22 August 2016

**Cyan Holdings plc**
("CyanConnode" or the "Group")

**Half yearly results for the six months ended 30 June 2016**

CyanConnode (AIM:CYAN.L), the world leader in narrowband RF mesh networks for Omni Internet of Things communications, announces its half yearly results for the six months ended 30 June 2016.

**Financial Highlights**

- Revenue of £1,029,526 (H1 2015: £157,328), which represents a 554% increase over the same period last year
- Operating loss of £2,858,715 (H1 2015: £2,289,524)
- Basic and diluted loss per share of 0.04p (H1 2015: 0.05p)
- Cash and cash equivalents at 30 June 2016 of £2,370,504 (H1 2015: £628,069)

**Operational Highlights**

- Delivery against two contracts worth £1.5 million to Enzen Global Solutions
- Transformational £10 million purchase order for smart metering in Iran
- Follow on order for a further 5,000 meters from Larsen & Toubro for Tata Power in India
- Agreement with JST Group to distribute smart metering technology in Thailand

**Post Period Highlights**

- Completed the acquisition of Connode Holding AB ("Connode"), providing:
    - a smart metering contract with potential revenues of up to £37 million for the UK Smart Metering Implementation Programme;
    - a pipeline of commercial opportunities in Europe and Asia; and
    - a full standards (IPv6/6LoWPAN) technology platform already developed
- Additional working capital funding raised of £4.3 million for the enlarged CyanConnode Group, supported by institutional investors
- Strategic partnership with Enzen in Ireland

**John Cronin, Executive Chairman, commented**: *"This was a pivotal period for the Group as we significantly enhanced our capabilities and offering. Clearly the major developments were the purchase order in Iran, the game-changing acquisition of Connode as well as the increase in revenues. We are extremely excited by the potential to build on relationships in place whilst breaking into new markets on the back of our wider product offering.*

*"The deployment of meters for CESC and PVVNL highlights our ability to service and deliver on contracts as well as converting orders into both revenues and customer reference points. We have a strong pipeline in place across multiple markets and very much look forward to converting it into more orders in the coming months. Furthermore, our end-to-end solutions provide increasing scope for us to enter new territories whilst the Group is also benefiting from increased visibility due to the nature of our software licensing agreements. We very much look forward to updating the market in due course and firmly believe our strong product offering and relationships will deliver considerable value for our shareholders."*

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). This inside information is now considered to be in the public domain.

**Enquiries:**


| | |
|---|---|
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## CHAIRMAN'S STATEMENT

This was an extremely busy period for the Group as we laid the foundations for a step change in growth. Our financial performance reflected the increasing maturity of our offering and relationships. The comparatively strong revenue performance was due to deployments in India, while our £10 million purchase order in Iran highlighted our ability to move quickly into new territories. Furthermore, the acquisition of Connode changed the dynamic of our business by providing long-term visibility attributable to existing contracts as well as standards-based software that opens up a wider potential market place for our solutions.

**Commercial Deployments**

During the period, the Group made substantive deliveries against two contracts worth in aggregate approximately £1.5 million to Enzen Global Solutions Pvt Ltd ("Enzen"), which are being implemented on behalf of Chamundeshwari Electricity Supply Corporation Limited ("CESC") and Paschimanchal Vidyut Vitran Nigam Limited ("PVVNL"). 19,000 CyLec enabled meters have now been installed for CESC and PVVNL in consumer homes. Roll-out of the remaining smart meters at these two key customers is expected to be complete by the end of 2016. CyanConnode is managing the end to end solution delivery for smart metering for CESC and PVVNL, highlighting the strength and potential scalability of the Group's offering.

**Eco-system of Partners**

We also further extended our growth potential in India with a follow-on order for 5,000 meters from Larsen & Toubro ("L&T") to expand the deployment of our smart metering solution at Tata Power Mumbai ("Tata Power"). It was pleasing that we built on the existing relationship with L&T and we look forward to seeing Tata Power deploy these meters as well as building on further opportunities in the region with our eco-system of partners.

A key development during the period was the £10 million purchase order for smart metering from Micromodje in Iran – a new territory for the Group. We were delighted to secure the order so quickly following the lifting of sanctions while the size of the contract, being ten times larger than any previous orders received to date, highlights the increasing scalability of our offering. The purchase order is for the supply of both CyanConnode's Advanced Metering Infrastructure hardware solution and its proprietary Head-End Software ("HES"). The 360,000 units will be installed for high value, high demand customers that represent an estimated 25% of total national power consumption of Iran. Over 50% of the total order value consists of software license income meaning that the recurring revenues from this purchase order will continue well beyond the two-year hardware installation period. The software licenses will be paid annually in advance and charged on a per meter per year basis.

In May, the Group continued its expansion into emerging markets via an agreement with the JST Group ("JST") to distribute the Group's smart metering technology in Thailand. This relationship was further strengthened with JST investing £2 million into the Group as part of the £12.6 million placing and subscription announced during the period.

Post period end we further strengthened our relationship with Enzen, expanding our reach into Ireland. This agreement will provide combined value to support Smart Energy, Smart Cities and Internet of Things ("IoT") in the Irish market. Our communication platform will enable Enzen to deliver Metering as a Service ("MaaS"), offering utilities an outsourced smart metering solution and reduced costs.

*Connode Acquisition*

Significantly we further enhanced our geographic reach via the £6.8m acquisition of Connode, a well-established supplier of wireless communication solutions for smart metering and the IoT with customers in the UK, Europe and Asia. Connode is a key supplier of mesh technology to the UK Smart Metering Implementation Programme ("SMIP"). The potential value of the SMIP rollout to Connode is approximately £37 million in software license and support fees over the rollout and support lifecycle. Another benefit from the deal is that Connode has developed a product that is compatible with IPv6/6LoWPAN, the latest version of internet protocol and a standards based technology. This can now be deployed across the enlarged Group and gives us the capability to offer both technologies dependent upon the consumer's requirements and budget. We would have had to invest £2.5 million and commit to 18 months' development if we developed this standards based technology on its own. Furthermore, the transaction also incorporated the acquisition of Connode India, providing further scope for growth in a territory where we have an established presence.

The integration of Connode is progressing well and we have started to promote the Enlarged Group's offering to both Cyan and Connode customers and prospects. The combined solution offering of both the optimised Cyan product as well as the standards based Connode solution has received very positive feedback from the market and has already been included in tender responses we are submitting with our eco-system partners.

**Financial Review**

For the six months ended 30 June 2016 revenue was £1,029,526 (H1 2015: £157,328), which represents a 554% increase over the same period last year. This result was achieved during an already busy period as the Group grew its geographic reach and strategic partnership base, whilst also committing significant resources to the Connode acquisition. The gross margin achieved during the period was modest in percentage terms due to the fact that we provided a complete solution for both CESC and PVVNL, which includes a substantive element of third party manufactured smart electricity meters. We expect our gross margins to improve going forward as we focus on the provision of the narrowband RF mesh communications elements for each tender, with local partners then bringing together the complete end to end solution (including the smart meters). Our gross margin will also further improve due to Connode's focus on software in their business model, together with the planned evolution to providing in-country partners with the right to manufacture CyanConnode hardware locally under a license fee/royalty model (similar to ARM Holdings plc).

Operating loss for the period was £2,858,715 (H1 2015 £2,289,524) and net loss after tax was £2,530,201 (H1 2015: £2,019,774). Cash as at 30 June 2016 was £2,370,504 (H1 2015: £628,069), with this amount including £2 million of investor monies received in advance of completion of the Placing/Subscription on 1 July 2016.

In June 2016, CyanConnode announced the £12.6 million placing and subscription with existing and new investors to fund the acquisition of Connode and to provide the Group with working capital. JST invested £2 million, with Directors also subscribing for £304,500 of Ordinary Shares. The new monies also provided £4.3 million in working capital for the enlarged Group, enabling it to continue its growth strategy, focused on exploiting global opportunities provided by its enhanced product suite. Furthermore, in order to support the Group's plans over the next 12 months, the Directors and certain senior employees have agreed to receive their existing contracted remuneration through the receipt of the Group's shares on a periodic basis. Institutional investors supported the funding round, and saw both Herald Investment Management and Legal and General increasing their equity ownership positions.

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

**Outlook**

This was a pivotal period for the Group as we significantly enhanced our capabilities and offering. Clearly the major developments were the purchase order in Iran, the game-changing acquisition of Connode as well as the increase in revenues. We are extremely excited by the potential to build on relationships in place, while breaking into new markets on the back of our wider product offering.

The deployment of meters for CESC and PVVNL highlights our ability to service and deliver on contracts and proves a good reference point for us. We have a strong pipeline in place and very much look forward to converting more of these opportunities into orders in the coming months. Buoyed by the acquisition of Connode, which adds geographic reach and relevant standards to CyanConnode's portfolio, we remain excited by the Group's growth prospects. We continue to explore global opportunities and look forward to integrating the Connode team and products, securing more repeat orders and benefiting from increased levels of recurring revenues. We expect trading during the second half to reflect our increasing levels of commercialisation.

**John Cronin**
Executive Chairman
22 August 2016

# Consolidated Income Statement

Six months ended 30 June 2016

| | Notes | Unaudited six months ended 30 June 2016 | Unaudited six months ended 30 June 2015 | Year ended 31 December 2015 |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Continuing operations** | | | | |
| Revenue | | 1,029,526 | 157,328 | 272,012 |
| Cost of sales | | (903,292) | (93,126) | (161,959) |
| **Gross profit** | | 126,234 | 64,202 | 110,053 |
| Operating costs | | (2,984,949) | (2,353,726) | (5,012,696) |
| **Operating loss** | | (2,858,715) | (2,289,524) | (4,902,643) |
| Investment revenue | | 3,457 | 2,485 | 8,282 |
| Finance costs | | (769) | (657) | (917) |
| **Loss before tax** | | (2,855,027) | (2,287,696) | (4,895,278) |
| Tax | | 325,826 | 267,922 | 579,585 |
| **Loss for the period** | | (2,530,201) | (2,019,774) | (4,315,693) |
| **Loss per share (pence)** | | | | |
| Basic | 3 | (0.04) | (0.05) | (0.08) |
| Diluted | 3 | (0.04) | (0.05) | (0.08) |

# Consolidated Statement of Comprehensive Income

Six months ended 30 June 2016

| | Unaudited six months ended 30 June 2016 | Unaudited six months ended 30 June 2015 | Year ended 31 December 2015 |
|---|---|---|---|
| | £ | £ | £ |
| Loss for period | (2,530,201) | (2,019,773) | (4,315,693) |
| Exchange differences on translation of foreign operations | (2,624) | (3,316) | 4,081 |
| Total comprehensive income for the period | (2,532,825) | (2,023,089) | (4,311,612) |

# Consolidated Balance Sheet

At 30 June 2016

| | Unaudited 30 June 2016 | Unaudited 30 June 2015 | 31 December 2015 |
|---|---|---|---|
| | £ | £ | £ |
| **Non-current assets** | | | |
| Leasehold Improvements | - | 7,669 | - |
| Investments | 36,393 | - | 26,308 |
| Property, plant and equipment | 31,400 | 29,694 | 29,967 |
| | 67,793 | 37,363 | 56,275 |
| **Current Assets** | | | |
| Inventories | 386,841 | 528,298 | 587,484 |
| Trade and other receivables | 2,183,939 | 466,103 | 845,667 |
| Cash and cash equivalents | 2,370,504 | 628,069 | 2,461,057 |
| | 4,941,284 | 1,622,470 | 3,894,208 |
| **Total assets** | 5,009,077 | 1,659,833 | 3,950,483 |
| **Current liabilities** | | | |
| Trade and other payables | (3,779,732) | (649,675) | (747,933) |
| **Total liabilities** | (3,779,732) | (649,675) | (747,933) |
| **Net current assets** | 1,161,551 | 972,795 | 3,146,275 |
| **Net assets** | 1,229,345 | 1,010,158 | 3,202,550 |
| **Equity** | | | |
| Share capital | 711,831 | 447,662 | 680,320 |
| Share premium account | 38,613,736 | 33,935,138 | 38,085,627 |
| Own shares held | (808,856) | (808,856) | (808,856) |
| Share option reserve | 624,411 | 522,562 | 624,411 |
| Translation reserve | (148,285) | (153,058) | (145,661) |
| Retained loss | (37,763,492) | (32,933,290) | (35,233,291) |
| **Total equity being attributable to owners of the Group** | 1,229,345 | 1,010,158 | 3,202,550 |

# Consolidated Statement of Changes in Equity

At 30 June 2016

| | Share Capital £ | Share Premium £ | Own shares held £ | Share Option Reserve £ | Translation Reserve £ | Retained Losses £ | Total Equity £ |
|---|---|---|---|---|---|---|---|
| **Balance at 30 June 2015** | **447,662** | **33,935,138** | **(808,856)** | **522,562** | **(153,058)** | **(32,933,290)** | **1,010,158** |
| Loss for the period | - | - | - | - | - | (2,300,001) | **(2,300,001)** |
| Other comprehensive income for the period | - | - | - | - | 7,397 | - | **7,397** |
| Total comprehensive income for the period | - | - | - | - | 7,397 | (2,300,001) | **(2,292,604)** |
| Issue of share capital | 232,658 | 4,150,489 | - | - | - | - | **4,383,147** |
| Debit to equity for share options | - | - | - | 101,849 | - | - | **101,849** |
| **Balance at 31 December 2015** | **680,320** | **38,085,627** | **(808,856)** | **624,411** | **(145,661)** | **(35,233,291)** | **3,202,550** |
| Loss for the period | - | - | - | - | - | (2,530,201) | **(2,530,201)** |
| Other comprehensive income for the period | - | - | - | - | (2,624) | - | **(2,624)** |
| Total comprehensive income for the period | - | - | - | - | (2,624) | (2,530,200) | **(2,532,825)** |
| Issue of share capital | 31,511 | 528,109 | - | - | - | - | **559,620** |
| **Balance at 30 June 2016** | **711,831** | **38,613,736** | **(808,856)** | **624,411** | **(148,285)** | **(37,763,492)** | **1,229,345** |

# Consolidated Cash Flow Statement

Six months ended 30 June 2016

| | Notes | Unaudited six months ended 30 June 2016 £ | Unaudited six months ended 30 June 2015 £ | Year ended 31 December 2015 £ |
|---|---|---|---|---|
| **Net cash outflow from operating activities** | 4 | (624,649) | (1,716,147) | (4,236,638) |
| **Investing activities** | | | | |
| Interest received | | 3,457 | 2,485 | 8,281 |
| Purchases of property, plant and equipment | | (15,503) | (23,330) | (35,541) |
| Purchases of bank securities | | (10,086) | - | (26,308) |
| **Net cash used in investing activities** | | (22,132) | (20,845) | (53,568) |
| **Financing activities** | | | | |
| Interest paid | | (769) | (657) | (918) |
| Proceeds on issue of shares | | 559,619 | 32,340 | 4,678,103 |
| Share issue costs | | - | (7,650) | (270,266) |
| **Net cash from financing activities** | | 558,850 | 24,033 | 4,406,919 |
| **Net (decrease) / increase in cash and cash equivalents** | | (87,931) | (1,712,959) | 116,713 |
| **Cash and cash equivalents at beginning of period** | | 2,461,057 | 2,344,344 | 2,344,344 |
| Effect of foreign exchange rate changes | | (2,624) | (3,316) | - |
| **Cash and cash equivalents at end of period** | | 2,370,502 | 628,069 | 2,461,057 |

# Notes to the Accounts

Six months ended 30 June 2016

## 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 2015.

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 2016 and 30 June 2015 have not been audited. The results for the year ended 31 December 2015 have been extracted from the statutory financial statements of Cyan Holdings plc.

Statutory financial statements for the year ended 31 December 2015 are available on the Group's website www.cyantechnology.com and have been filed with the Registrar of Companies. The Group'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 Group's ability to continue as a going concern.

## 2. Going Concern

Since the end of the period being reported, the Group has raised a further £4.3 million (gross) from an equity placing. As a result of this, the Directors believe that the Group will be able to meet their liabilities as they fall due for at least 12 months, however they have highlighted the risks that the company continues to face below.

The Directors have recognised that the Group is trading principally in five emerging markets, namely India, Brazil, China, Sub-Saharan Africa and Iran. These markets have an inherent level of uncertainty associated with them and this may result in the predicted level of sales not being achieved and/or the timing of orders being delayed, as has been the case for the Group in the past. This may impact both the Group's ability to generate positive cashflow and to raise new finance should it be required in the future.

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 that the company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, including stocks, to their recoverable amount and providing for any further liabilities that might arise.

Notwithstanding the material uncertainties described above, because of the additional funding raised in July 2016, the Directors have a reasonable expectation that the Group can continue to meet their liabilities as they fall due, for a period of at least 12 months from the date of approval of this report.

## 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.

| | Unaudited six months ended 30 June 2016 | Unaudited six months ended 30 June 2015 | Year Ended 31 December 2015 |
|---|---|---|---|
| Losses (£) | 2,530,201 | 2,019,773 | 4,315,693 |
| Weighted average number of shares | 6,955,337,610 | 4,481,721,997 | 5,631,383,257 |

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

| | Unaudited six months ended 30 June 2016 | Unaudited six months ended 30 June 2015 | Year ended 31 December 2015 |
|---|---|---|---|
| | £ | £ | £ |
| Operating loss for the period | (2,858,715) | (2,289,523) | (4,902,643) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 14,069 | 9,694 | 29,300 |
| Share-based payment expense | - | - | 101,849 |
| Operating cash flows before movements in working capital | (2,844,646) | (2,279,829) | (4,771,494) |
| Decrease / (Increase) in inventories | 200,643 | 46,203 | (12,954) |
| Dcrease) / (Increase) in receivables | (1,592,031) | (25,267) | (93,167) |
| Increase in payables | 3,031,800 | 141,412 | 239,643 |
| Cash reduced by operations | (1,204,234) | (2,117,481) | (4,637,972) |
| Income taxes received | 579,585 | 401,334 | 401,334 |
| **Net cash outflow from operating activities** | **(624,649)** | **(1,716,147)** | **(4,236,638)** |

## 5. Interim Results

The Group’s Interim Results are available for download on the Group’s website. The report will not be posted to shareholders.