29 November 2017

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 2017.

Operational Highlights

- Significant interest from OEMs worldwide in the Company's Nanene, few layer graphene nano-platelets
- Awarded competitive framework tender, based primarily on quality, to supply graphene in a variety of forms to the Centre for Process Innovation
- Awarded competitive framework tender to supply few hexagonal layer boron nitride, a new product for Versarien, to the Centre for Process Innovation
- Total Carbide received the Company's largest ever-single order in the aerospace sector for parts to be used by the UK's largest aero engine manufacturer
- Mature businesses showing improved financial performance

Financial Highlights

- Group revenues increased by 167% to £4.38 million (H1 2016: £1.64 million)
- LBITDA* reduced to £0.43 million (H1 2016: £0.80 million)
- Loss before tax almost halved to £0.77 million (H1 2016: £1.47 million)
- Cash of £0.35 million at 30 September 2017 (30 September 2016: £1.51 million), prior to £2.8 million fund raising, net of expenses, announced post period end on 6 November 2017
- Net assets of £5.72 million (H1 2016: £5.14 million)
- No exceptional costs (H1 2016: £0.47 million)

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

Post Period Highlights

- Collaboration with Israel Aerospace Industries to supply and test Versarien's proprietary Nanene few layer graphene nano-platelets in aerospace composite structures
- Collaboration with global consumer goods company to incorporate Nanene into packaging polymer structures
- Establishing US sales office in Palo Alto to exploit significant opportunities in the region
- Internal reviews indicate that Nanene quality complies with relevant provisions of new ISO standard
- Fund raising of £2.8 million, net of expenses, to increase Nanene production capacity by a factor of approximately ten and provide working capital to enable graphene related collaborations to be progressed

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. The graphene business has entered into significant collaboration agreements with global OEM's, won framework tenders with the Centre for Process Innovation, (predominately based on an assessment of graphene quality), and internal reviews indicate that Nanene meets the relevant requirements of the new ISO standard.

"Our hard wear parts business has shown an increase in sales and has returned to profitability and our plastics business has continued to focus on efficiency improvements to increase its operating margins.

"The successful placing in November has provided funds for scale up and collaborative development and we look forward to reporting further progress over the coming months."

For further information please contact:

Versarien plc	*www.versarien.com*
Neill Ricketts – Chief Executive Officer	+44 (0) 1242 269122
Chris Leigh – Chief Financial Officer	
WH Ireland (Nominated Adviser)	*www.whirelandcb.com*
Mike Coe / Ed Allsopp	+44 (0) 117 945 3470
IFC Advisory (Financial PR and IR)	*www.investor-focus.co.uk*
Tim Metcalfe / Graham Herring / Heather Armstrong	+44 (0) 20 3053 8671

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 five subsidiaries operating under two divisions:

Thermal and Hard Wear Products

Versarien Technologies Ltd. which produces thermal copper/aluminium and other aluminium products. 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 Plastic Products

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

Cambridge Graphene Ltd, which supplies novel inks based on graphene and related materials, using patented processes and develops graphene materials technology for licensing to manufacturers. www.cambridgegraphene.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

Chief Executive‘s Statement

The period since the release of our annual results in early July has seen significant progress in all areas of the business. Our graphene technology is fast becoming recognised as a market leading, high quality product, aligned to the standards set by the newly issued ISO TS80004 international standard. This has been demonstrated by our successful tender to supply the UK Government's Centre for Process Innovation, together with the agreements entered into with a number of global OEM's. In addition, I am pleased to report our more mature businesses have returned improved financial performance.

Graphene and Plastic Products

We have internally reviewed our proprietary graphene product, Nanene, against the newly issued international standard, ISO TS 80004-13, and from the bulk and detailed analysis performed to date I am pleased to report that we believe we comply in all applicable respects. Independent third party approval via the authors of the National Physical Laboratory's recent graphene 'Good Practice Guide No. 145 will be undertaken to verify the results of our own analysis, which has previously been validated by a number of universities and respected institutions.

We continue to see significant interest from global OEM's wishing to use and evaluate the benefits of using our graphene powder and ink in their applications. The results of these collaborations will be known over the coming months, but require the purchase of additional equipment to satisfy just their sample and testing requirements. In the relatively short time that we have owned 2-DTech we have secured a patented process, scaled production from the laboratory to pilot production and have now secured collaborative interest from a number of large multi-national businesses. Our focus now, is on ensuring that we support our potential large scale customers in conjunction with the renowned connections we have with both the Universities of Cambridge and Manchester, both of whom are shareholders in both the graphene companies and Versarien.

Our plastic products business performed well in the first half and is providing a very useful contribution to Group performance. We continue to look for ways to improve efficiency whilst exploring the options for incorporating graphene into injection-moulded plastics.

Thermal Products and Hard Wear products

Our hard wear parts business has successfully relocated to its new premises and has been fully operational for the period under review. I am pleased to report that it has returned to profitability and is diversifying away from its traditional oil and gas business into sectors such as aerospace, where we reported its largest single order, which was in excess of £200,000. Since then we have continued to receive additional aerospace orders from other customers, albeit on a smaller scale.

As stated in the last annual report our copper foam still generates some interest with enquiries still being received. However, our technology focus is on graphene where we feel the most reward lies.

Current trading and outlook

Interest in both our powder and ink graphene technologies continues to be strong whilst our traditional businesses provide a tangible asset base and contribution to our Group. With revenues having increased, losses halved and high levels of interest in our graphene products we are viewing the future with much optimism. This optimism has been enhanced by the successful placing in November 2017, raising £2.8 million net of expenses, to help facilitate the purchase of new capital equipment to increase our graphene production capacity.

Neill Ricketts
Chief Executive Officer
29 November 2017

Chief Financial Officer's review

Group Results

Versarien's revenue for the half-year ended 30 September 2017 more than doubled to £4.38 million compared to the same period last year (H1 2016: £1.64 million). Following its acquisition on 1 October 2016, AAC Cyroma contributed sales of £2.21 million (H1 2016: £nil) and Total Carbide increased its sales by £0.5 million, an increase of almost 50% on its comparable period last year.

The operating loss before exceptional items, depreciation, amortisation and share based payment charges was £0.43 million compared with a loss of £0.80 million in the comparative period last year, a reduction of £0.37 million. The main components of the reduction were AAC Cyroma's contribution of £0.19 million and Total Carbide's improved contribution of £0.27 million, which were partially offset by Cambridge Graphene's running costs of £0.09 million. In total the Group spent £0.19 million on capital and revenue development costs (H1 2016: £0.16 million)

No exceptional costs were incurred in the period compared with £0.47 million in the previous comparative period and the loss before tax was £0.77 million (H1 2016: loss £1.47 million).

Group net assets at 30 September 2017 were £5.7 million (31 March 2017 £6.5 million) with cash at the period end of £0.35 million (31 March 2017: £1.37 million), prior to the £2.8 million fund raising, net of expenses, announced post period end on 6 November 2017. Cash outflow from operating activities was £0.70 million after accounting for the £0.30 million re-financing of an injection moulding machine in AAC (H1 2016: £1.13 million). The Group capitalised £0.04 million (H1 2016: £0.04 million) in development costs, and £0.04 million (H1 2016: £0.22 million) in new plant and equipment.

Graphene and Plastic Products

Revenue for the period was £2.21 million (H1 2016: £0.02 million), returning an LBITDA before exceptional items of £0.25 million (H1 2016: loss £0.30 million). The segment capitalised development costs of £0.04 million (H1 2016: £0.001 million) as work continued on developing specific applications using graphene. Cash used by the business segment was £0.47 million and should be viewed in the light of the progress described in the Chief Executive's report.

Hard Wear and Thermal Products

Revenue for the period was £2.17 million (H1 2016: £1.62 million) with an EBITDA before exceptional items of £0.06 million (H1 2016: LBITDA £0.27 million). The segment capitalised no development costs in the period (H1 2016: £0.03 million). The segment consumed £0.08 million in cash in the period of which included £0.02 million for the purchase of plant and equipment.

Chris Leigh
Chief Financial Officer
29 November 2017

Group statement of comprehensive income

For the half year ended 30 September 2017

	Notes	**Six months ended 30 September 2017 Unaudited £'000**	Six months ended 30 September 2016 Unaudited £'000	Year ended 31 March 2017 Audited £'000
Continuing operations				
Revenue	2	**4,380**	1,635	5,928
Cost of sales		**(3,311)**	(1,430)	(4,531)
Gross profit		**1,069**	205	1,397
Other operating income		**28**	15	180
Operating expenses (including exceptional items)		**(1,848)**	(1,693)	(3,769)
Loss from operations before exceptional items		**(751)**	(1,008)	(1,929)
Exceptional items	3	**-**	(465)	(263)
Loss from operations		**(751)**	(1,473)	(2,192)
Finance income/(charge)		**(21)**	1	(10)
Loss before income tax		**(772)**	(1,472)	(2,202)
Income tax		**-**	-	-
Loss for the period		**(772)**	(1,472)	(2,202)
Loss attributable to:				
– Owners of the parent company		**(711)**	(1,434)	(2,132)
– Non-controlling interest		**(61)**	(38)	(70)
		(772)	(1,472)	(2,202)
Loss per share attributable to the equity holders of the Company:				
Basic and diluted	4	**(0.54)p**	(1.31)p	(1.85)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 2017

	Note	**30 September 2017 Unaudited £'000**	30 September 2016 Unaudited £'000	31 March 2017 Audited £'000
Assets				
Non-current assets				
Intangible Assets	5	**2,877**	1,864	2,923
Property, plant and equipment		**2,946**	1,596	3,106
Deferred taxation		**25**	25	25
		5,848	3,485	6,054
Current assets				
Inventory		**1,953**	1,581	1,888
Trade and other receivables		**1,767**	586	1,945
Cash and cash equivalents		**353**	1,508	1,367
		4,073	3,675	5,200
Total assets		**9,921**	7,160	11,254
Equity				
Called up share capital		**1,313**	1,162	1,313
Share premium		**9,762**	8,101	9,762
Merger reserve		**1,256**	1,017	1,256
Share-based payment reserve		**146**	106	115
Accumulated losses		**(6,555)**	(5,146)	(5,844)
Equity attributable to owners of the parent company		**5,922**	5,240	6,602
Non-controlling interest		**(198)**	(105)	(137)
Total equity		**5,724**	5,135	6,465
Liabilities				
Non-current liabilities				
Trade and other payables		**195**	421	271
Provisions		**80**	-	80
Deferred taxation		**64**	-	64
Long-term borrowings		**744**	98	657
		1,083	519	1,072
Current liabilities				
Trade and other payables		**2,110**	969	2,726
Invoice discounting advances		**689**	264	735
Provisions		**-**	208	-
Current portion of long-term borrowings		**315**	65	256
		3,114	1,506	3,717
Total liabilities		**4,197**	2,025	4,789
Total equity and liabilities		**9,921**	7,160	11,254

Group statement of changes in equity

For the half year ended 30 September 2017

	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 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**
Issue of shares	151	1,661	239	-	-	-	2,051
Loss for the period	-	-	-	-	(698)	(32)	(730)
Share-based payments	-	-	-	9	-	-	9
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**

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 2017

	Six months ended 30 September 2017 Unaudited £'000	Six months ended 30 September 2016 Unaudited £'000	Year ended 31 March 2017 Audited £'000
Cash flows from operating activities			
Cash used in operations	**(1,010)**	(1,130)	(1,250)
Interest received/(paid) paid	**(21)**	1	(10)
Net cash used in operating activities	**(1,031)**	(1,129)	(1,260)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	**-**	-	(1,324)
Purchase of intangible assets	**(42)**	(43)	(52)
Purchase of property, plant and equipment	**(42)**	(218)	(977)
Net cash used in investing activities	**(84)**	(261)	(2,353)
Cash flows from financing activities			
Share issue	**-**	1,055	2,560
Costs of share issue	**-**	(11)	(67)
Receipt of finance leases net of repayments	**147**	58	776
Invoice discounting advances	**(46)**	148	63
Net cash generated from financing activities	**101**	1,250	3,332
Decrease in cash and cash equivalents	**(1,014)**	(140)	(281)
Cash and cash equivalents at start of period	**1,367**	1,648	1,648
Cash and cash equivalents at end of period	**353**	1,508	1,367

Note to the statement of Group cash flows

For the half year ended 30 September 2017

	Six months ended 30 September 2017 Unaudited £'000	Six months ended 30 September 2016 Unaudited £'000	Year ended 31 March 2017 Audited £'000
Loss before income tax	**(772)**	(1,472)	(2,202)
Share-based charge	**31**	15	24
Depreciation and amortisation	**290**	195	662
Disposal of non-current assets	**-**	2	11
Finance (income)/costs	**21**	(1)	10
Increase in inventories	**(65)**	(109)	(63)
Decrease in trade and other receivables	**178**	230	169
(Decrease)/increase in trade and other payables	**(693)**	10	139
Cash used in operations	**(1,010)**	(1,130)	(1,250)

Notes to the unaudited interim statements

For the half year ended 30 September 2017

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 on 29 November 2017. 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 2017 were approved by the Board of Directors on 27 July 2017 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 2017, 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 2017, 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 2017.

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	Thermal 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)
(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)

2. Segmental information (continued)

	Central	Graphene and Plastic Products	Thermal and Hard Wear Products	Intra-group Adjustments	TOTAL
	£'000	£'000	£'000	£'000	£'000
Six months to 30 September 2016					
Sales	-	17	1,618	-	1,635
Gross Margin	-	-	205	-	205
Other operating income	-	-	15	-	15
Operating expenses	(246)	(315)	(654)	(13)	(1,228)
Exceptional items	(72)	-	(393)	-	(465)
(Loss)/profit from operations	(318)	(315)	(827)	(13)	(1,473)
Finance income/(charge)	1	(1)	1	-	1
(Loss)/ profit before tax	(317)	(316)	(826)	(13)	(1,472)

3. Exceptional items

	Six months ended 30 September 2017 Unaudited £'000	Six months ended 30 September 2016 Unaudited £'000	Year ended 31 March 2016 Audited £'000
Acquisition costs	**-**	72	105
Relocation and restructuring costs	**-**	393	154
Other	**-**	-	4
	-	465	263

Acquisition costs related 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 £711,000 (2016: £1,434,000) by the weighted average number of shares in issue of 131,331,000 (2016: 109,552,513 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 (2016: 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 2017 Unaudited £'000	30 September 2016 Unaudited £'000	31 March 2017 Audited £'000

Goodwill	**2,167**	1,023	2,167
Customer relationships/order books	**152**	47	167
Development costs	**390**	638	410
Licence	**37**	2	42
Intellectual property	**131**	154	137
Total	**2,877**	1,864	2,923

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