Cyan Holdings Plc

("Cyan" or "the Company")

Interim Results for the six months ended 30 June 2012

Cyan Holdings Plc (AIM:CYAN.L), the integrated system and software design company delivering mesh based flexible wireless solutions for M2M utility metering and lighting control announces its Interim Results for the six months ended 30 June 2012.

Highlights

- Turnover of £192,923 (H1 2011: £220,277)
- Successful fund raising of circa £1.9 million (net of expenses)
- Appointment of John Cronin as Executive Chairman at the 2012 AGM
- Significant position achieved in "potentially transformational" TNEB tender in India
- Largest order in Company's history (over US$1M) for CyLec® products in India
- Partnership with major Indian electrical and utilities supplier Larson and Toubro Limited ("L&T")

John Cronin, Executive Chairman, commented:

"Whilst shareholders will no doubt be somewhat disappointed with the H1 2012 revenue numbers, I want to confirm that we continue to take significant strides forwards towards achieving our aim of being the recognised leading provider of smart energy solutions for the utility and lighting sectors in emerging markets. During the first half of 2012, we have won orders in India and China and have strategic partnerships with major manufacturers in both territories. We are very well positioned in the TNEB tender, which is now approaching its final stages, and represents a potentially transformational turning point for the Company in terms of revenues and financial stability.

We would like to thank our shareholders for their continued strong support in what continue to be difficult market conditions in which to raise funding. We hope to be able to confirm that their patience has been rewarded before the end of 2012."

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INTERIM STATEMENT

In my first statement since being appointed at the AGM in May 2012 as Chairman of your Company, I want to recognise that shareholders will be somewhat disappointed with Cyan's 1H 2012 revenues. This reflects a change of approach at Cyan where the management team has tightly focused on the Tamil Nadu Electricity Board ("TNEB") tender to ensure that Cyan has done everything possible, in terms of product development and sales management, to ensure that our meter manufacturer partners are awarded a significant share of the 1.5 million units contract (and ultimately are well placed for the whole 18 million units that TNEB plan to replace). The Board's view is that shareholder interests are best served by ensuring we win this tender which will be transformational in terms of revenue and financial stability for Cyan. Given the fact that Cyan is a small UK company, with limited resources, this has meant less time in terms of lighting product development and sales management on the ground in China and this has inevitably meant that lighting revenues in China have not grown as quickly as originally expected. Nevertheless, I am delighted to report that Cyan's overall position is exceptionally strong. Whilst on the surface, any business will legitimately judge its success on revenue growth and profit, shareholders will be familiar with the scale of Cyan's ambitious strategy; that being the adoption by India and China, the world's two largest growth economies, of Cyan's equipment as standard.

I believe Cyan's solutions to be market leading. Furthermore, the problems that our solutions help to solve have never been more prevalent. Indeed, I accepted the invitation to join Cyan, as I could see the high value opportunity that can be unlocked, through taking our solutions into the world's largest growth markets.

Cyan's prospects in the Indian Electricity metering market are now stronger than ever. Whilst we are having to be patient with the pace of progress on the TNEB tender, this opportunity represents a potentially significant turning point for the Company and we are exceptionally well positioned as the process nears its final stages. It is the view of Cyan's Board, and this has been confirmed by third parties, that the award of the TNEB tender to Cyan's meter manufacturer partners will be transformational in terms of Cyan's perception by customers and will open up an opportunity to establish the market standard for Automated Metering Infrastructure ("AMI") solutions in India (where more than 100 million smart meters are expected to be installed over the next 2-10 years).

Metering

As recent press coverage of national power cuts and power grid breakdowns demonstrate, there is an urgent requirement for upgrades to Smart Metering, across India's consumer power network.

Whilst shareholders' attention is most likely dominated by our ongoing participation in the TNEB tender, to which I will turn shortly, I feel it is important to outline our other progress over the first 6 months of the year.

In the first half of 2012, Cyan continued to strengthen its strategic partnerships in India. Most notably, in February we announced that we had entered into a partnership with major Indian electrical and utilities supplier L&T. Both we and L&T have identified a number of projects in India where there is a need for 865MHz based interoperable wireless AMI with a requirement for end to end communications enabling remote tamper detection and reporting. The alliance with L&T is in line with our strategy of building strategic partnerships with key established players in India.

Further to this, in May, we announced the largest order in our history - this order had a value of over US$1M. Cyan has worked closely with this customer, to provide an interoperable solution capable of Advanced Metering Reading ("AMR") and AMI. The integration of our CyLec® products is now complete and the customer has placed an order to fulfil several projects during the second half of 2012, across a range of utilities. These projects will embrace some key features for the Indian utility metering market, such as tamper detection and remote disconnect.

As recent announcements demonstrate, the TNEB tender process has progressed significantly, albeit slowly, and is nearing the final stages. Whilst it is frustrating that the TNEB tender has been a 'series of delays', we remain very confident of our competitive position. We are pleased that the two meter manufacturers who passed the CPRI tests first time were both Cyan partners and that two further Cyan partners have told us that they will submit to CPRI for retesting and will install pilots in parallel. Cyan continues to support all Cyan partners, on the ground in India as well as from Cambridge, to ensure that the CyLec® technology is demonstrated successfully to TNEB during the pilot installations.

Cyan has established a strong position in the Indian smart metering market by working with leading meter manufacturers, system integrators and utility providers. These key partners continue to promote CyLec®, Cyan's interoperable smart metering solutions that can be easily integrated. Being part of this eco-system of decision makers and influencers is key to our success.

We are in the process of migrating our business model away from a supplier of hardware by adding Software as a Service ("SaaS") to the revenue stream. For example, in the electricity metering market, this will take the form of a monthly per meter user fee as well as annual maintenance and license revenues. These fees are expected to be borne by the system integrators who will offer a turnkey service to their utility customers. Cyan's SaaS pricing is competitive with the current cost in India of reading meters manually. Several quotes have been provided to customers and this new revenue source is expected to start in 2013. Incremental development work is required to complete this new offering.

Provided that the TNEB tender is awarded to it, Cyan is expected to build out a local operation in India which will be responsible for local customer support as well as developing new sales opportunities for Cyan in the local market. Additionally, Cyan has received requests from its customers in India to start local sub-contract manufacturing in order to avoid import duties.

Lighting

As mentioned in John Read's statement for the year ended 31 December 2011, the Chinese lighting market has been transformed by the introduction of Energy Management Contracts ("EMC") which provide access to Government funding through investment in new EMC companies set up specifically to reduce national energy requirements by upgrading existing street lighting to lower energy technologies. With EMC contracts, cities do not require access to capital; the cost of the upgrade is funded by the reduction in energy costs over subsequent years and this business model incentivises the EMC company to maximise energy savings thus giving a good prospect that these contracts will meet government energy reduction goals.

Many lighting companies, including all of Cyan's customers, have been seeking to participate in this market and the formation of EMC companies, the award of EMC contracts and the conversion of existing projects into EMC has delayed project starts and roll-outs. The cause of the delay seems to now be over, with our customers having formed new EMC companies and telling us that the first EMC contracts have been awarded. New prospects continue to be eager to start incorporating Cyan products because of our proven success within a number of projects.

Cyan has continued to receive small lighting orders in the Chinese market during 2012. The EMC delays described above, as well as the requirement to focus Cyan's product development and sales management resources on metering in India, mean that China lighting revenues have not taken off as originally expected. The Board and management team are taking appropriate steps to rectify this position for 2013.

Machine to Machine ('M2M')

M2M is the next major opportunity for the wireless terminal (module) and chip industry.M2M is a broad label describing technology that enables automated communications between devices. It allows networked devices to exchange information and perform actions without the manual assistance of humans. For this reason these systems are often described as 'smart'. M2M is used in telemetry, data collection, remote control, robotics, remote monitoring, status tracking, road traffic control, offsite diagnostics and maintenance, security systems, logistic services, fleet management, telemedicine, smart metering and lighting control. Cyan currently offer M2M applications in wireless metering and lighting control but the underlying technologies (including CyNet®) are equally suitable for use in other M2M applications.

Cyan provides technology and is a service provider delivering the global, wireless mess networks specifically designed for **Machine-to-Machine (M2M) communications**. This revolution in cost of ownership can now enable the demanded M2M volume explosion; 50Bn connections is 10X the size of the total addressable market for terminal and silicon in today's cellular industry.

The motive for the M2M links is largely to achieve more efficient use of resources, be they natural ones like water or artificial ones like roads.

- So there is payback immediately and sustainably, not simply through consumer 'fad', and a business case can be made.
- Ofgem calculate >£1Bn annual savings in the UK from smart meters alone

Financials

For the six months ended 30 June 2012 turnover was £192,923, down slightly on H1 2011 (H1 2011: £220,277). The loss for the period was £1,491,953 (H1 2011: £1,354,323). Cash balances at the period end were £700,536 (H1 2011: £1,103,923).

As already announced in the Annual Report of Cyan Holdings plc for the year ended 31 December 2011, on 5th January 2012 shareholders approved a placing to raise approx £1.7M. In addition, in order to fund the growth of the business and its additional working capital requirements, Cyan announced on 13th July 2012 that it had secured a further round of finance. The Company successfully raised circa £1.9 million (net of expenses) as a result of a placing of shares at a price of 0.35 pence per share.

Cyan would like to take this opportunity to welcome the new shareholders and thank our existing shareholders for their support.

Outlook

We expect the coming months to yield significant developments for Cyan. There is no doubt we are moving towards 'crunch time' in terms of agreements turning into sizeable orders for our equipment. The outcome of the TNEB tender is obviously on the horizon, and this could be an utterly transformational moment for us, should the result be favourable.

The opportunity is vast, and we have, through hard work, manoeuvred ourselves into a very promising position.

I look forward to delivering outstanding value for shareholders.

John Cronin
Executive Chairman
28 September 2012

Consolidated Income Statement
Six months ended 30 June 2012

	Notes	Unaudited six months ended 30 June 2012 £	Unaudited six months ended 30 June 2011 £	Year ended 31 December 2011 £
Continuing operations				
Revenue		192,923	220,277	455,591
Cost of sales		(117,933)	(163,978)	(321,477
Gross Profit		74,990	56,299	134,114
Research and development costs		(584,431)	(774,675)	(1,865,982)
Other operating costs		(1,134,203)	(786,955)	(1,767,631)
Operating loss		(1,643,644)	(1,505,331)	(3,499,499)
Investment revenue		1,691	1,008	2,146
Finance costs		-	-	(7)
Loss before tax		(1,641,953)	(1,504,323)	(3,497,360)
Tax		120,000	150,000	345,784
Loss for the period		(1,521,953)	(1,354,323)	(3,151,576)
Loss per share (pence)				
Basic	4	(0.12)	(0.15)	(0.3)
Diluted	4	(0.12)	(0.15)	(0.3)

Consolidated Statement of Comprehensive Income
Six months ended 30 June 2012

	Unaudited six months ended 30 June 2012 £	Unaudited six months ended 30 June 2011 £	Year ended 31 December 2011 £
Loss for period	(1,521,953)	(1,354,323)	(3,151,576)
Exchange differences on translation of foreign operations	18,936	68,055	(34,104)
Total comprehensive income for the period	(1,503,017)	(1,286,268)	(3,185,680)

Consolidated Balance Sheet

At 30 June 2012

	Unaudited 30 June 2012	Unaudited 30 June 2011	31 December 2011
	£	£	£
Non-current assets			
Intangible assets	-	-	-
Property, plant and equipment	16,444	44,394	29,843
	16,444	44,394	29,843
Current Assets			
Inventories	979,921	1,054,266	973,577
Trade and other receivables	320,660	338,418	562,182
Cash and cash equivalents	700,536	1,103,923	364,590
	2,001,117	2,496,607	1,900,349
Total assets	2,017,561	2,541,001	1,930,192
Current liabilities			
Trade and other payables	328,424	343,666	349,126
Total liabilities	328,424	343,666	349,126
Net assets	1,689,137	2,197,335	1,581,066
Equity			
Share capital	165,709	2,006,448	2,385,401
Share premium account	25,790,896	21,188,996	21,965,649
Own shares held	(690,191)	(690,191)	(690,191)
Share option reserve	604,536	476,999	604,536
Translation reserve	(303,889)	(226,199)	(328,358)
Retained earnings	(23,877,924)	(20,558,718)	(22,355,971)
Total equity being attributable to owners of the Company	1,689,137	2,197,335	1,581,066

Consolidated Cash Flow Statement
Six months ended 30 June 2012

	Notes	Unaudited six months ended 30 June 2012 £	Unaudited six months ended 30 June 2011 £	Year ended 31 December 2011 £
Net cash outflow from operating activities	5	(1,217,236)	(1,390,711)	(3,177,846)
Investing activities				
Interest received		1,691	1,008	2,146
Purchases of property, plant and equipment		(46,958)	(28,171)	(29,782)
Net cash used in investing activities		(45,267)	(27,163)	(27,636)
Financing activities				
Interest paid		-	-	(7)
Proceeds on issue of shares		1,759,990	986,113	2,225,862
Share issue costs		(154,434)	(16,960)	(101,103)
Net cash from financing activities		1,605,556	969,153	2,124,752
Net increase / (decrease) in cash and cash equivalents		283,053	(448,721)	(1,080,730)
Cash and cash equivalents at beginning of year		364,590	1,484,437	1,434,437
Effect of foreign exchange rate changes		(7,107)	68,207	(39,117)
Cash and cash equivalents at end of year		700,536	1,103,923	364,590

Notes to Accounts
Six months ended 30 June 2012

1. Basis of preparation

The interim financial information has been prepared in accordance with the IFRS accounting policies used in the statutory financial statements for the year ended 31 December 2011.

These interim financial statements do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. Results for the six month periods ended 30 June 2012 and 30 June 2011 have not been audited. The results for the year ended 31 December 2011 have been extracted from the statutory financial statements of Cyan Holdings plc.

Statutory financial statements for the year ended 31 December 2011 are available on the Company's website www.cyantechnology.com and have been filed with the Registrar of Companies. The Company's auditor issued a report on those financial statements that was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006; however the auditor's report was modified to emphasise the uncertainty around the company's ability to continue as a going concern.

2. Going Concern

The directors have prepared a business plan and cash flow forecast for the period to 31 December 2013. The forecast contains certain assumptions about the level of future sales and the level of gross margins. The directors acknowledge that the Group is trading in a difficult economic environment and in markets that are relatively new to the Group. This may impact both the Group's ability to generate positive cash-flow and to raise new finance. There is a risk that the level of sales achieved is materially lower than the level forecast or at materially lower margins. The directors have taken steps to satisfy themselves about the robustness of sales forecasts but acknowledge that the timing of customer orders in the Group's target markets is inherently uncertain. The directors are of the opinion that this business plan is achievable. On this basis, the directors have assumed that the company is a going concern.

There is however, material uncertainty related to the assumptions described above which may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. In the event the Group ceased to be a going concern, the adjustments would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

3. Post balance sheet event

Since the end of the period, the Group has raised additional equity funding of circa £1.9 million after expenses. The placing was authorised by existing shareholders on 2 August 2012.

4. Loss per share

Basic and diluted loss per ordinary share has been calculated by dividing the loss after taxation for the periods as shown in the table below.

	Unaudited six months ended 30 June 2012	Unaudited six months ended 30 June 2011	Year ended 31 December 2011
	£	£	£
Losses (£)	1,521,953	1,354,323	3,151,576
Weighted average number of shares	1,293,298,323	925,996,146	1,021,124,228

IAS33 "Earnings per share" requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out of the money options. Since it seems inappropriate to assume that option holders would act irrationally and there are no other diluting future share issues, diluted EPS equals basic EPS.

5. Reconciliation of operating loss to operating cash flows

	Unaudited six months ended 30 June 2012	Unaudited six months ended 30 June 2011	Year ended 31 December 2011
	£	£	£
Operating loss for the period	(1,643,644)	(1,505,331)	(3,499,499)
Adjustments for:			
Depreciation of property, plant and equipment	14,784	12,738	28,690
Share-based payment expense	-	-	127,537
Operating cash flows before movements in working capital	(1,628,860)	(1,492,593)	(3,343,272)
Increase in inventories	(6,344)	(181,343)	(100,654)
Decrease / (Increase) in receivables	105,300	(94,243)	(116,848)
(Decrease) / Increase in payables	(20,702)	59,795	65,255
Cash reduced by operations	(1,550,606)	(1,708,384)	(3,495,519)
Income taxes received	333,370	317,673	317,673
Net cash outflow from operating activities	(1,217,236)	(1,390,711)	(3,177,846)