

For more information, please contact:

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Mark Warne, Chief Executive Officer

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Canaccord Genuity Limited (Nominated Advisor and Broker) T: 020 7523 8000
Bobbie Hilliam / Angelos Vlatakis

About DeepMatter Group plc

DeepMatter's long term strategy is to integrate chemistry with technology, thereby enabling a greater use of artificial intelligence and reaching a point where chemicals can be autonomously synthesised through robotics. In the near term this involves the provision of an integrated software, hardware and artificial intelligence enabled platform, DigitalGlassware™, to scientists across research and process development sectors.

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

Visit: www.deepmatter.io and follow @deepmattergroup

Chairman's Statement

I am pleased to report on a year of solid progress for DeepMatter, with the Group taking tangible steps towards its vision to digitise chemistry. All the targets set by the management team for 2019 were achieved, both financially and strategically, laying down a platform for growth in the years ahead. The DigitalGlassware™ Pioneer Programme has been brought to a successful conclusion and the first Pioneer converted to a revenue generating contract, the management team has been strengthened and the sales pipeline for DigitalGlassware™ has expanded considerably. The acquisition of InfoChem GmbH ("InfoChem") has further increased the income of the Group, bringing high margin recurring software revenues, while adding technological capabilities and customers. COVID-19 has impacted the way in which the business operates, however the pipeline of revenue remains strong and the impact of the virus on customer working practices has increased interest in our products.

Group revenues increased from £nil to £1.2 million in the year, benefitting from the first-time contribution of InfoChem and the first revenues for DigitalGlassware™. Approximately 75% of these revenues are recurring in nature, derived from long standing customers and represent a stable base of revenues for the year ahead. Gross profit was £0.5 million at a margin of 44%, and the operating loss was £3.4 million (2018: £2.0 million), before exceptional costs relating to the acquisition. The Group recorded a loss after tax of £3.0 million (2018: £1.8 million) and an EPS loss of 0.42 pence (2018: loss of 0.35 pence) per share, in line with management's expectations. The Group raised approximately £4.0 million through a placing of shares in March 2019. The funds greatly strengthened the business, further financing ongoing DigitalGlassware™ technology development, user and partner support, marketing, data science initiatives and the manufacture of hardware. We would like to thank all the new and existing investors who took part for their support.

The Board carefully manages investment to support the Group's growth opportunity and has adopted a capital efficient strategy. A consolidation of personnel resources following the integration of the InfoChem business has resulted in a reduction in the cost base of the Group, the benefit of which will manifest itself in 2020. The Group closed the year with a net cash position of £2.6 million (2018: £1.1 million).

The Group continues to execute on the organic growth strategy of the business, seeking to grow both DigitalGlassware™ and ICSynth™ revenues, while remaining alert to the potential of acquisitions to enhance product development or add further customers to the Group.

Board Changes

As DeepMatter transitions out of the R&D stage into commercialisation, so the composition of the Board has evolved. The Founding Scientific Director, Lee Cronin, and fellow Non-Executive Director, David Cleevely, both retired from the Board during the year, while continuing to provide support as part of an Advisory Committee. The commercial expertise on the Board was strengthened in the year with the appointment of Bettina Goerner as Non-Executive Director following the acquisition of InfoChem. Lauren Lees was appointed as Financial Director, having previously been Group Financial Controller concurrent with Michael Bretherton retiring as Financial Director.

We would like to wholeheartedly thank Michael, David and Lee for their contributions to the Group, and warmly welcome the new Board members. As part of the continuing evolution of the Board I will be retiring as a Director of the Company at the 2020 AGM, having served as a Director since 2014. The Board is in discussion with candidates and expects to announce the appointment of a Non-Executive Chairperson later in the year.

COVID-19

Our priority at this time has been to ensure the well-being of our teams, and we have moved to remote working across our sites. To mitigate the impact of COVID-19 on the short-term conversion of the sales pipeline, cost-cutting measures have been implemented to preserve the Group's resources. The Board is confident sufficient measures have been put in place to ensure the progression of the Group through this time and maintains a vigilant focus on costs and the end market.

Summary and Outlook

DeepMatter is a well-managed business with a robust growth strategy and growing market opportunity. While the

uncertainty caused by COVID-19 situation will likely have an impact on the length of contract discussions in the short-term, it is evident the opportunity for the Group's technology is significant and long-term. The change to working practices within laboratories caused by social distancing is highlighting the need to share scientific data both remotely and within the lab, accelerating the digitisation of the laboratory and underlining the value proposition of the DigitalGlassware™ platform.

The Board is therefore confident in the prospects for DeepMatter, its ability to weather the current market conditions and deliver on the increasing interest and relevance of its offering.

James Ede-Golightly
Non-Executive Chairman
28 May 2020

STRATEGIC REPORT

The Directors present their Strategic Report with the audited consolidated financial statements and their assessment of risks faced by DeepMatter Group Plc ("DeepMatter" or the "Company") and its subsidiaries ("the Group") for the year to 31 December 2019.

The Company has four wholly owned subsidiaries, three of which are active trading entities, InfoChem GmbH ("InfoChem"), DeepMatter Limited ("DML") and OpenIOLabs Limited ("OpenIOLabs"). DeepMatter Tech Limited ("DTL") is a dormant subsidiary.

Principal Activity and Business Model

The Group's ongoing business activity, undertaken by DML and InfoChem, is that of the digitisation of the chemical space coupled with innovative chemical discovery.

The Group continues to make exciting progress in deploying its DigitalGlassware™ technology platform, comprising an easy-to-use software interface and a unique, low footprint sensor array, which allows an individual to access reproducible chemistry via internet protocols.

As outlined in our Annual Report for 2018, our strategic priorities for 2019 were to:

- Ensure engagement with Key Opinion Leaders
- Progress industrial site roll-outs to early adopters
- Initiate Cheminformatics integration into DigitalGlassware™

We are pleased to report having realised all these priorities in 2019.

Market & Strategy

The Company's strategy is focused on the development of DigitalGlassware™, a data rich platform, which we believe has the potential to transform chemistry lab processes, bringing the benefits of digital technology, cloud computing and AI to the lab, improving R&D productivity.

Chemical companies are making their plants and processes increasingly digital, data-driven and interconnected. Human interaction to produce chemical products introduces many opportunities for error and the 'Reproducibility crisis' in chemistry, where chemical experiments cannot be accurately reproduced and therefore duplication work is required, is estimated to cost the industry over \$28 billion* annually in the US alone.

* published by Freedman et al at the Global Biological Standards Institute, Washington, D.C., USA in the peer reviewed journal PLOS Biology 13 (2015).

Our innovative platform, DigitalGlassware™, is a cloud-based software, proprietary hardware and machine-learning enabled platform which eradicates reproducibility issues. Experiments are accurately and systematically recorded, coded and entered into a shared data cloud, allowing scientists to collaborate effectively, sharing details of their experiments from anywhere and in real-time.

Our goal is for our DigitalGlassware™ technology platform, along with other cheminformatics products, to be used across the pharmaceutical and wider chemical research industry to produce new chemical products, better, faster and cheaper. We will achieve this through:

- Organic growth of the User Base, Data Repository and Revenues
- Strategic Partnerships with influencers, sector adjacent hardware and data providers
- Commercial validation of the aggregate data proposition

Operational Review

The Pioneer Programme

The Pioneer Programme, for the initial testing and industry validation of the DigitalGlassware™ platform has now been brought to a successful conclusion, with one of the Pioneers converting to a revenue generating contract in the year.

Growing market validation and awareness

2019 saw growing market validation for the Company's DigitalGlassware™ technology. This started with the Company receiving its first purchase order for the platform in August 2019, from o2h discovery ("o2h"), an Anglo-Indian medicinal chemistry service provider that has end-to-end capability to take drug discovery programmes to the IND filing stage. o2h participated in the Company's Pioneer Programme during 2018, trialling the DigitalGlassware™ platform in both its research and process chemistry operations. Having participated in the Pioneer Programme, and being sufficiently impressed by the DigitalGlassware™ technology, o2h elected to pay for the provision of a greater number of user licences. This roll out will enable o2h to use DigitalGlassware™ as part of its drug-discovery collaboration with a strategic customer.

In December 2019, we announced a collaboration with leading multinational pharmaceutical and biopharmaceutical firm AstraZeneca, with the aim of improving the productivity and reproducibility of compound synthesis.

Later that month, we welcomed three leading sector figures as industry advisors on our commercial roll-out of DigitalGlassware™. The advisors bring in-depth knowledge in research & medicinal chemistry, process chemistry and industrially focused closed-loop robotics and automation, all target industries for DigitalGlassware™.

Following the year end, our traction with institutions has continued. In February 2020, we were delighted to announce two collaborations with leading UK Universities: the Institute of Process Research and Development (iPRD) at the University of Leeds and the University of Nottingham's School of Chemistry. In April 2020 we also announced a trial of DigitalGlassware™ within the Drug Discovery Unit of the Cancer Research UK Beatson Institute.

To support awareness of the DigitalGlassware™ platform, we initiated marketing activity during the year, targeting both the corporates who will purchase the licences for DigitalGlassware™ and the chemists who will use it, through increased attendance at industry events, social media marketing and direct marketing activities.

Acquisition and integration of InfoChem GmbH

In March 2019, we completed the acquisition of InfoChem, 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 the issue of 68,400,000 new ordinary shares in the capital of the Group comprising of 25,600,000 initial consideration shares and 42,800,000 deferred consideration shares.

The acquisition and integration of InfoChem provided a solid financial platform for the business, bringing customers and recurring revenues while adding key software functionality to increase the capabilities of the DigitalGlassware™ platform. The acquisition provides the Group with cost effective access to extensive scientific expertise, established data sources and chemical information software tools. Integration of the operations are now complete, with selected InfoChem cheminformatics capabilities now embedded in DigitalGlassware™. A rolling programme of integration continues.

The pipeline of sales opportunities for ICSynth™, InfoChem's core product offering, has increased following acquisition and the Company is increasingly building awareness of InfoChem's value proposition within this growing market, supporting market share growth.

Strengthening of our team

During the year, the leadership team of the Group has been strengthened through the appointments of a new Financial Director, Chief Operating Officer and Marketing Lead.

Evolution of the suite of software offerings

DigitalGlassware™

We have continued to develop the DigitalGlassware™ platform through the year, building core capability and adding integrations with further software and hardware platforms, to increase the richness and quality of data captured and the platform's commercial attraction. Being a cloud-based platform, upgrades to the capabilities of the platform can be completed frequently, and these have included Electronic Laboratory Notebook ("ELN") interfacing, third party analytical hardware integration, streamlining of the interface, bespoke export options, automatically embedded Health & Safety codes, real-time sensor alerts, new virtual sensors, and the launch of a publicly accessible version of chemistry content on the DigitalGlassware™ platform.

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.

To date, the DigitalGlassware™ platform has been used to collect data from over 2,400 days of chemistry research across over 1,000 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 represented in the DigitalGlassware™ platform.

The first patents relating to unique chemistry insights from the platform have been filed and we have a rapidly growing minable data repository.

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

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 software application has been under development, rich in new features and release of an advanced user interface is planned for later in 2020.

COVID-19 and Current Trading

As with many businesses, the impact of the COVID-19 pandemic has been felt both by us and our customers. We have seen a protraction of contract negotiations with our target customer base of large pharmaceutical organisations, whose immediate focus has been on the reorganisation of their workforces and the prioritisation of COVID-19 related activities.

Our priority has been to ensure the well-being of our teams, and the Group has moved to remote working across our sites, with all existing customers being fully supported remotely. In order to protect the business through this period, we have reduced the cost base of the Group through the deferment of Board, and management and employee salaries, the reduction of expenditure and the use of Government support schemes, where appropriate, in both the UK and Germany.

The need to either close laboratories or reduce the workforce occupancy within laboratories, implement remote working and share data across offsite and onsite teams has highlighted the benefit of the cloud-based sharing of scientific data and underlined the value-proposition of the DigitalGlassware™ platform. While negotiations can be protracted, we are engaged in promising discussions with several multi-national organisations, our relationship with AstraZeneca continues and we have a growing pipeline of further opportunities.

Outlook

Currently our focus is on safeguarding the business through the challenging period ahead, retaining a tight control of costs and preserving our resources, while ensuring we have the ability to capitalise on our growing sales pipeline.

Our ongoing objectives in 2020 will be based around further development of DigitalGlassware™ through:

- Organic growth of the User Base, Data Repository and Revenues
- Strategic Partnerships with influencers, sector adjacent hardware and data providers
- Commercial validation of the aggregate data proposition
- Signing more revenue-generating contracts with large pharma
- Enhancing the Platform's capabilities in Research and Process Chemistry and Teaching

With a blue-chip customer base, proven technology, recurring revenues and growing market awareness we believe we have the right structure to succeed and look to the long-term future with confidence.

On behalf of the Board

Mark Warne

Chief Executive Officer

28 May 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Continuing operations		
Revenue from contracts with customers	1,196	-
Cost of providing services	(667)	-
Gross profit	529	-
Research and development costs	(1,787)	(1,399)
Share based payments	(278)	(6)
Administrative costs	(1,850)	(600)

Operating loss	(3,386)	(2,005)
Finance income - net	23	12
Loss before tax	(3,363)	(1,993)
Taxation	346	180
Loss from continuing operations	(3,017)	(1,813)
Discontinued operations		
Profit/(loss) from discontinued operations	22	(104)
Profit on disposal of discontinued operations	14	-
Net result from discontinued operations	36	-
Loss for the year	(2,981)	(1,917)
Other comprehensive income		
Amounts which may be reclassified to profit or loss		
Currency translation differences on foreign operation	7	-
Total comprehensive loss for the year attributable to:		
The Company's equity shareholders	(2,974)	(1,917)
Loss per share attributable to the equity holders of the Company:		
Basic and diluted loss per share (pence) on continuing operations	(0.43)	(0.33)
Basic and diluted loss per share (pence) on total operations	(0.42)	(0.35)

Consolidated Statement of Financial Position
As at 31 December 2019

	At 31 December 2019 £'000	At 31 December 2018 £'000
Assets		
Non-current assets		
Intangible assets and goodwill	6,633	4,914
Investments	3	3
Plant and equipment	41	29
Right-of-use assets	182	-
	6,859	4,946
Current assets		
Inventories	-	74
Trade and other receivables	432	152
Income tax asset	172	289
Cash and cash equivalents	2,607	1,086
	3,211	1,601
Liabilities		
Current liabilities		
Trade and other payables	(464)	(345)
Lease liabilities	(123)	-
	(587)	(345)
Net current assets	2,624	1,256
Non-current liabilities		
Lease liabilities	(61)	-
Deferred tax	(341)	-
Total non-current liabilities	(402)	-
Total net assets	9,081	6,202
Shareholder's equity		
Called up share capital	74	55
Share premium	7,136	3,287
Merger reserve	5,971	5,334
Shares to be issued reserve	1,274	204
Foreign currency translation reserve	7	-
Retained deficit	(5,381)	(2,678)
Total equity attributable to shareholders of the Company	9,081	6,202

The financial statements were approved by the Board of Directors on 28 May 2020 and were signed on its behalf by:
Lauren Lees
Finance Director
Company Number: 05845469

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share equity £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Shares to be issued reserve £'000	Foreign Currency Translation Reserve £'000	Total equity £'000
Balance at 31 December 2017	55	3,287	5,334	(767)	204	-	8,113
Total comprehensive loss for the year to 31 December 2018	-	-	-	(1,917)	-	-	(1,917)
<i>Transactions with owners:</i>							
Share based payment charge	-	-	-	6	-	-	6
Balance at 31 December 2018	55	3,287	5,334	(2,678)	204	-	6,202
Loss for the year to 31 December 2019	-	-	-	(2,981)	-	-	(2,981)
Currency translation differences	-	-	-	-	-	7	7
Total comprehensive loss for the year to 31 December 2019	-	-	-	(2,981)	-	7	(2,974)
<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	-	-	-	278	-	-	278
Balance at 31 December 2019	74	7,136	5,971	(5,381)	1,274	7	9,081

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000
Cash flows from operating activities		
Operating loss from continuing operations	(3,386)	(2,005)
Operating profit/(loss) from discontinued operations	29	(213)
Depreciation and amortisation charges	558	59
Share based payments charge	278	6
Operating cash outflows before movement in working capital	(2,521)	(2,153)
Decrease/(increase) in inventories	74	(64)
(Increase) in trade and other receivables	(51)	(25)
(Decrease) /increase in trade and other payables	(247)	64
Cash used in operations	(2,745)	(2,178)
Interest received	28	12
Net cash used in operating activities	(2,717)	(2,166)
Cash flows from investing activities		
Purchases of property, plant and equipment	(12)	(13)
Cash and bank in subsidiary at acquisition net of cash payment	265	-
Net cash generated by/(used in) investing activities	253	(13)
Cash flows from financing activities		
Proceeds from the issue of share capital	4,005	-
Transaction costs arising from issue of share capital	(140)	-
Payment of lease liabilities	(107)	-
Taxation received	289	-
Net cash generated by financing activities	4,047	-

Net increase /(decrease) in cash and cash equivalents	1,583	(2,179)
Cash and cash equivalents at beginning of year	1,086	3,265
Effects of exchange rate changes on cash and cash equivalents	(62)	-
Cash and cash equivalents at end of year	2,607	1,086

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

A full copy of the Company's 2019 Annual Report is now available on the Company's website at www.deepmattergroup.com under the Investor Relations/Annual & Interim Reports section and will shortly be posted to shareholders. This contains on page 55, a Notice of the Annual General Meeting, to be held at St Brandon's House, 29 Great George Street, Bristol, BS1 5QT at 11:00am on Thursday 25 June.

The health of the Company's shareholders and its employees is of paramount importance. Due to the COVID-19 crisis, shareholders are required to follow the latest 'stay-at-home' measures and Government guidance in respect of public gatherings and therefore are instructed that they should not attend the AGM in person but instead submit their votes by proxy, with all votes to be routinely dealt with by way of a poll. Shareholders may ask questions in advance of the meeting by emailing AGM@deepmatter.io, with responses to be set out on the Company's investor website at www.deepmattergroup.com following the publication of the results of the AGM. Questions must be received no later than 11.00 a.m. on Tuesday 23 June 2020.

The Board of Directors approved this announcement on 28 May 2020. Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company for the years ended 31 December 2019 or 31 December 2018.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 December 2019 and 31 December 2018. The auditor, Nexia Smith & Williamson, has reported on the statutory accounts for the years ended 31 December 2019 and 2018; the reports were unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006. In their report on the statutory accounts for the year ended 31 December 2019, the auditor drew attention to the disclosures concerning going concern and the existence of a material uncertainty, the valuation of goodwill, intangible assets and investment in the subsidiaries including intercompany receivables. In their report on the statutory accounts for the year ended 31 December 2018 the auditor drew attention to the valuation of goodwill, intangible asset platform and investment in the subsidiaries.

The statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

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