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

Interim results for the six months ended 30 June 2019

CyanConnode (AIM: CYAN), a world leader in narrowband radio frequency (RF) mesh networks, announces its interim results for the six months ended 30 June 2019.

Financial Highlights

- Revenue of £1.0 million (H1 2018 restated: £1.3 million)
- Operating costs reduced by £1.1 million to £3.5 million (H1 2018: £4.6 million)
- Operating losses reduced by 16% to £3.0 million (H1 2018 restated: £3.6 million)
- Basic and diluted loss per share improved by 57% to 1.50p from 3.50 p loss per share in H1 2018
- Cash, cash equivalents and investments at 30 June 2019 was £2.4 million (H1 2018: £2.8 million; FY 2018 £4.6 million). R&D tax credits of £0.8 million to be received bringing total cash available to £3.2 million
- Approximately £2 million cash collected from debtors during the period

Operational Highlights

- £0.7 million follow-on order secured from HM Power to supply several Swedish utilities
- £0.4 million follow-on order from Larsen & Toubro ("L&T"), relating to the order announced in May 2018
- New order from new strategic partner, an Indian state-owned Utility for deployment of 3,000 smart meter modules, which utilise a hybrid radio frequency ("RF") Smart Mesh and cellular communication network
- New long-range (up to 12 kms) RF module developed
- UK Smart Metering programme ("UK SMIP") gaining momentum
- Chris Jones and Peter Tyler appointed Non-Executive Directors in March 2019

Post Period Highlights

- Follow-on order for 4,050 modules secured from Genus Power Infrastructures Ltd ("Genus") for deployment to Uttar Gujarat Vij Company Ltd ("UGVCL")
- £0.2 million order from Toshiba Information Systems (UK) Ltd ("Toshiba") for service enhancements relating to the UK SMIP contract
- Follow-on order received from existing partner for legacy hardware and software for a Nordic Utility
- Memorandum of Understanding signed with Hexing Electrical Co. Ltd ("Hexing") to expand geographical reach and introduce products and services to new customers

John Cronin, CyanConnode Executive Chairman, commented:
"Whilst we have made good progress during H1 2019, securing a number of follow-on orders in India and Europe, the Indian General Election had an impact upon the number of new tenders awarded during the period owing to a prohibition on Government departments awarding contracts during the elections. After the result was announced in May 2019, business activity started to resume in India and we expect to report significantly higher revenues for H2 2019, than that reported for H1 2019. The demand from India remains strong and to the extent that orders have been delayed, other orders from the rest of the world, which had not been anticipated at the beginning of the year, will be recognised in the period. We are currently working on a large number of tenders which we believe will result in substantial new contract wins for the Company by end of October and accordingly we anticipate that the outcome for the year will be in line with Market Expectations."

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About CyanConnode
CyanConnode (AIM:CYAN.L), is a world leader in Narrowband Radio Frequency (RF) Smart Mesh Networks, which are used for machine to machine (M2M) communication. As well as being self-forming and self-healing, CyanConnode's RF Smart Mesh Networks are designed for rapid deployment, whilst giving exceptional performance and competitive total cost of ownership.

In June 2018, CyanConnode launched its award-winning Omnimesh Advanced Metering Infrastructure (AMI) platform, which has already gained considerable commercial traction, especially in India which is a key market for the Company.

Through a Global partner eco-system, which is vendor agnostic, CyanConnode has several routes to market, therefore it is well positioned to capitalise upon increasing Global demand for smart metering solutions.
For more information, please visit www.cyanconnode.com.

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

Operational Review

India
In February 2019, CyanConnode announced a follow-on order from Larsen & Toubro ("L&T"), worth approximately £0.4m. The follow-on order relates to the order announced in May 2018, worth £2.5m. Deployment has progressed rapidly and already showing benefits of the Omnimesh solution to the Utility. All the modules were delivered in H1 2019 and revenue recognised during the period. The full contract is being rolled out over a period of up to two years, followed by a five-year support and maintenance period.

In April 2019, CyanConnode announced an order from a new partner, an Indian state-owned Utility, for the deployment of 3,000 smart meter modules, which utilise a hybrid RF Smart Mesh and cellular communication network. All hardware was delivered to the new end customer, an Indian State-owned Utility, and revenue recognised in H1 2019.

In July 2019, a follow-on order for 4,050 modules was secured from Genus for deployment to UGVCL.

Europe
In April 2019, CyanConnode announced a £0.7m follow-on order from HM Power ("HMP") to several Swedish Utilities. The order leverages the functionality of CyanConnode's standards-based Omnimesh Advanced Metering Infrastructure ("AMI") platform, for the smart metering of district heating, as well as electricity. The Company is also supplying HMP with a new product, long-range RF communication modules, (modules with a range of up to 12km), to increase the resilience of the RF Smart Network in rural areas. Delivery of these modules is expected to commence in Q4 2019.

In July 2019 CyanConnode received a follow-on order from Toshiba worth approximately £0.2 million for service enhancements relating to the UK SMIP, which it expects to recognise as revenue in H2 2019.

Additionally, in July 2019, CyanConnode secured a follow-on Nordic order worth €489,000. The order, for legacy CyanConnode hardware and software, is from an existing Partner and the end customer is a Nordic Utility, who is expanding an existing smart metering deployment. The Company expects to recognise 50% of the revenues for this follow-on order in 2019 and 50% in 2020.

In September 2019 the DCC confirmed that more than 1.8 million SMETS2 meters were connected to its secure network. CyanConnode believes that its UK Smart Metering Implementation Programme ("UK SMIP") contract will ultimately deliver revenue of circa GBP25.7m. CyanConnode believes that the UK SMIP rollout will start to deliver revenues in 2020.

APAC and Middle East
The smart metering market in the APAC and Middle East continues to mature and presents a significant opportunity for CyanConnode.

In January 2019, members of the Company's engineering team visited Beijing Jingyibeifang Instruments Co Ltd ("Beijing Instruments"), a Chinese partner with a license to manufacture CyanConnode's RF modules and gateways. The team, led by Allan Baig (VP Engineering & Operations), visited Beijing Instruments to develop the project plan, establish peer-to-peer relationships and provide the hardware design and manufacturing information to enable Beijing Instruments to set up the production line for manufacturing in H2 2019. We are at the Firmware testing stage, the stage after will see Beijing Instruments find customer projects.

In August 2019, the Company signed a Memorandum of Understanding (MoU) with Hexing Electrical Co. Ltd ("Hexing") to explore the possibilities of collaborating and delivering smart metering solutions in certain territories. It is expected that as part of the collaboration, Hexing will integrate CyanConnode's RF Modules with its meters and CyanConnode's Omnimesh Advanced Metering Infrastructure (AMI) platform with Hexing's Meter Data Management System (MDMS), to create a cost-effective turnkey solution.

Due to geopolitical factors, which have accelerated in recent months, the Company has removed from its order pipeline an Iranian order from Micromodje, for a smart metering contract that was announced in February 2016. The customer has not cancelled this contract, however the Company felt it prudent to remove the order as a result of the political tensions.

Capital

Whilst there are currently no plans to raise further capital from investors, several avenues are being pursued to secure working capital facilities, should it become necessary to ease cash flows and or mitigate against any unforeseen delays in deliveries or customer payments.

Board and senior management changes

Harry Berry and Paul Ratcliff stepped down from the Board during the period, and two new Non-Executive Directors, Chris Jones and Peter Tyler, were appointed.

There were also changes to senior management with the promotion of Heather Peacock to Chief Financial Officer, Anil Daulani to Chief Executive Officer & Managing Director of India, and Allan Baig to Vice President Engineering & Operations.

Financial Review

Revenue for the six months ended 30 June 2019 was £1.0 million (H1 2018 restated: £1.3 million). This decrease in revenue, compared to the same period in the prior year, was expected as the General Election in India delayed the roll-out of one of the Group's major projects with Genus, and the General Election also caused delays in awarding of new contracts during the period. The reason for the restating of the H1 2018 revenue was as a result of the adjustment made to revenue during the 2018 audit and related to software revenue to be spread over the period of the contract rather than recognised up front.

The operating loss for the period was £3.0 million (H1 2018 restated: £3.6 million) and net loss after tax was £2.7 million (H1 2018: £3.4 million). Staff costs (including contractors) were £2.3 million (H1 2018: £3.1 million) with headcount remaining stable at December 2018 levels.

In the first six months of 2019 cash used by operations was £2.2 million (H1 2018: £4.1 million) (see note 4). Cash received from debtors during H1 2019 was £2.0 million (H1 2018: £0.9 million). Net cash, cash equivalents and investment as at 30 June 2019 was £2.4 million (H1 2018: £2.8 million) with £0.8 million expected from HMRC for R&D tax credits during Q3 2019. Investments within the £2.4 million totalled £0.1 million.

Outlook

Following the re-election of Narendra Modi as Indian Prime Minister as a result of the recent Indian General Election, CyanConnode expects to see a material acceleration of the Indian Smart Meters National Programme. The Company is working on several large tenders, both in India and the rest of the world, which the Board believes will result in significant new orders in H2 2019 which the Company hope to announce before the end of October 2019.

Consolidated income statement

	Note	**Unaudited 6 months to 30 June 2019 £000**	Restated* Unaudited 6 months to 30 June 2018 £000	12 months to 31 December 2018 £000
Continuing operations				
Revenue	3	**1,014**	1,344	4,465
Cost of sales		**(537)**	(342)	(1,724)
Gross profit		**477**	1,002	2,741
Other operating costs		**(3,279)**	(4,373)	(8,589)
Amortisation / depreciation		**(235)**	(238)	(472)
Total operating costs		**(3,514)**	(4,611)	(9,061)
Operating loss		**(3,037)**	(3,609)	(6,320)
Investment income		**10**	6	13
Finance costs		**(2)**	(1)	(2)
Loss before tax		**(3,029)**	(3,604)	(6,309)
Tax credit		**300**	250	927
Loss for the period		**(2,729)**	(3,354)	(5,382)
Loss per share (pence)				
Basic	4	**(1.50)**	(3.50)	(4.26)
Diluted	4	**(1.50)**	(3.50)	(4.26)

* Results for the six months ended 30 June 2018 have been restated. Please see Note 3 for further information.

Consolidated statement of comprehensive income

Derived from continuing operations and attributable to the equity owners of the Company

	Unaudited 6 months to 30 June 2019 £000	Restated Unaudited 6 months to 30 June 2018 £000	12 months to 31 December 2018 £000
Loss for the period	**(2,729)**	(3,354)	(5,382)
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations	**123**	-	54
Total comprehensive income for the period	**(2,606)**	(3,354)	(5,328)

* Results for the six months ended 30 June 2018 have been restated. Please see Note 3 for further information.

Consolidated statement of Financial Position

As at	**Unaudited 30 June 2019 £000**	Restated Unaudited 30 June 2018 £000	31 December 2018 £000
Non-current assets			
Intangible assets	**4,846**	5,259	5,048
Goodwill	**1,930**	1,930	1,930
Investments	**99**	43	44
Property, plant and equipment	**66**	57	73
Total non-current assets	**6,941**	7,289	7,095
Current assets			
Inventories	**294**	1,138	319
Trade and other receivables (Note 3)	**4,187**	2,358	4,827
Cash and cash equivalents	**2,288**	2,753	4,564
Total current assets	**6,769**	6,249	9,710
Total assets	**13,710**	13,538	16,805
Current liabilities			
Trade and other payables	**(1,505)**	(1,984)	(1,994)
Total current liabilities	**(1,505)**	(1,984)	(1,994)
Net current assets	**5,264**	4,265	7,716
Non-current liabilities			
Deferred tax liability	**(690)**	(859)	(690)
Total non-current liabilities	**(690)**	(859)	(690)
Total liabilities	**(2,195)**	(2,843)	(2,684)
Net assets	**11,515**	10,695	14,121
Equity			
Share capital	**3,648**	2,571	3,648
Share premium account	**69,515**	65,637	69,515
Own shares held	**(3,253)**	(3,253)	(3,253)
Share option reserve	**1,761**	1,316	1,761
Translation reserve	**47**	(130)	(76)
Retained losses	**(60,203)**	(55,446)	(57,474)
Total equity being equity attributable to owners of the Company	**11,515**	10,695	14,121

* Results for the six months ended 30 June 2018 have been restated. Please see Note 3 for further information.

Consolidated statement of changes in equity

	Share Capital £000	Share Premium £000	Own Shares Held £000	Share Option Reserve £000	Translation Reserve £000	Restated* Retained Losses £000	Restated* Total Equity £000
Balance at 30 June 2018	**2,571**	**65,637**	**(3,253)**	**1,316**	**(130)**	**(55,446)**	**10,695**
Restated loss for the period	-	-	-	-	-	(2,028)	(2,028)
Other comprehensive income for the period	-	-	-	-	54	-	54
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**54**	**(2,028)**	**(1,974)**
Issue of share capital	1,077	3,878	-	-	-	-	4,955
Credit to equity for share options	-	-	-	445	-	-	445
Balance at 31 December 2018	**3,648**	**69,515**	**(3,253)**	**1,761**	**(76)**	**(57,474)**	**14,121**
Loss for the period	-	-	-	-	-	(2,729)	(2,729)
Other comprehensive income for the period	-	-	-	-	123	-	123
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**123**	**(2,729)**	**(2,606)**
Balance at 30 June 2019	**3,648**	**69,515**	**(3,253)**	**1,761**	**47**	**(60,203)**	**11,515**

* Results for the six months ended 30 June 2018 have been restated. Please see Note 3 for further information.

Consolidated cashflow statement

	Unaudited 6 months to 30 June 2019 £000	Unaudited 6 months to 30 June 2018 £000	12 months to 31 December 2018 £000
Net cash outflow from operating activities (Note 4)	**(2,211)**	(2,734)	(5,843)
Investing activities			
Interest received	**10**	7	13
Purchases or property, plant and equipment	**(18)**	(2)	(41)
Disposal/(purchase) of investments	**(55)**	5	4
Net cash used in investing activities	**(63)**	10	(24)
Financing activities			
Interest paid	**(2)**	(1)	(2)
Proceed on issue of shares	**-**	84	5,467
Share issue costs	**-**	-	(428)
Net cash from financing activities	**(2)**	83	5,037
Net (decrease)/increase in cash and cash equivalents	**(2,276)**	(2,641)	(830)
Cash and cash equivalents at beginning of period	**4,564**	5,394	5,394
Cash and cash equivalents at end of period	**2,288**	2,753	4,564

Notes to the Accounts

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 2018.

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 2019 and 30 June 2018 have not been audited. The results for the year ended 31 December 2018 have been extracted from the statutory financial statements of CyanConnode Holdings plc.

Statutory financial statements for the year ended 31 December 2018 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 emphasised 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 2020 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 customer receipts. The Directors believe that the Group will be able to meet their liabilities as they fall due for at least 12 months and that no equity funding will be required in the Company, however they have highlighted the risks that the Group continues to face below.

The Group trades in emerging country markets. Such 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 customer receipts being delayed. The Directors have taken reasonable steps to satisfy themselves about the robustness of their forecasts but acknowledge that the collection of customer receipts in the Group's target markets can take longer than expected. This may impact the timing of the Group's ability to generate positive cash flow. There is also a risk that the level of sales achieved is lower than the forecast or may be delayed.

There is a level of uncertainty related to the assumptions described above which may cast doubt on the Group and 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 or Company was unable to continue as a going concern. In the event the Group and 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 uncertainties described above, on the basis of sensitivities applied to the cash flow forecast, of contracted sales orders which are currently being delivered to customers on further orders which the Group expects to win, the Directors have a reasonable expectation that the Company and Group can continue to meet its liabilities as they fall due, for a period of at least twelve months from the date of approval of this report.

Notes to the Accounts *continued*

3. Restatement of prior year

The Company's initial assessment of a contract under IFRS 15 as at 30 June 2018 resulted in £293,000 of revenue being recognised for software licenses in its prior year interim accounts. However, the Company's subsequent reassessment of the adoption of this new standard resulted in this revenue being reversed out in its full year results to 31 December 2018. In order to allow a like-for-like comparison, the Company has restated its prior year interim results to exclude this anomaly.

	Restated unaudited 6 months to 30 June 2018	Previously reported unaudited 6 months to 30 June 2018
Revenue £000	1,344	1,637
Operating Loss £000	3,609	3,316
Loss for the period £000	3,354	3,061
Trade and other receivables £000	2,358	2,651
Retained losses at 30 June 2018 £000	55,446	55,153
Loss per share (pence)	(3.50)	(3.19)

4. Loss per Share

The calculation of the basic and diluted loss per share is based on the following data:

	Unaudited 6 months to 30 June 2019	Restated* Unaudited 6 months to 30 June 2018	12 months to 31 December 2018
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent (£000)	(2,729)	(3,354)	(5,382)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	182,398,523	95,907,867	126,443,036
Loss per share (pence)	(1.50)	(3.50)	(4.26)

* Results for the six months ended 30 June 2018 have been restated. Please see Note 3 for further information.

The denominations used are the same as those detailed above for both basic and diluted earnings per share from continuing operations. However, in accordance with IAS 33 "Earnings Per Share", potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity shareholders.

5. Reconciliation of Operating Loss to Operating Cash Flows

	Unaudited 6 months to 30 June 2019 £000	Restated* Unaudited 6 months to 30 June 2018 £000	12 months to 31 December 2018 £000
Operating loss for the period:	(3,037)	(3,609)	(6,320)
Adjustments for:			
Depreciation of property, plant and equipment	25	27	51
Amortisation of Intangible assets	210	210	421
Impairment of stock	4	-	578
Provision for expected credit losses	(27)	-	64
Foreign exchange	115	-	55
Share-option payment expense	-	-	445
Operating cash flows before movements in working capital	(2,710)	(3,372)	(4,706)
Decrease/(increase) in inventories	21	(10)	231
Decrease/(increase) in receivables	967	(410)	(2,441)
(Decrease)/increase in payables	(489)	(264)	(253)
Cash reduced by operations	(2,211)	(4,056)	(7,169)
Income taxes received	-	1,322	1,326
Net cash outflow from operating activities	(2,211)	(2,734)	(5,843)

* Results for the six months ended 30 June 2018 have been restated. Please see Note 3 for further information.

6. Interim Results

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