15 September 2017

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

Half yearly results for the six months ended 30 June 2017

CyanConnode (AIM:CYAN.L), the world leader in narrowband radio mesh networks, announces its half yearly results for the six months ended 30 June 2017.

Financial Highlights

- New order wins of £7.6m, resulting in a period end order book of £20m
- Revenue of £573,143 (H1 2016: £1,029,526)
    - In line with management expectations as the revenue mix transitioned from low-margin third party electricity meters, delivered to a specific customer in India in the corresponding period, towards the more regular revenue mix of hardware, software and professional services
- Operating loss of £4,785,258 (H1 2016: £2,858,715), driven by increased R&D investment
- Basic and diluted loss per share of 0.03p (H1 2016: 0.04p)
- Cash and cash equivalents at 30 June 2017 of £3,046,082 (H1 2016: £2,370,504)

Operational Highlights

- Purchase order contract for Bangladesh won and subsequently extended
    - Contract won for £4.2m and subsequently extended to £7.2m for a total of 250,000 meters
    - Order size highlights the Group's leading position
    - Half the order is recurring software license revenue with a ten year contract term
- Follow on orders for a further 10,400 smart meters in India
    - Further strengthening relationship with Tata Power Mumbai ("Tata Power")
    - Demonstrating the success of the Group's scalable business model
- Contract win with Innologix India for the supply of £120,000 worth of software licenses
- Pete Hutton (ex-ARM senior executive) appointed to the Board
- New equity funding of £3.2m (gross) completed in April 2017
- Purchase order for 100,000 software licenses from HM Power Sweden

Post Period Highlights

- Board realigned with the Group focused on converting significant order book into deployment
- Purchase order contract for Bangladesh further extended
    - Additional extension of £7.4m for an additional 300,000 units
    - Over half the order is recurring software license revenue with a ten year contract term
    - Total value of contract awards to date for Bangladesh comes to £14.6m
- Current order book stands at £28m in addition to the £24m expected from the UK smart metering contract
    - Deployment of the contracts in the existing order book will result in significant revenue growth
    - Software licenses account for 54% of the current order book – reflecting growing value of high margin and recurring revenue stream
- £0.9m purchase order in India
    - First contract award from new Tier 1 meter manufacturer partner Genus Power Infrastructures Ltd in India
    - First volume order from India for the Group's IPv6-based smart metering solution, further expanding its product footprint
- Anil Daulani hired as Managing Director India
- New equity funding of £8.6m announced (subject to shareholder approval)

John Cronin, Executive Chairman, commented: "*We are delighted with the progress made during the period. The size and frequency of contract wins with new and existing clients reflects the strength of our operations and the value our partners see in our end to end solutions. Following the successful integration of the acquired Connode Sweden business, we have established and built a world class development and delivery organisation. We believe that deployments, which are set to commence during the second half, will result in significant revenue growth as we focus on delivering revenues and ultimately profitability.*

"We have a strong and growing order book and the nature of our model, focusing on hardware installations followed by the commencement of long-term software license payments, provides high levels of recurring revenues while also enabling further margin improvements. These key fundamentals underpin our significant confidence in our ability to deliver substantial continued growth while there is significant scope for scalability within all the markets we are operating in - with over 100 million potential customers across Iran, Bangladesh and the UK, where customer contracts are already in place, in addition to the huge growth opportunity in India."

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

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CHAIRMAN'S STATEMENT

During the period, the Group made significant inroads into executing on its model, further growing its order book and laying down the foundations for increased levels of deployment, which will underpin significant revenue growth in the coming months and years. CyanConnode has developed its software solutions and expanded its geographical presence, which is reflected in the progress made during the first half of this year. This further highlights the Group's ability to win contracts from both existing and new clients and to further develop its ecosystem of partners. CyanConnode has now established a model to benefit from increasing gross margins as the products and services it provides evolves and the Group is focused on delivery of its growing order book.

India
The follow-on orders received from Tata Power highlight the strength of our solution. The additional orders for 10,400 units for the implementation of CyanConnode's narrowband RF mesh Advanced Metering Infrastructure ("AMI") solution brings the total Tata Power orders to date to over 25,000. There is substantial scope to further strengthen this relationship given that Tata Power continues to expand and now has over 2.6 million consumer customers, including over 670,000 in Mumbai.

The Group also received a purchase order for software licenses from Innologix Consulting Pvt Ltd in India worth approximately £120,000. The smart meters for the Innologix solution will use CyanConnode's communications module. These will be sourced by Innologix through one of the Group's existing local partners together with the partner's smart meters. The purchase order is for CyanConnode Head End Server software licenses, and includes an annual maintenance contract, which will provide a recurring revenue stream following successful installation of the software on the Innologix cloud-based platform. This order further demonstrates the value of CyanConnode's ecosystem of partners model, where local in-country partners win business for their own solutions through adding the CyanConnode's solution to their own products.

Since the beginning of the year, the size of the opportunity pipeline in India has increased significantly with several tenders now active for public utility projects each representing hundreds of thousands of meters. Furthermore, the Government of India has started the process of empaneling solution providers for the rollout of millions of meters. CyanConnode has established a leadership position in the India market and the Group is very well positioned to win the communications solutions element of these large tenders as India progresses towards the Government's target of 35 million smart meters deployed by 2019.

In September 2017, Anil Daulani was appointed as Managing Director India, with responsibility for managing the India operation including sales, customer delivery, technical pre-sales and support. Anil joined CyanConnode from Tech Mahindra, where he held the position of Global Head & Vice President Utilities for the last five years. Prior to joining Tech Mahindra, Anil led the Indian utilities business initiatives for HCL Infosystems for seven years. Anil is a highly experienced executive with knowledge of both the energy sector and IT solutions and has established strategic relationships with CEO/CXO officers at both public and private utilities, resulting in over US$300 million contract wins.

Rest of World
The Board is delighted by the size and scale of our initial and subsequent follow-on order received from an Eastern European meter manufacturer partner for a utility customer in Bangladesh during the period. The initial order, worth £4.2m, was won in February 2017 and was the Group's first order for a utility customer in the region. This purchase order was for the supply of CyanConnode's AMI solution for a 150,000 unit smart metering deployment. CyanConnode's hardware is being shipped to the partner's production facility over the next 12-18 months for integration with its smart meters, before then being shipped as a complete solution to the utility customer site in Bangladesh.

This contract was then extended in June 2017 with the customer increasing the number of units to 250,000 to meet increased requirements – increasing the total value of the order to £7.2m. The contract was further extended again in August 2017 with the customer increasing the number of units by an additional 300,000 to 550,000 to meet additional requirements. This has ncreased the total value of the order to £14.6m.

Following deployment, CyanConnode will provide its Head End Server Software, which will be hosted by the energy management systems customer, with annual software license income being recognized over a ten year contractual period following successful smart meter implementation. The recurring revenue software licenses and annual maintenance contract, which represent over 50% of the total purchase order value, will be paid annually in advance and charged on a per meter per year basis.

During the period, the Group also received a purchase order for 100,000 software licenses from HM Power in Sweden. The purchase order is expected to cover HM Power's initial requirements for Omnimesh software licenses and will be invoiced as the licenses are delivered to HM Power's utility customers, as part of the rollout to replace existing smart meters in Sweden.

In the Queen's speech to the UK Parliament in June, the Government's commitment to rollout smart metering was re-affirmed including a statement that "smart meters are a vital upgrade to energy infrastructure bringing our energy infrastructure into the twenty first century". The communications infrastructure required for the rollout of smart metering is now fully operational.

CyanConnode has been notified that Toshiba has delivered the first narrowband RF mesh hubs to Telefonica and the current expectation is that smart meters will be deployed in 2H 2017 in modest volumes, but with a significant volume ramp up from Q1 2018 onwards.

Financial Review
For the six months ended 30 June 2017 revenue was £573,143 (H1 2016: £1,029,526). This reflects the transition in revenue mix with the performance during the first half of last year weighted towards the delivery of low-margin third party electricity meters to Enzen Global Solutions Pvt Ltd. Given the focus on securing new contracts and creating a long-term, visible order book during the period, the performance was in line with expectations. In particular, given that CyanConnode is developing high margin opportunities focusing 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).

Added to this, the growing software element of new contracts - now accounting for 53% of our substantial order book will further enhance both margins, and crucially visibility, due to the longevity of the relationships established.

Operating loss for the period was £4,785,258 (H1 2016 £2,858,715) and net loss after tax was £4,434,259 (H1 2016: £2,530,201). The higher operating loss was as a result of increased investment in both research and development as well as expansion of the delivery team to convert the order book into revenues and customer payments. During the first six months of 2017, the Group collected customer payments of £1.1m. Cash as at 30 June 2016 was £3,046,082 (H1 2016: £2,370,504).

In March 2017, CyanConnode raised £3.2 million via a placing and subscription with existing and new investors to fund continued development and investment with the focus on achieving large scale commercialisation.

Board Changes
Pete Hutton joined the Board in April 2017, bringing a wealth of experience from his tenure as a senior executive at ARM and within the IoT sector. Given CyanConnode's strategy of developing its licensing model the Board felt he was an ideal addition to help move the Group forwards.

Post Period End
In July 2017, the Group announced a Board realignment to reflect the Group's move into its delivery phase as it services its growing order book. Harry Berry was named Chief Operating Officer, becoming an Executive Director, having previously been a Non-Executive Director. In addition, Simon Smith will now take on a Non-Executive Director role with the day to day finance role being taken by David Bland. Simon will continue to provide investor relations support and will take over as Chair of the Audit Committee.

The Group has already had a good start to the second half of the year with, in addition to the previously mentioned increase in the Bangladesh related contract, a £0.9m purchase order from India. Significantly this order was from Genus Power Infrastructures Ltd, a Tier 1 meter provider with the largest installed base in India and supplier to multiple utilities. Furthermore, this was the first volume order from India for CyanConnode's IPv6 solution, reflecting one of the key benefits of the Connode acquisition last year. Not only has the acquisition of the standards-based software opened up a range of new potential territories but it has also improved the Group's ability to win new contracts within existing territories. CyanConnode will supply its standards-based hardware, services and Head End Software licenses to Genus. The software will be charged on a per meter per year basis with an annual maintenance contract, delivering a recurring revenue stream over the initial four-year contract term.

The Group has also today separately announced new equity funding of £8.6m, which is subject to shareholder approval in general meeting.

Outlook
The Board is delighted with the progress made during the period. The size and frequency of contract wins with new and existing clients reflects the strength of our operations and solutions. Having fully integrated Connode and its offerings and created a roadmap for delivery the Board believe that deployments, which are set to commence during the second half, will result in significant revenue growth as we focus on delivering strong cash flows and ultimately profitability.

The Group has a strong and growing order book and the nature of its model, focusing on hardware installations followed by the commencement of long-term software license payments, provides high levels of visibility while also enabling further margin improvements. These key fundamentals underpin the Board's significant confidence in the Group's ability to deliver on continued growth while there is significant scope for scalability within all the markets we are operating in - with over 100 million potential customers across Iran, Bangladesh and the UK, where customer contracts are already in place, in addition to the huge growth opportunity in India.

John Cronin
Executive Chairman
15 September 2017

Consolidated Income Statement
Six months ended 30 June 2017

	Notes	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Year ended 31 December 2016
		£	£	£
Continuing operations				
Revenue		573,143	1,029,526	1,823,129
Cost of sales		(393,210)	(903,292)	(1,128,498)
Gross profit		179,933	126,234	694,631
Other operating costs		(4,714,820)	(2,970,881)	(6,813,782)
Acquisition related costs		-	-	(1,564,102)
Amortisation / depreciation		(250,371)	(14,068)	(255,963)
Total operating costs		(4,965,191)	(2,984,949)	(8,633,847)
Operating loss		(4,785,258)	(2,858,715)	(7,939,216)
Investment revenue		3,053	3,457	7,290
Finance costs		(2,054)	(769)	(4,525)
Loss before tax		(4,784,259)	(2,856,027)	(7,936,451)
Tax		350,000	325,826	819,212
Loss for the period		(4,434,259)	(2,530,201)	(7,117,239)
Loss per share (pence)				
Basic	3	(0.03)	(0.04)	(0.07)
Diluted	3	(0.03)	(0.04)	(0.07)

Consolidated Statement of Comprehensive Income
Six months ended 30 June 2017

	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Year ended 31 December 2016
	£	£	£
Loss for period	(4,434,259)	(2,530,201)	(7,117,239)
Exchange differences on translation of foreign operations	(70,256)	(2,622)	(30,963)
Total comprehensive income for the period	(4,504,515)	(2,532,823)	(7,148,202)

Consolidated Balance Sheet

At 30 June 2017

	Unaudited 30 June 2017	Unaudited 30 June 2016	31 December 2016
	£	£	£
Non-current assets			
Intangible assets	5,679,312	-	5,889,656
Goodwill	1,930,229	-	1,930,229
Investments	119,158	36,393	41,515
Property, plant and equipment	74,609	31,400	78,171
	7,803,308	67,793	7,939,571
Current Assets			
Inventories	369,670	386,841	340,178
Trade and other receivables	2,367,555	2,183,939	2,677,071
Cash and cash equivalents	3,046,082	2,370,504	3,892,505
	5,783,307	4,941,284	6,909,754
Total assets	13,586,615	5,009,077	14,849,325
Current liabilities			
Trade and other payables	(1,715,954)	(3,779,732)	(2,205,302)
Total current liabilities	(1,715,954)	(3,779,732)	(2,205,302)
Net current assets	4,067,353	1,161,552	4,704,452
Non current liabilities			
Deferred tax liability	(942,938)	-	(942,938)
Total non current liabilities	(942,938)	-	(942,938)
Total Liabilities	(2,658,892)	(3,779,732)	(3,148,240)
Net assets	10,927,723	1,229,345	11,701,085
Equity			
Share capital	1,788,584	711,831	1,579,123
Share premium account	56,085,561	38,613,736	52,831,234
Own shares held	(808,856)	(808,856)	(808,856)
Share option reserve	894,103	624,411	626,738
Translation reserve	(246,880)	(148,285)	(176,624)
Retained loss	(46,784,789)	(37,763,492)	(42,350,530)
Total equity being attributable to owners of the Group	10,927,723	1,229,345	11,701,085

Consolidated Statement of Changes in Equity

At 30 June 2017

	Share Capital £	Share Premium £	Own shares held £	Share Option Reserve £	Translation Reserve £	Retained Losses £	Total Equity £
Balance at 30 June 2016	**711,831**	**38,613,736**	**(808,856)**	**624,411**	**(148,285)**	**(37,763,492)**	**1,229,345**
Loss for the period	-	-	-	-	-	(4,587,038)	**(4,587,038)**
Other comprehensive income for the period	-	-	-	-	(28,339)	-	**(28,339)**
Total comprehensive income for the period	-	-	-	-	(28,339)	(4,587,038)	**(4,615,377)**
Issue of share capital	867,292	14,217,498	-	-	-	-	**15,084,790**
Credit to equity for share options	-	-	-	2,327	-	-	**2,327**
Balance at 31 December 2016	**1,579,123**	**52,831,234**	**(808,856)**	**626,738**	**(176,624)**	**(42,350,530)**	**11,701,085**
Loss for the period	-	-	-	-	-	(4,434,259)	(4,434,259)
Other comprehensive income for the period	-	-	-	-	(70,256)	-	**(70,256)**
Total comprehensive income for the period	-	-	-	-	(70,256)	(4,434,259)	**(4,504,515)**
Issue of share capital	209,461	3,254,327	-	-	-	-	**3,463,788**
Share option charge	-	-	-	267,365	-	-	**267,365**
Balance at 30 June 2017	**1,788,584**	**56,085,561**	**(808,856)**	**894,103**	**(246,880)**	**(46,784,789)**	**10,927,723**

Consolidated Cash Flow Statement

Six months ended 30 June 2017

	Notes	Unaudited six months ended 30 June 2017 £	Unaudited six months ended 30 June 2016 £	Year ended 31 December 2016 £
Net cash outflow from operating activities	4	(4,196,168)	(624,649)	(7,061,808)
Investing activities				
Acquisition of subsidiary		-	-	(4,367,670)
Interest received		3,053	3,457	7,289
Purchases of property, plant and equipment		(37,222)	(15,503)	(80,289)
Net cash used in investing activities		(34,169)	(12,046)	(4,440,670)
Financing activities				
Interest paid		(2,054)	(769)	(4,525)
Proceeds on issue of shares		3,579,834	559,619	13,487,320
Share issue costs		(116,225)	-	(533,662)
Purchases of bank securities		(77,641)	(10,086)	(15,207)
Net cash from financing activities		3,383,914	548,764	12,933,926
Net (decrease) / increase in cash and cash equivalents		(846,423)	(87,931)	1,431,448
Cash and cash equivalents at beginning of period		3,892,505	2,461,057	2,461,057
Effect of foreign exchange rate changes		-	(2,622)	-
Cash and cash equivalents at end of period		3,046,082	2,370,504	3,892,505

Notes to the Accounts

Six months ended 30 June 2017

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 2016.

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 2017 and 30 June 2016 have not been audited. The results for the year ended 31 December 2016 have been extracted from the statutory financial statements of CyanConnode Holdings plc.

Statutory financial statements for the year ended 31 December 2016 are available on the Group's website www.cyanconnode.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

To assess the ability of the Group to continue as a going concern, the Directors have prepared a business plan and cash flow forecast for the period to 31 December 2018 which, together, represent the Directors' best estimate of the future development of the Group. The forecast contains certain assumptions, the most significant of which are the level and timing of sales and the gross margin on those sales, together with the need to secure additional finance before the end of the year. To address this funding requirement, post period end the Group announced a new equity funding of £8.6m (subject to shareholder approval). In April 2017, the Group raised a further £3.2 million (gross) from an equity placing and the net cash position as at 30 June 2017 was £3 million. The Group has a well-established track record of raising additional finance as required, with a supportive set of key shareholders, and therefore 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 Group continues to face below.

The Directors have recognised that the Group is trading in four emerging markets, namely India, Eastern Europe, China, and Iran as well as revenues streams from the UK and Scandinavia. The emerging 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 Group 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, 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 2017	Unaudited six months ended 30 June 2016	Year Ended 31 December 2016
Losses (£)	4,434,259	2,530,201	7,117,239
Weighted average number of shares	16,294,821,638	6,955,337,610	10,934,000,217

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 2017	Unaudited six months ended 30 June 2016	Year ended 31 December 2016
	£	£	£
Operating loss for the period	(4,785,258)	(2,858,715)	(7,939,216)
Adjustments for:			
Depreciation of property, plant and equipment	41,011	14,069	45,619
Amortisation	210,344	-	210,344
Foreign exchange	(70,483)	-	47,870
Share-based payment expense	-	-	2,327
Operating cash flows before movements in working capital	(4,604,386)	(2,844,646)	(7,633,056)
(Increase) / Decrease in inventories	(29,495)	200,643	247,307
Decrease / (Increase) in receivables	676,881	(1,592,031)	(1,713,013)
(Decrease) / Increase in payables	(489,168)	3,031,800	1,457,369
Cash reduced by operations	(4,446,168)	(1,204,234)	(7,641,393)
Income taxes received	250,000	579,585	579,585
Net cash outflow from operating activities	**(4,196,168)**	**(624,649)**	**(7,061,808)**

5. Interim Results

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