29 November 2016

Versarien plc

Interim Results

Versarien plc (AIM: VRS) ("Versarien", "Company" or the "Group"), the advanced engineering materials group, is pleased to announce its interim results for the six months ended 30 September 2016.

Operational Highlights

- Significant advances made in the graphene division with pivotal collaborations formed to develop and commercialise graphene enhanced products in targeted markets including:
    - sports equipment in collaboration with Bromley Technologies
    - 3D printing industry in collaboration with Absolute Engineering
    - aerospace industry in collaboration with CT Engineering
    - a further nine collaborations with other partners
    - conclusion of collaboration with the National Graphene Institute demonstrating a 52% increase in transverse sheer strength of carbon fibre composites
    - patented graphene process moved from research base in Manchester to scale up production facility in Cheltenham
- Hard Wear business relocated to new facilities in Oxfordshire on favourable terms; early signs of uplift in core oil and gas market now being seen
- Continuing OEM pipeline of enquires on copper foam together with distributor restocking; move away from development to production with associated 47% reduction in operational expenses.

Post period end developments

- First significant commercial order received for the supply of graphene nano-platelets (GNPs)
- Acquisition of AAC Cyroma Limited in October 2016 enabling the production of graphene enhanced plastics
- Approved supplier of graphene to a major UK biomedical project exploring 2 dimensional materials assisting in the treatment of cancer, diabetes and dementia

Financial Highlights

- Group revenues of £1.64 million (2015: £2.36 million); largely as a result of reduced component supplies to the oil and gas sector
- Cash of £1.51 million (2015: £2.57 million)
- Fully subscribed placing in July 2016 of £1.04 million net of expenses
- Focus on tight cost control resulting in 15% operational expense reduction
- Net assets of £5.14 million (2015: £6.57 million)
- LBITDA* of £0.80 million (2015: £0.53 million)
- Loss before tax of £1.47 million (2015: £0.84 million)
- Exceptional costs of £0.47 million from factory relocation and acquisition

*LBITDA excludes exceptional items and share-based payment charges

Neill Ricketts, CEO of Versarien plc, commented: "The Group has made significant advances in the commercialisation of graphene with the first supply order now received and also in the product applications in which graphene can be used. The recent acquisition of AAC Cyroma, a well-established profitable business, provides a transformational opportunity to incorporate graphene into injection and vacuum moulded plastic products whilst being a cash generative business in its own right.

"With so much progress made following the positive test results from the University of Manchester and National Graphene Institute we can clearly demonstrate an exceptional performance improvement from incorporating graphene into carbon fibre composites. Consequently, the Group is focusing on accelerating development and commercialisation of its graphene enhanced products through partnerships and its own manufacturing capability."

For further information please contact:

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Notes to Editors:

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 four subsidiaries operating under two divisions:

Thermal and Hard Wear Products

Versarien Technologies Ltd. which owns the exclusive rights to a patent-protected additive process for creating advanced micro-porous metals targeting the thermal management industry and manufactures extruded aluminium heat sinks for the electronics and computing industries. www.versarien-technologies.co.uk

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

Graphene and Plastics

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

ACC Cyroma Ltd, 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

Chairman's statement

I am pleased to report significant progress within the graphene business in the six month period to 30 September 2016 against a back drop of more challenging trading conditions for our more mature products.

The Group is a combination of early stage and mature advanced materials businesses working across a number of market sectors. The Board is focussing on exploiting its growth businesses while exploring new markets for its more established businesses.

The recent acquisition of AAC Cyroma Ltd (AAC) accelerates the Group's objectives to bring commercial products enhanced by graphene into the market AAC is a profitable, specialist plastics manufacturing business serving a range of sectors including automotive and fast moving consumer goods. As part of the Versarien Group, AAC will both continue with its existing business in addition to offering graphene-enhanced plastic products, using graphene manufactured by the Group. Work on the latter is already well-advanced. We have established collaborations with a number of partners and look forward to announcing graphene enhanced products over the coming months as they are launched by our customers.

Alongside the commercialisation of graphene materials, the Group is pleased to report that it has established a scalable and cost effective graphene production facility at its Cheltenham based factory. This facility is capable of meeting the initial demand for graphene materials from AAC and other direct customers. The first substantial order for Graphene nano-platelets has just been received.

The prolonged downturn in the oil and gas industry as a result of depressed commodity prices has led to action by management to diversify the customer base by market and geography in Total Carbide, our Hard Wear business. The relocation of the business to a facility in Oxfordshire on favourable terms has helped to reduce costs and the business remains poised to take advantage of early signs of recovery in the oil and gas industry.

Our Thermal Products division (Versarien Technologies) is in continuing dialogue with potential customers for its copper foam products, with standard parts now being re-stocked by its distributors. Aluminium heat sinks and extrusion supply remain the core of this business and here the Group is pursuing sales to grow margins by filling capacity while keeping costs under close control.

As reported on 25 July 2016 the Group raised £1.1 million, before expenses, by way of a fully subscribed placing in support of the acquisition of AAC Cyroma.

Overall, the Group is in an exciting and unique position with regard to the commercialisation of its graphene products and this is the current priority.

I would like to thank all of our stakeholders for their continued support as Versarien continues to develop.

Ian Balchin
Non-executive Chairman
29 November 2016

Chief Executive Officer's statement

Following the acquisition of AAC Cyroma Limited, which completed on 1 October 2016, Versarien now consists of two early stage technology businesses and two mature businesses. The graphene technology business is allied to the plastics business and the thermal technology business to the hard wear parts business, either through application or production capabilities.

Graphene and Plastics

Of most significance is the progress we have made in commercialising the production of graphene, having moved out of the laboratory into a scalable production facility in Cheltenham. Graphene nano-platelets (GNPs) have been independently tested by the University of Manchester and found to be of the highest quality. This has resulted in us participating in the supply chain to the "2D Materials for Next Generation Healthcare Technologies" project funded by the Engineering and Physical Sciences Research Council. The project will utilise £5.2 million of participant funding over the next five years and includes major healthcare multinationals and University of Manchester laboratories.

The ability to produce GNPs, graphene oxide (GO) and reduced graphene oxide (RGO) means that we have been able to accelerate progress in other applications and we have already announced collaborations with:

- Bromley Technologies to provide graphene enhanced sleds at the Winter Olympic Games
- Absolute Engineering to develop graphene enhanced composites for the printing industry
- CT Engineering to produce graphene enhanced components for the aerospace industry

The purchase of AAC Cyroma provides a further and significant opportunity to harness Versarien's existing graphene manufacturing capabilities. AAC's plastics expertise, plant and equipment will provide the Group the ability to produce graphene enhanced plastics products to AAC's established customer base which, includes leading automotive OEMs. We believe the combination of the two businesses will establish the first dedicated graphene enhanced plastics manufacturing factory in the world.

Given the significant opportunities available to Versarien in both the graphene supply and applications markets the Group intends to focus on both expanding manufacture and furthering application collaboration developments.

Thermal products and Hard Wear products

We continue to explore opportunities for our copper foam technology with a number of OEM's but are governed by the rate at which product testing takes place. However, over 130 potential customers are currently testing our copper foam products as a result of our global distribution deal with Mouser Electronics Inc and we are seeing further orders, both from our distributors and some customers, thus demonstrating market interest.

The Hard Wear product market has experienced extended difficult trading conditions as a result of the oil price slump and was largely responsible for the reduction in Group turnover in the year. However, there are early signs of recovery, albeit small, and we are well placed to take advantage of any upturn. Our strategy has not changed in that we are targeting new markets where there is less competition. The business has moved to a new facility on Westcott Venture Park in Oxfordshire on favourable terms. This move provides us with ample manufacturing capacity for both our Hard Wear and Thermal products which require similar engineering equipment and has long term growth prospects.

Current trading and outlook

The outlook for our business is very promising especially for graphene and we are delighted with the progress we have made in that area. Consequently, we are prioritising this for further commercialisation.

Neill Ricketts
Chief Executive Officer
29 November 2016

Chief Financial Officers review

Group Results
Versarien's revenue for the half-year ended 30 September was £1,635,000 (2015: £2,362,000) a reduction of £727,000, which was largely due to decline in oil and gas sector revenues impacting our Hard Wear products business. The operating loss before exceptional items, depreciation/amortisation and share based payment charges was £798,000 compared with a loss of £526,000 in the comparative period as Hard Wear products returned £417,000 less in operating returns.

Operating expenses reduced by £218,000 as costs were cut in the light of the difficult trading conditions experienced. We continue to carefully monitor cost and have only taken on additional overhead where we can see opportunities to accelerate the development of our graphene products.

Exceptional costs of £465,000 (2015: £111,000) included £393,000 relating to the relocation of the Hard Wear Products factory and £72,000 in relation to the acquisition of AAC Cyroma Limited. The loss before tax was £1,472,000 (2015: Loss £839,000) and the Group received £15,000 (2015: £40,000) in respect of grant income.

Group net assets at 30 September 2016 were £5.1 million (2015: £6.6 million) with cash at the period end of £1.5 million (2015: £2.6 million) after a fully subscribed placing which raised £1.04 million net of expenses. Cash outflow from operating activities was £1,130,000 (2015: £600,000). The Group invested £43,000 (2015: £374,000) in development costs, and £218,000 (2015: £138,000) in new plant and equipment which reflects a shift in focus from development to product commercialisation.

2Dimensional Products
Revenue for the period was £17,000 (2015: £6,000) and operating loss before exceptional items was £315,000 (2015: Loss £144,000). The business capitalised development costs of £12,000 (2015: £116,000) as work continued on developing specific applications using graphene. Cash used by the business was a modest £301,000 considering the progress described in the Chief Executive's report.

AAC Cyroma Limited
AAC was purchased on 1st October 2016 for an initial cash consideration of approximately £1.40 million (including £0.58 million leveraged from AAC's balance sheet) plus the assumption of £260,000 debt and £266,000 in new Versarien shares issued at a price of 10 pence per share. Up to an additional £200,000 of deferred consideration will be payable if AAC achieves certain pre-tax profit targets over the next two calendar years.

In the year ended 31 December 2015 AAC reported sales of £4.27 million with a profit before tax of £166,000 and EBITDA of £375,000. Net assets at 31 December 2015 were £883,000.

Hard Wear Products
Revenue for the period was £1,073,000 (2015: £1,749,000) with an EBITDA loss before exceptional items of £87,000. Exceptional costs of £393,000 were incurred in the period in respect of the factory move. Further relocation cost will be incurred but it is expected to be mostly offset by statutory compensation and landlord contributions to the new leasehold factory premises. The business consumed £427,000 in cash in the period of which included £327,000 related to exceptional costs and £209,000 to the purchase of plant.

Thermal Products
Revenue for the period was £545,000 (2015: £611,000) and operating loss before exceptional items was £264,000 (2015: Loss £540,000) with cash consumed of £190,000. The business capitalised development costs of £31,000 (2015: £118,000) as work continued on specific applications and processes rather than further development.

Chris Leigh
Chief Financial Officer
29 November 2016

Group statement of comprehensive income

For the half year ended 30 September 2016

	Notes	**Six months ended 30 September 2016 Unaudited £'000**	Six months ended 30 September 2015 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Continuing operations				
Revenue	2	**1,635**	2,362	4,401
Cost of sales		**(1,430)**	(1,682)	(3,340)
Gross profit		**205**	680	1,061
Other operating income		**15**	40	57
Operating expenses (including exceptional items)		**(1,693)**	(1,557)	(2,932)
Loss from operations before exceptional items		**(1,008)**	(726)	(1,666)
Exceptional items	3	**(465)**	(111)	(148)
Loss from operations		**(1,473)**	(837)	(1,814)
Finance income/(charge)		**1**	(2)	(7)
Loss before income tax		**(1,472)**	(839)	(1,821)
Income tax		**-**	29	31
Loss for the period		**(1,472)**	(810)	(1,790)
Loss attributable to:				
– Owners of the parent company		**(1,434)**	(788)	(1,745)
– Non-controlling interest		**(38)**	(22)	(45)
		(1,472)	(810)	(1,790)
Loss per share attributable to the equity holders of the Company:				
Basic and diluted	4	**(1.31)p**	(0.75)p	(1.65)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 2016

	Note	**30 September 2016 Unaudited £'000**	30 September 2015 Unaudited £'000	31 March 2016 Audited £'000
Assets				
Non-current assets				
Intangible Assets	5	**1,864**	1,818	1,910
Property, plant and equipment		**1,596**	1,468	1,487
Deferred taxation		**25**	65	25
		3,485	3,351	3,422
Current assets				
Inventory		**1,581**	1,696	1,472
Trade and other receivables		**586**	1,073	816
Cash and cash equivalents		**1,508**	2,569	1,648
		3,675	5,338	3,936
Total assets		**7,160**	8,689	7,358
Equity				
Called up share capital		**1,162**	1,056	1,056
Share premium		**8,101**	7,163	7,163
Merger reserve		**1,017**	1,017	1,017
Share-based payment reserve		**106**	133	91
Accumulated losses		**(5,146)**	(2,755)	(3,712)
Equity attributable to owners of the parent company		**5,240**	6,614	5,615
Non-controlling interest		**(105)**	(44)	(67)
Total equity		**5,135**	6,570	5,548
Liabilities				
Non-current liabilities				
Trade and other payables		**421**	263	376
Provisions		**-**	203	-
Long-term borrowings		**98**	38	58
		519	504	434
Current liabilities				
Trade and other payables		**969**	1,179	1,005
Invoice discounting advances		**264**	96	116
Deferred consideration		**208**	300	208
Current portion of long-term borrowings		**65**	40	47
		1,506	1,615	1,376
Total liabilities		**2,025**	2,119	1,810
Total equity and liabilities		**7,160**	8,689	7,358

Group statement of changes in equity

For the half year ended 30 September 2016

	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 2015 (audited)	1,055	7,150	1,017	94	(1,967)	(22)	7,327
Issue of shares	1	13	—	—	—	—	14
Loss for the period	—	—	—	—	(788)	(22)	(810)
Share-based charge	—	—	—	39	—	—	39
At 30 September 2015 (unaudited)	1,056	7,163	1,017	133	(2,755)	(44)	6,570
Loss for the period	—	—	—	—	(957)	(23)	(980)
Share-based payments	—	—	—	(42)	—	—	(42)
At 1 April 2016 (audited)	**1,056**	**7,163**	**1,017**	**91**	**(3,712)**	**(67)**	**5,548**
Issue of shares	106	938	-	-	-	-	1,044
Loss for the period	-	-	-	-	(1,434)	(38)	(1,472)
Share-based charge	-	-	-	15	-	-	15
At 30 September 2016 (unaudited)	**1,162**	**8,101**	**1,017**	**106**	**(5,146)**	**(105)**	**5,135**

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.

Statement of Group cash flows

For the half year ended 30 September 2016

	Six months ended 30 September 2016 Unaudited £'000	Six months ended 30 September 2015 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Cash flows from operating activities			
Cash used in operations	**(1,130)**	(600)	(1,253)
Interest received/(paid) paid	**1**	(2)	(7)
Net cash used in operating activities	**(1,129)**	(602)	(1,260)
Cash flows from investing activities			
Purchase of intangible assets	**(43)**	(374)	(553)
Purchase of property, plant and equipment	**(218)**	(138)	(269)
Net cash used in investing activities	**(261)**	(512)	(822)
Cash flows from financing activities			
Share issue	**1,055**	14	14
Costs of share issue	**(11)**	-	-
Receipt of finance leases net of repayments	**58**	42	69
Invoice discounting advances	**148**	96	116
Net cash generated from financing activities	**1,250**	152	199
Decrease in cash and cash equivalents	**(140)**	(962)	(1,883)
Cash and cash equivalents at start of period	**1,648**	3,531	3,531
Cash and cash equivalents at end of period	**1,508**	2,569	1,648

Note to the statement of Group cash flows

For the half year ended 30 September 2016

	Six months ended 30 September 2016 Unaudited £'000	Six months ended 30 September 2015 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Loss before income tax	**(1,472)**	(839)	(1,821)
Share-based charge	**15**	39	(3)
Depreciation and amortisation	**195**	161	359
Loss on equity interest	**-**	11	-
Disposal of non-current assets	**2**	-	1
Finance (income)/costs	**(1)**	2	7
R&D tax credit repayment	**-**	-	71
Increase in inventories	**(109)**	(587)	(363)
Decrease in trade and other receivables	**230**	178	446
Increase in trade and other payables	**10**	435	50
Cash used in operations	**(1,130)**	(600)	(1,253)

Notes to the unaudited interim statements

For the half year ended 30 September 2016

1. Basis of preparation

Versarien plc is an AIM listed 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 on 29 November 2016. 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 2016 were approved by the Board of Directors on 26 August 2016 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 and did not contain any emphasis of matter.

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 2016, 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 2016, 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 2016.

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	2Dimensional Products	Thermal Products	Hard Wear Products	Intra-group Adjustments	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Six months to 30 September 2016						
Sales	-	17	545	1,073	-	1,635
Gross Margin	-	-	13	192	-	205
Other operating income	-	-	15	-	-	15
Operating expenses	(246)	(315)	(292)	(362)	(13)	(1,228)
Exceptional items	(72)	-	-	(393)	-	(465)
(Loss)/ profit from operations	(318)	(315)	(264)	(563)	(13)	(1,473)
Finance income/(charge)	1	(1)	2	(1)	-	1
(Loss)/profit before tax	(317)	(316)	(262)	(564)	(13)	(1,472)

Six months to 30 September 2015						
Sales	-	6	611	1,749	(4)	2,362
Gross Margin	-	3	6	671	-	680
Other operating income	-	27	9	4	-	40
Operating expenses	(277)	(174)	(555)	(428)	(12)	(1,446)
Exceptional items	(45)	(2)	(36)	(17)	(11)	(111)
(Loss)/profit from operations	(322)	(146)	(576)	230	(23)	(837)
Finance income/(charge)	4	(1)	(5)	-	-	(2)
(Loss)/ profit before tax	(318)	(147)	(581)	230	(23)	(839)

3. Exceptional items

	Six months ended 30 September 2016 Unaudited £'000	Six months ended 30 September 2015 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Acquisition costs	**72**	-	60
Relocation and restructuring costs	**393**	100	52
Other	**-**	11	36
	465	111	148

Acquisition costs relate mainly to the purchase of AAC Cyroma Limited and relocation costs for the transfer of Hard Wear operations from its old site at Princes Risborough to its new site at Westcott Venture Park.

4. Loss per share

The loss per share has been calculated by dividing the loss after taxation of £1,434,000 (2015: £788,000) by the weighted average number of shares in issue of 109,552,513 (2015: 105,547,246) 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 2016 there were 3,819,862 (2015: 7,256,899) 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 2016 Unaudited £'000	30 September 2015 Unaudited £'000	31 March 2016 Audited £'000
Goodwill	**1,023**	1,023	1,023
Customer relationships/order books	**47**	86	68
Development costs	**638**	685	647
Licence	**2**	24	13
Intellectual property	**154**	-	159

Total	**1,864**	1,818	1,910

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