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Versarien PLC
06 December 2018

6 December 2018

Versarien plc

Interim Results

Versarien plc (AIM: VRS) ("Versarien", the "Company" or the "Group"), the advanced engineering materials group, is pleased to announce its interim results for the six months ended 30 September 2018.

Financial Highlights

- Group revenues increased by 19% to £5.22 million (H1 2017: £4.38 million)
- LBITDA* reduced by 16% to £0.36 million (H1 2017: £0.43 million)
- Loss before tax remained stable at £0.78 million (H1 2017: £0.77 million) after increased investment in the graphene businesses
- Cash of £6.07 million at 30 September 2018 (30 September 2017: £0.35 million) following successful fund raising of £5.15 million gross in September 2018
- Net assets increased to £12.32 million (30 September 2017: £5.72 million)

*LBITDA (Loss Before Interest, Tax, Depreciation and Amortisation) excludes exceptional items and share-based payment charges

Operational Highlights

- Nine collaboration agreements signed in the period with many other parties at varying stages of testing
- Graphene quality assurance team strengthened with two key appointments both of whom are at the forefront of developing the international standards that will define graphene and other nanomaterials
- Overseas expansion team strengthened by the appointment of two secondees from the Department of International Trade
- Continued investment in graphene manufacturing capability
- Mature businesses showing continued improvement in financial performance

Post Period Highlights

- In October 2018, Versarien completed its acquisition of 62% of the Spanish company Gnanomat S.L. for £2,647,000, settled by £673,000 in cash, and the issue of 1,316,275 new ordinary shares at an agreed price of 150p per New Ordinary Share. Gnanomat S.L. specialises in incorporating graphene into supercapacitors
- After gaining Federal Aviation Administration (FAA) certification, Versarien has received its first order for 1kg of its graphene nano platelets for use in fire retardant aircraft interior parts for a major global airline, with further orders anticipated
- Memorandum of Understanding signed with Tungshu Optoelectronic Technology Ltd, one of the world's leading suppliers of optoelectronic display materials
- Memorandum of Understanding signed with Jinan High-tech Financial Investment Co., Ltd to establish a manufacturing centre in the Jinan Innovation Zone, Shandong Province, China
- Jinan High Tech Investment Fund panel of experts determine the graphene technology of Versarien to have certain world leading properties
- New graphene enhanced polymer compound product launched, branded Polygrene
- Memorandum of Understanding signed with CTCE, a subsidiary of China Railway Group Limited
- AECOM place first order for compounded material as part of infrastructure project

Neill Ricketts, CEO of Versarien, commented:

"The last few months have seen significant progress across the Group, in both our emerging technologies and more mature businesses. Expansion of the graphene business into China has attracted a large number of suitors and we are repeating the process in other Asian territories. Our collaboration agreements are progressing well, in particular with AECOM where we have recently announced the first supply of graphene enhanced compound.

"In line with our strategy of acquiring IP led businesses we completed the purchase of a controlling stake in Gnanomat SL and I am pleased that it has now obtained confirmation of patent approval for its production process.

"Our hard wear and metallic products business has shown an increase both in sales and profitability and our plastics business has increased its sales and its operating profits.

"With the global progress we have made over the last few months, and with funds from our placing in September we are extremely well positioned for the future and look forward to reporting further success over the coming months."

For further information please contact:

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Notes to Editors:

About Versarien

Versarien plc (AIM: VRS), is an advanced engineering materials group. Leveraging proprietary technology, the Group creates innovative engineering solutions for its clients in a diverse range of industries. Versarien has six subsidiaries operating under two divisions:

Graphene and Plastics

2-DTech Ltd, which specialises in the supply, characterisation and early stage development of graphene products. www.2-dtech.com

AAC Cyroma Limited, which specialises in the supply of vacuum-formed and injection-moulded products to the automotive, construction, utilities and retail industry sectors. Using Versarien's existing graphene manufacturing capabilities, AAC will have the ability to produce graphene-enhanced plastic products. www.aaccyroma.co.uk

Cambridge Graphene Limited, supplies novel inks based on graphene and related materials, using patented processes to develop graphene materials technology.

www.cambridgegraphene.com

Gnanomat S.L. ("GNA"), based in the Parque Cientifico Madrid, Spain, is a company capable of utilising Versarien's graphene products in an environmentally friendly, scalable production process for energy storage devices that offer high power density, almost instant recharging and very long lifetimes for use in electrical vehicles and portable electronics products. www.gnanomat.com

Hard Wear and Metallic Products

Versarien Technologies Limited has developed an additive process for creating advanced micro-porous metals targeting the thermal management industry and supplies extruded aluminium. www.versarien-technologies.co.uk

Total Carbide Limited, a leading manufacturer in sintered tungsten carbide for applications in arduous environments such as the oil and gas industry. www.totalcarbide.com

Chief Executive's Statement

We have seen our graphene technology gain much momentum and success since the release of our annual results in July, along with good progress in all areas of the business. Our graphene products have gained significant interest both in the UK and abroad, particularly in China, where four MOUs have now been signed to both sell and manufacture our products there. Our graphene products are being tested and developed in new industries such as sub-sea insulation and the acquisition of Gnanomat S.L in October complements our strategy of incorporating graphene into energy storage devices. In addition, I am pleased to report our more mature businesses have returned improved financial performance.

Graphene and Plastic Products

We are pleased to provide an update on our collaborations:

Date	Description	Current status

Oct-17	Collaboration with Israel Aerospace Industries	Further testing to be carried out in early 2019
Nov-17	Collaboration with global consumer goods company	Masterbatch ready, waiting on confirmation for testing date at UK production plant
Dec-17	Agreement with global chemical major	Masterbatch testing awaited with interest in trialling inks with films
Jan-18	Agreement with global apparel manufacturer	Commercial discussions in progress -masterbatch polymer blends to be trialled early January.
Feb-18	Agreement with shoemaker Vivobarefoot	30kg elastomer masterbatch to be sent to China factory to produce first prototypes for new soles.
Feb-18	Medical technology collaboration at Addenbrooke's hospital	Testing continues to go well with commercial discussions due to commence shortly
Mar-18	Collaboration with Team Sky for cycling equipment	Specific applications being reviewed
Mar-18	Collaboration with world-leading aerospace group	Awaiting completion of customer re-organisation to continue original project. Additionally working on paints for composite structures.
Apr-18	Agreement with Luxus	Active supply chain partner
May-18	Consumer goods collaboration for polymer structures in plastics	Second batch testing at a different wt% in progress with initial testing showed improvements in the weight of the bottles.
Jun-18	Commercial agreement with MediaDevil	First headphones to be supplied December 2018. New polymer for phone cases to be tested with supply commencing 2019 Q2
Jun-18	Agreement with Arrow Greentech	AGT are actively talking with tyre producers and we are waiting on the results of the trials for bank notes.
Jul-18	Collaboration with ZapGo Limited	Secondary trials now underway in conjunction with Gnanomat.
Aug-18	Sporting goods collaboration	Samples and configured materials supplied to be compounded and tested in football boots.
Aug-18	Collaboration with Axia Materials, South Korea	Multi-partner funding application in progress

Aug-18	Construction materials collaboration with AECOM	Initial order for compounded material received
Oct-18	Collaboration with Advanced Insulation	Sample materials sent

Our new graphene production equipment has duly arrived and will shortly be commissioned enabling us to produce sufficient amounts of Nanene to satisfy the current needs of the collaborations and anticipated orders. With our DIT secondees in place, and access to the engineers and scientists from leading universities such as Cambridge, Manchester and Warwick, we are continuing our focus on agreeing further collaborations and progressing our existing ones. We anticipate that this will lead to larger orders for our graphene products and the emergence of commercial products enhanced through the use of Versarien's graphene.

Our collaboration with Tungshu is progressing with a number of projects identified. These include incorporating graphene ink in consumer heating systems, incorporating Gnanomat's technology into Tungshu's battery products and using graphene insole sensors in Tungshu's smart wearables.

Our plastic products business performed well in the first half and is providing a very useful contribution to Group performance. Our focus remains on exploring further options for incorporating graphene into injection-moulded plastics following the success of our collaboration with Media Devil, announced in June 2018.

Metallic Products and Hard Wear products

This business segment has increased its revenue and returned to profitability. It has continued to receive additional aerospace orders with Total Carbide joining the "Westcott Space Cluster", which includes the UK Space Agency, establishing itself as an aerospace supplier in addition to servicing its traditional oil and gas customer base.

Current trading and outlook

With the interest we are experiencing for both our powder and ink graphene technologies globally, the acquisition of Gnanomat, the development of graphene compounded material and a strong balance sheet we are in an excellent position to achieve the product commercialisation we are striving for.

Neill Ricketts
Chief Executive Officer
6 December 2018

Chief Financial Officer's Review

Group Results

Versarien's revenue for the half-year ended 30 September 2018 has increased by 19% to £5.22 million compared to the same period last year (H1 2017: £4.38 million).

The operating loss before exceptional items, depreciation, amortisation and share based payment charges was £0.36 million compared with a loss of £0.43 million in the comparative period last year, a reduction of £0.07 million. This is particularly pleasing given that our operating expenses before exceptional costs and share-based payments have increased by £0.2 million, principally as a result of increased investment in our graphene businesses.

Exceptional costs were incurred in the period of £0.07 million, which mostly relate to acquisition costs incurred for Gnanomat S.L. and costs related to the expansion into China. The loss before tax for the period was £0.79 million (H1 2017: loss £0.77 million).

Group net assets at 30 September 2018 were £12.3 million (31 March 2018 £7.98 million) with cash at the period end of £6.01 million (31 March 2018: £2.30 million), which includes £4.96 million (net of expenses) from the fund raising announced on 24 September 2018. Cash outflow from operating activities was £0.82 million (H1 2017: £1.01 million). The Group capitalised £0.16 million (H1 2017: £0.04 million) principally in development costs and £0.11 million (H1 2017: £0.04 million) in new plant and equipment.

Graphene and Plastic Products

Revenue, principally arising from plastic products, for the period was £2.79 million (H1 2017: £2.21 million), returning an LBITDA before exceptional items of £0.28 million (H1 2017: loss £0.25 million). The segment capitalised development costs of £0.13 million (H1 2017: £0.04 million) as work continued on developing specific applications using graphene. Cash used by the business segment was £0.68 million, of which £0.08 million was used to acquire new assets.

Hard Wear and Metallic Products

Revenue for the period improved by 12% to £2.43 million (H1 2017: £2.17 million) with an increase in EBITDA before exceptional items to £0.25 million (H1 2017: £0.06 million). The segment consumed £0.01 million in cash in the period, of which £0.02 was for new plant and machinery, and shows the operational improvements which have been made to reach an almost break even cashflow point for this division.

Chris Leigh
Chief Financial Officer
6 December 2018

Group statement of comprehensive income

For the half year ended 30 September 2018

	Notes	Six months ended 30 September 2018 Unaudited £'000	Six months ended 30 September 2017 Unaudited £'000	Year ended 31 March 2018 Audited £'000
Continuing operations				
Revenue	2	**5,215**	4,380	9,024
Cost of sales		**(3,772)**	(3,311)	(6,496)
Gross profit		**1,443**	1,069	2,528
Other operating income		**2**	28	63
Operating expenses (including exceptional items)		**(2,210)**	(1,848)	(4,102)
Loss from operations before exceptional items		**(693)**	(751)	(1,477)
Exceptional items	3	**(72)**	-	(34)
Loss from operations		**(765)**	(751)	(1,511)
Finance charge		**(23)**	(21)	(50)
Loss before income tax		**(788)**	(772)	(1,561)
Income tax		**56**	-	63
Loss for the period		**(732)**	(772)	(1,498)
Loss attributable to:				
- Owners of the parent company		**(659)**	(711)	(1,381)
- Non-controlling interest		**(73)**	(61)	(117)
		(732)	(772)	(1,498)
Loss per share attributable to the equity holders of the Company:				
Basic and diluted loss per share	4	**(0.44)p**	(0.54)p	(1.00)p

There were no comprehensive gains or losses in the year other than those included in the Group Statement of Comprehensive Income.

Group statement of financial position

As at 30 September 2018

	Note	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000	31 March 2018 Audited £'000
Assets				
Non-current assets				
Intangible Assets	5	**2,812**	2,877	2,678
Property, plant and equipment		**2,887**	2,946	2,980
Deferred taxation		**25**	25	25
		5,724	5,848	5,683
Current assets				
Inventory		**2,128**	1,953	1,961
Trade and other receivables		**2,400**	1,732	2,437
Current tax		**52**	35	77
Cash and cash equivalents		**6,073**	353	2,296
		10,653	4,073	6,771
Total assets		**16,377**	9,921	12,454
Equity				
Called up share capital		**1,522**	1,313	1,486
Share premium		**17,453**	9,762	12,529
Merger reserve		**1,256**	1,256	1,256
Share-based payment reserve		**295**	146	187
Accumulated losses		**(7,884)**	(6,555)	(7,225)
Equity attributable to owners of the parent company		**12,642**	5,922	8,233
Non-controlling interest		**(327)**	(198)	(254)
Total equity		**12,315**	5,724	7,979
Liabilities				
Non-current liabilities				
Trade and other payables		**238**	195	167
Provisions		**-**	80	-
Deferred taxation		**64**	64	64
Long-term borrowings		**495**	744	456
		797	1,083	687
Current liabilities				
Trade and other payables		**1,510**	1,893	1,849
Invoice discounting advances		**1,064**	689	1,117
Current tax		**212**	217	284
Provisions		**80**	-	80
Current portion of long-term borrowings		**399**	315	458
		3,265	3,114	3,788
Total liabilities		**4,062**	4,197	4,475
Total equity and liabilities		**16,377**	9,921	12,454

Group statement of changes in equity

For the half year ended 30 September 2018

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	Accumulated losses £'000	Non-controlling interest £'000	Total equity £'000
At 1 April 2017 (audited)	1,313	9,762	1,256	115	(5,844)	(137)	6,465
Loss for the period	-	-	-	-	(711)	(61)	(772)
Share-based charge	-	-	-	31	-	-	31
At 30 September 2017 (unaudited)	1,313	9,762	1,256	146	(6,555)	(198)	5,724
Issue of shares	173	2,767	-	-	-	-	2,940
Loss for the period	-	-	-	-	(670)	(56)	(726)
Share-based payments	-	-	-	41	-	-	41
At 1 April 2018 (audited)	1,486	12,529	1,256	187	(7,225)	(254)	7,979
Issue of shares, net of issue costs	36	4,924	-	-	-	-	4,960
Loss for the period	-	-	-	-	(659)	(73)	(732)
Share-based payments	-	-	-	108	-	-	108
At 30 September 2018 (unaudited)	**1,522**	**17,453**	**1,256**	**295**	**(7,884)**	**(327)**	**12,315**

Included within the merger reserve is £53,000 in respect of the merger with Versarien Technologies Limited and £964,000 in respect of the acquisition of Total Carbide Limited and £239,000 in respect of the acquisition of AAC Cyroma Limited.

Statement of Group cash flows

For the half year ended 30 September 2018

	Six months ended 30 September 2018 Unaudited £'000	Six months ended 30 September 2017 Unaudited £'000	Year ended 31 March 2018 Audited £'000
Cash flows from operating activities			
Cash used in operations	**(820)**	(1,010)	(1,907)
Interest paid	**(23)**	(21)	(50)
Corporation tax paid	**-**	-	(9)
Net cash used in operating activities	**(843)**	(1,031)	(1,966)
Cash flows from investing activities			
Purchase of intangible assets	**(159)**	(42)	(148)
Purchase of property, plant and equipment	**(108)**	(42)	(280)
Net cash used in investing activities	**(267)**	(84)	(428)
Cash flows from financing activities			
Share issue	**5,154**	-	3,069
Share issue costs	**(194)**	-	(129)
Finance leases net of repayments	**(20)**	147	1
Invoice discounting advances	**(53)**	(46)	382
Net cash generated from financing activities	**4,887**	101	3,323
Increase/(decrease) in cash and cash equivalents	**3,777**	(1,014)	929

Cash and cash equivalents at start of period	**2,296**	1,367	1,367
Cash and cash equivalents at end of period	**6,073**	353	2,296

Note to the statement of Group cash flows

For the half year ended 30 September 2018

	Six months ended 30 September 2018 Unaudited £'000	Six months ended 30 September 2017 Unaudited £'000	Year ended 31 March 2018 Audited £'000
Loss before income tax	**(788)**	(772)	(1,561)
Adjustments for:			
Share-based payments	**108**	31	72
Depreciation and amortisation	**226**	290	604
Impairment	**-**	-	191
Disposal of non-current assets	**-**	-	4
Finance cost	**23**	21	50
R&D tax credit repayment	**56**	-	72
Increase in inventories	**(167)**	(65)	(73)
Decrease/(increase) in trade and other receivables	**62**	178	(569)
(Decrease)/increase in trade and other payables	**(340)**	(693)	(697)
Cash used in operations	**(820)**	(1,010)	(1,907)

Notes to the unaudited interim statements

For the half year ended 30 September 2018

1. Basis of preparation

Versarien plc is an AIM quoted company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's registered office and its principal place of business is 2 Chosen View Road, Cheltenham, Gloucestershire, GL51 9LT.

The interim financial statements were prepared by the Directors and approved for issue 6 December 2018. These interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2018 were approved by the Board of Directors on 17 August 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain statements under sections 498 (2) or (3) of the Companies Act 2006.

As permitted, these interim financial statements have been prepared in accordance with UK AIM Rules and IAS 34, "Interim Financial Reporting" as adopted by the European Union. They should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with IFRS as adopted by the European Union. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements. Where new standards or amendments to existing standards have become effective during the year, there has been no material impact on the net assets or results of the Group.

These interim financial statements have been prepared on a going concern basis using similar assumptions to those made in the statutory accounts to 31 March 2018.

Certain statements within this report are forward looking. The expectations reflected in these statements are considered reasonable. However, no assurance can be given that they are correct. As these statements involve risks and uncertainties the actual results may differ materially from those expressed or implied by these statements.

The interim financial statements have not been audited.

2. Segmental information

	Central	**Graphene and Plastic Products**	**Metallic and Hard Wear Products**	**Intra-group Adjustments**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Six months to 30 September 2018					
Sales	-	2,790	2,425	-	5,215

Gross Margin	-	707	736	-	1,443
Other operating income	-	-	2	-	2
Operating expenses	(436)	(1,082)	(594)	(26)	(2,138)
Exceptional items	(72)	-	-	-	(72)
(Loss)/ profit from operations	(508)	(375)	144	(26)	(765)
Finance income/(charge)	-	(9)	(14)	-	(23)
(Loss)/profit before tax	(508)	(384)	130	(26)	(788)

2. Segmental information (continued)

	Central	**Graphene and Plastic Products**	**Metallic and Hard Wear Products**	**Intra-group Adjustments**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Six months to 30 September 2017					
Sales	-	2,207	2,173	-	4,380
Gross Margin	-	531	538	-	1,069
Other operating income	-	-	28	-	28
Operating expenses	(276)	(896)	(664)	(12)	(1,848)
Exceptional items	-	-	-	-	-
(Loss)/profit from operations	(276)	(365)	(98)	(12)	(751)
Finance income/(charge)	(1)	(10)	(10)	-	(21)
(Loss)/ profit before tax	(277)	(375)	(108)	(12)	(772)

3. Exceptional items

	Six months ended 30 September 2018 Unaudited £'000	Six months ended 30 September 2017 Unaudited £'000	Year ended 31 March 2018 Audited £'000
Acquisition costs	**61**	-	-
Relocation and restructuring costs	**-**	-	31
Release of deferred consideration	**-**	-	(80)
Impairment of development costs net of deferred grant income release	**-**	-	72

Other	**11**	-	11
	72	-	34

Acquisition costs related mainly to the purchase of Gnanomat S.L. and fees associated with the expansion into China.

4. Loss per share

The loss per share has been calculated by dividing the loss after taxation of £659,000 (2017: £711,000) by the weighted average number of shares in issue of 148,859,000 (2017: 131,331,000 during the period.

The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS33 "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. As at 30 September 2018 there were 14,090,422 (2017: 3,819,862) potential Ordinary shares that have been disregarded in the calculation of diluted earnings per share as they were considered non-dilutive at that date.

5. Intangible assets

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000	31 March 2018 Audited £'000
Goodwill	**2,167**	2,167	2,167
Customer relationships/order books	**87**	152	113
Development costs	**390**	390	235
Licence	**29**	37	33
Intellectual property	**139**	131	130
Total	**2,812**	2,877	2,678

6. Dividends

As stated in the 2013 AIM Admission document the Board's objective is to continue to grow the Group's business and it is expected that any surplus cash resources will, in the short to medium term, be re-invested into the research and development of the Group's products. In view of this, no dividend is declared and the Directors will not be recommending a dividend for the foreseeable future. However, the Board intends that the Company will recommend or declare dividends at some future date once they consider it commercially prudent for the Company to do so, bearing in mind its financial position and the capital resources required for its development.

7. Interim Report

This interim announcement is available on the Group's website at www.versarien.com