cyan technology

**Press Release** **13 September 2007**

**Cyan Holdings Plc**

("Cyan" or "the Group")

**Interim Results**

Cyan Holdings Plc (AIM:CYAN.L), the fabless semiconductor company specialising in the development of low powered, configurable microcontroller chips, announces its Interim Results for the six months to 30 June 2007.

## Highlights

- Continued implementation of new strategy
- Established new partnership in Europe with Adaptive Modules ahead of expectations
- First production order received from China Telecom
- Currently developing new product designed specifically for the Chinese market
- Successful placing in July, raising £5 million net at a premium

Commenting on the results, Kenn Lamb, Chief Executive of Cyan, said: "The Board is very pleased with the progress which has been made since embarking on the new strategy, clarifying the Group's position in each of its key geographic markets. By adopting a local approach to each region, Cyan will be able to address the needs and demands of each market individually, making its technology a much more appealing proposition.

"We are delighted with the great support we have received from our shareholders through the process of restructuring the Group and at our recent Placing. The proceeds of the Placing will facilitate Cyan's growth, enabling the Board to drive the Group forward and build its future as an innovative semiconductor company."

**-Ends-**

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**Interim Statement**

The first half of 2007 has seen significant changes within the Group, and the Board is confident that these changes position Cyan to fully realise its potential in the global markets. Kenn Lamb joined as CEO in April 2007, bringing over ten years' experience of running engineering teams and international sales organisations. Since his arrival, the Group has launched the implementation of a new go-to-market strategy in each of the three global geographies, strengthening all areas of the business. The Group is now in a position to take full advantage of its value enhancing proposition for customers, and deliver steady and stable growth going forward.

In order to fully deploy this new strategy, Cyan successfully raised £5 million (net) in July 2007 at a premium to the share price. This was achieved despite a difficult environment in which to raise new money, and Cyan's success reflects the underlying strength of the products and technology that has been developed by the Group.

The support which the Group has been shown from existing and new investors vindicates the action taken by the Board during the first half of this year to adopt and implement a strategy to turn Cyan around. This will commence with a restructuring of the management and staffing within the Group. The process of preparing for this change has inevitably added to the cost base in the first half of the year and the deployment of the strategy will add incremental but limited duration costs during the second half of the year. The Board expects that the restructuring process will be completed by the end of this calendar year, and that new products will be introduced to the market during the fourth quarter of 2007 and first quarter of 2008.

In the European market, the new strategy focuses on the extended capability of the Cyan software tools to work at board level rather than chip level. This will be achieved by establishing partnerships with businesses selling module level solutions, which will offer an attractive proposition that not only reduces the bill of materials, but also provides a software tool to program the module that can be passed on in turn to their customers. The first such partnership is with Adaptive Modules, and is for low cost wireless modules; this was announced on 19 June, several months ahead of the Board's expectations. This proves that Cyan is now in a position to enter the market at the application level, with its software as the programming tool for production ready modules.

Based upon the considerable experience of the Chinese market gained by Cyan Asia and its distribution partners, the Board has recognised the need for Cyan's products in this market to be at a price point around US$2 per chip, in order to meet local needs. The Group was able to identify a demand for a new product with a specification that meets the needs of the Chinese domestic market but which could be manufactured at a substantially lower cost. In accordance with local expectations, this product will be produced to look and feel Chinese, with local language datasheets, a Chinese version of the software and the use of local Chinese sales channels. The product will be manufactured in China following the Group negotiating and securing lower cost local manufacturing. The product will be marketed in China in the fourth quarter 2007, with initial versions available during the first half of 2008.

In July 2007, the Group announced the first production order from China Telecom for its original MCU chip. The end product is a smart card based payphone with built in clock in-out capability for installation in factories across China, and whilst the quantities are currently modest, the receipt of an initial production order is encouraging and confirms the view that this project has the potential to increase its contribution to revenues during 2008.

In the North American market, Cyan is currently pursuing a strategy to partner with established businesses which offer complementary semiconductor technology. It is the Board's intention to offer such partners access to a low cost microcontroller, which will enhance the programmability of their own products, as well as giving access to a software tool. This tool will be made available to their end customers to fully support the programming of their enhanced product, and will incorporate application software developed and owned by Cyan. Such customers will ultimately be users of Cyan MCU's, tools and application software, but will be purchasing products from established North American suppliers with key functions in addition to the microcontroller, such as Radio Frequency communication.

Cyan has already achieved a number of significant milestones, demonstrating that the Group is on target with the implementation of the new strategy. The Board is confident of achieving the turn around of the business during 2008, and of realising the full potential of the Group in 2009. The proceeds of the successful Placing at the end of July have provided Cyan with sufficient resources to complete the transformation of the business and consequently enable rapid sales growth in all three global markets.

## INDEPENDENT REVIEW REPORT TO CYAN HOLDINGS PLC

### Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### First-time adoption of International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules that would be applicable if the company were admitted to the Official List.

### Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

### Emphasis of matter – trade debtors

In forming our review conclusion, we have considered the adequacy of the disclosures made in note 2 of the interim financial statements concerning the possible outcome of amounts due from one of the group's customers.  There is uncertainty over the timing and quantum of the amount which may be recovered.

**Deloitte & Touche LLP**
Chartered Accountants
Cambridge, United Kingdom
12 September 2007

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published.  These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

**CONSOLIDATED INCOME STATEMENT**
**Results for the six months ended 30 June 2007**

| | Note | Six months ended 30 June 2007 unaudited | Six months ended 30 June 2006 unaudited | Re-stated year ended 31 December 2006 |
|---|---|---|---|---|
| | | £ | £ | £ |
| **REVENUE: continuing operations** | | **22,496** | **60,458** | **269,333** |
| Cost of sales | | (18,603) | (48,874) | (205,776) |
| **Gross profit** | | 3,893 | 11,584 | 63,557 |
| Administrative expenses | | | | |
| Share based compensation | | (5,757) | (84,286) | (173,529) |
| Other | | (1,831,600) | (1,357,312) | (3,035,547) |
| | | (1,837,357) | (1,441,598) | (3,209,076) |
| **OPERATING LOSS: continuing operations** | | (1,833,464) | (1,430,014) | (3,145,519) |
| Investment revenues | | 52,771 | 107,180 | 205,898 |
| Finance Costs | | (53,565) | (41,347) | (69,225) |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | | (1,834,258) | (1,364,181) | (3,008,846) |
| Tax on loss on ordinary activities | | 0 | 0 | 475,557 |
| **LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS** | | (1,834,258) | (1,364,181) | (2,533,289) |
| **LOSS PER SHARE (pence)** | | | | |
| Basic and diluted | 3 | (2.1) | (1.6) | (3.0) |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**Results for the six months ended 30 June 2007**

| | Six months ended 30 June 2007 unaudited | Six months ended 30 June 2006 unaudited | Re-stated year ended 31 December 2006 |
|---|---|---|---|
| | £ | £ | £ |
| At beginning of period | 3,336,252 | 5,638,954 | 5,638,954 |
| Equity shares issued | 94,150 | 15,841 | 30,849 |
| Exchange differences on translating foreign operations recognised directly in equity | 15,569 | 19,027 | 26,209 |
| Share based compensation | 5,757 | 84,286 | 173,529 |
| Loss for the financial period | (1,834,258) | (1,364,181) | (2,533,289) |
| At the end of the period | 1,617,470 | 4,393,927 | 3,336,252 |

**CONSOLIDATED BALANCE SHEET**
**30 June 2007**

| | Note | Six months ended 30 June 2007 unaudited | Six months ended 30 June 2006 unaudited | Year ended 31 December 2006 audited |
|---|---|---|---|---|
| | | £ | £ | £ |
| **NON CURRENT ASSETS** | | | | |
| Intangible assets | | 43,190 | 73,982 | 57,586 |
| Property, plant and equipment | | 92,275 | 76,062 | 78,663 |
| | | 135,465 | 150,044 | 136,249 |
| **CURRENT ASSETS** | | | | |
| Inventory | | 146,677 | 127,939 | 107,922 |
| Trade and other receivables | | 506,744 | 78,525 | 520,942 |
| Cash and cash equivalents | | 1,099,726 | 4,297,870 | 2,820,801 |
| | | 1,753,147 | 4,504,334 | 3,449,665 |
| **TOTAL ASSETS** | | 1,888,612 | 4,654,378 | 3,585,914 |
| **CURRENT LIABILITIES** | | (271,142) | (260,451) | (249,662) |
| **NET CURRENT ASSETS** | | 1,482,005 | 4,243,883 | 3,200,003 |
| **NET ASSETS** | | 1,617,470 | 4,393,927 | 3,336,252 |
| **EQUITY** | | | | |
| Share capital | | 171,853 | 169,762 | 170,070 |
| Share premium | | 8,719,997 | 8,612,930 | 8,627,630 |
| Retained loss | | (7,427,250) | (4,486,724) | (5,648,943) |
| Share based compensation | | 152,870 | 97,959 | 187,495 |
| **TOTAL EQUITY** | | 1,617,470 | 4,393,927 | 3,336,252 |

**CONSOLIDATED CASH FLOW STATEMENT**
**Results for the six months ended 30 June 2007**

| | Note | Six months ended 30 June 2007 unaudited | Six months ended 30 June 2006 unaudited | Re-stated -year ended 31 December 2006 audited |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Net cash outflow from operating activities** | 4 | (1,773,779) | (1,331,873) | (2,869,052) |
| **Investing activities** | 5 | (41,446) | 46,222 | 91,324 |
| **Financing** | 5 | 94,150 | 15,841 | 30,849 |
| **Net (Decrease) in cash and cash equivalents** | | (1,721,075) | (1,269,810) | (2,746,879) |
| **Cash and cash equivalents at beginning of period** | | 2,820,801 | 5,567,680 | 5,567,680 |
| **Cash and cash equivalents at end of period** | | 1,099,726 | 4,297,870 | 2,820,801 |

## NOTES TO THE FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

The interim financial information has been prepared in accordance with the IFRS accounting policies that are expected to apply in 2007. The Group's IFRS accounting policies are available on the Company's website www.cyantechnology.com

These interim financial statements do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. Results for the six month periods ended 30 June 2007 and 30 June 2006 have not been audited. The result for the year ended 31 December 2006 have been extracted from the statutory financial statements of Cyan Holdings plc and restated in accordance with the accounting principles applied by the Company.

Statutory financial statements for the year ended 31 December 2006 are available on the Company's website www.cyantechnology.com and have been filed with the Registrar of Companies. The Company's auditors issued a report on those financial statements that was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985; however the auditor's report was modified to emphasise the uncertainty over the timing and quantum of amounts which may be recovered from one of the Group's customers.

### 2. TRADE AND OTHER RECEIVABLES

Included within trade and other receivables is an overdue amount of £157,780 in relation to a customer in China. The directors have assessed the need for a provision against this risk, are actively pursuing these amounts, have concluded that no provision is required at present, and are of the opinion that substantially all amounts from this customer are recoverable.

### 3. 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.

| | **Six months ended 30 June 2007 unaudited** | **Six months ended 30 June 2006 unaudited** | **Re-stated year ended 31 December 2006 audited** |
|---|---|---|---|
| | **£** | **£** | **£** |
| Losses (£) | (1,834,258) | (1,364,181) | (2,533,289) |
| Weighted average number of shares | 85,398,648 | 84,670,828 | 84,814,709 |

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.

## 4. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

| | Six months ended 30 June 2007 unaudited £ | Six months ended 30 June 2006 unaudited £ | Re-stated year ended 31 December 2006 £ |
|---|---|---|---|
| Operating loss | (1,833,464) | (1,430,014) | (3,145,519) |
| Currency translation difference | 15,569 | 19,027 | 26,209 |
| Depreciation and amortisation | 41,436 | 36,803 | 76,336 |
| IFRS2 charge | 5,757 | 84,286 | 173,529 |
| Increase in inventories | (38,755) | (68,356) | (48,339) |
| (Decrease)/Increase in trade and other receivables | 14,198 | 134,035 | (127,019) |
| (Decrease)/Increase in payables | 21,480 | (107,654) | (88,443) |
| Net cash outflow from operations | (1,773,779) | (1,331,873) | (3,133,246) |
| Research and development tax credit received | - | - | 264,194 |
| Net cash outflow from operating activities | (1,773,779) | (1,331,873) | (2,869,052) |

## 5. ANALYSIS OF CASH FLOWS

| | Six months ended 30 June 2007 unaudited £ | Six months ended 30 June 2006 unaudited £ | Re-stated year ended 31 December 2006 £ |
|---|---|---|---|
| **Investing activities** | | | |
| Interest receivable and similar income | 52,771 | 107,180 | 205,898 |
| Interest payable and similar charges | (53,565) | (41,347) | (69,225) |
| Purchase of property, plant and equipment | (40,652) | (19,611) | (45,349) |
| **Net cash (ouflow)/inflow** | (41,446) | 46,222 | 91,324 |
| **Financing** | | | |
| Exercise of share options | 94,150 | 15,841 | 30,849 |
| **Net cash inflow** | 94,150 | 15,841 | 30,849 |

## 6. POST BALANCE SHEET EVENT

Subsequent to 30 June 2007 the group raised further capital through two placings on the AIM market totaling £5,330,000 through the issue of 53,300,000 ordinary shares of 0.2 pence each at ten pence per share.

**-Ends-**