

## Interim Results

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Transense Technologies PLC

07 February 2018

**7 February 2018**

**Transense Technologies plc**  
("Transense", the "Company" or the "Group")  
**Interim results for six months ended 31 December 2017**

Transense Technologies plc (AIM: TRT), the provider of sensor systems for the transportation and industrial markets, report the results for the six months ended 31 December 2017.

**Highlights:**

- Translogik revenues (iTrack & probes) up 96% to £1.02m (Dec 2016: £0.52m)
- Group revenues of £1.07m (Dec 2016: £1.04m)
- iTrack II opex rental model adopted at Glencore & BHP mines
- Translogik probe revenues gaining momentum
- Net loss before taxation for the period of £0.92m (Dec 2016: £0.95m)
- Operating cash outflow before movements in working capital £0.72m (Dec 2016: £0.80m)
- Net cash at end of period of £1.33m (Jun 2017: £2.52m)

**Executive Chairman of Transense Technologies, David Ford, said:**

"During the first half of the financial year, Translogik has achieved significant market traction for both tyre probes and the iTrack II system for mine haul trucks. The progress made is not yet fully evident in these financial results, however buying decisions made by major customers during the period give rise to greater visibility of future earning streams than the Company has ever been able to achieve previously."

"Our relationship with GE continues to deepen, and interest in SAW technology is spreading throughout their operating divisions and central technical group. Furthermore, we continue to develop potential applications in other sectors, including automotive and marine, with positive results."

"We believe that we are well placed to increase our share of a growing market for Tyre Pressure Monitoring Systems in large mine haul trucks as adoption rates increase, although we recognise that decision timescales continue to extend further than previously envisaged. Meanwhile, in the on road commercial fleet market, we believe that the specification of our range of tyre tread depth probes by leading tyre producers will continue to generate additional pull through of end user demand, and we remain confident of further growth in this segment of our business."

**For further information please visit [www.transense.co.uk](http://www.transense.co.uk) or contact:**

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## About Transense Technologies

Based in Oxfordshire, UK, Transense has developed patent-protected sensor systems and supporting technology for use in a variety of diverse high growth markets. Transense's Surface Acoustic Wave (SAW), wireless, battery-less, sensor systems offer significant advantages over legacy wireless sensor systems. Transense is targeting the transport and mining industries, and the global torque, temperature and pressure sensing markets, via its trading divisions, Translogik and SAWSense.

Transense's shares are admitted to trading on AIM, a market operated by the London Stock Exchange (AIM: "TRT").

[www.transense.co.uk](http://www.transense.co.uk)

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

## Transense Technologies plc

### Chairman's statement

The business strategy of the Group is to develop innovative sensing solutions across a range of applications, which are commercialised either through the launch of products and services to customers or by forming strategic alliances with partner organisations. Value is realised through a combination of commercial income, royalties, licensing income and capital gains on disposals.

During the first half of the financial year, Translogik has achieved significant market traction for both tyre probes and the iTrack II system for mine haul trucks. The progress made is not yet fully evident in these financial results, however buying decisions made by major customers during the period give rise to visibility of future earning streams greater than the Group has ever experienced.

### Financial results

Revenues for the six months were marginally ahead of the prior year at £1.07m (Dec 2016: £1.04m). Revenues generated by Translogik from the sale of tyre probes and the sales and rental of the iTrack system increased by 96% to £1.02m (Dec 2016: £0.52m) demonstrating significantly increased market penetration. Revenues generated by SAWSense stood at £0.05m compared with £0.53m in the equivalent period last year (which included the initial licence fee receivable from GE of £0.38m).

Operating expenses reduced by 6% to £1.52m (Dec 2016: £1.61m) and the net loss before taxation from continuing operations was £0.92m (Dec 2016: £0.95m). The total comprehensive loss for the period was £0.92m (Dec 2016: £0.97m) and earnings per share amounted to a loss of 9.70 pence per share (Dec 2016: 10.30 pence).

### Financial position and cash flow

Operating cash outflow before movements in working capital was £0.72m (Dec 2016: £0.80m). Net cash used in operations for the period was £0.88m (Dec 2016: £0.15m). Offering iTrack II to customers on a rental basis results in a short term cash outlay and requires investment in the initial months of each lease. The net investment in fixed assets for such contracts in the period amounted to £0.17m, however these will transition to be net cash generative in future periods. We have also continued to invest in development during the period, and expenditure supporting further features and benefits in the iTrack II system amounting to £0.10m has been capitalised in H1.

Taking into account the increased level of Translogik revenue including the growing rental business the directors expect to see the lower levels of cash consumption experienced in Q2 to continue into the second half of the year.

The Company closed the period with net cash and cash equivalents of £1.33m (30 June 2017: £2.52m). After careful consideration, the directors consider that the going concern basis continues to be appropriate for the preparation of these financial statements.

## Operational review

### SAWSense

SAWSense is a leader in the development of Surface Acoustic Wave ("SAW") wireless, battery-less, sensor systems that offer significant advantages over legacy systems in common use. The business continues to be involved in several live projects in conjunction with major global industrial companies.

In July 2016, SAWSense entered into a significant licensing agreement with General Electric Company (GE) for the use of our patented, wireless, passive SAW technology in certain specific torque applications. The Company received a license fee of £0.58m in the previous financial year. In addition to the fee, GE are likely to pay to Transense a perpetual sales royalty in respect of unit sales upon final contract and agreement of commercialisation, although this is not scheduled to take place

for several years.

Our relationship with GE continues to deepen. GE have recently appointed their torque sensor production sub-contractor for this project, and interest in SAW technology is spreading throughout their operating divisions and central technical group. Sensing is a key component of GE strategy as part of their offering for the Internet of Things, and we consider that we are well placed to identify further applications and opportunities in due course.

Previous collaboration with a major European group for the use of our technology in high value capital equipment has not progressed as we had hoped, although it still has the potential to bear fruit in the future. Application trials in low volume did provide proof of technical concept, however the customer has not yet determined an approach to monetise the technology in commercial use.

We continue to develop potential applications in other sectors with positive results. In the automotive field, work is now progressing with Ford Motor Company and our Electronic Power Assisted Steering ("EPAS") project is progressing with another OEM. Our relationship with McLaren also remains encouraging, with two new applications under consideration. We have recently expanded into providing sensors for the Indy Lights series and are also providing instrumented shafts for an R&D road car project. Further projects are at the initial discussion stage.

In addition, we have received encouraging feedback on a significant marine application, where our customer has conducted a successful evaluation over a twelve month period and is beginning to work on system industrialisation.

#### **Translogik**

Translogik has developed a range of products and services for tyre pressure and temperature monitoring of mining haul trucks marketed under the name iTrack. The division also markets a range of tread depth probes and associated monitoring systems for use in the passenger car, bus, truck and OTR sectors.

#### **Translogik - iTrack**

The reaction from mine owners, operators and tyre service providers since the launch of the iTrack II system at MINExpo 2016 has been very encouraging. Following feedback from the many trials in progress, the Board remains of the opinion that our system is the most technologically advanced mining truck tyre pressure monitoring system ("TPMS") available, offering specific benefits in cost savings and operating efficiency that are not delivered by competitors in the market to the same degree.

Our system has been selected by large mines owned by both Glencore and BHP after showing positive trial results, and there are early indications that wider adoption may be feasible in future without need for mine specific trials on each site. The success of our product launch, and the major steps forward offered by our technology, have energised the major tyre producers in this field to re-evaluate their own proprietary TPMS capabilities. Whilst this could cause further delays in the adoption of iTrack II it could also present Translogik with opportunities to work more closely with selected partners.

We continue to deliver iTrack II on a rental model, which enables users to recognise the monthly cost in operating overheads, alongside the substantial savings in tyre operating costs and the productivity gains that are evident when in use. Revenues in the period derived from operating lease rentals increased from 8% of revenues in the first half of the prior year to 25% in the current period. As operating lease rentals can typically extend over a three year period or longer, the sustainability of these revenues into the future is increasing visibility and providing longer term certainty of cash flows.

We currently estimate that TPMS has been adopted on only c. 10-15% of mine haul trucks in operation globally. We anticipate that adoption rates will increase significantly in coming years, driven by both more stringent safety requirements, and by recognition of the productivity improvements offered by real-time data analytics. We believe that we are well placed to increase our share of a growing market, although we recognise that decision timescales have extended further than previously envisaged.

#### **Translogik - probes**

Our range of tyre tread depth probes is compatible with the tyre management systems of a number of the world's leading tyre producers; in the first six months of our financial year we sold probes to Continental, Michelin, Bridgestone, and Goodyear. Most recently, Goodyear have specified our probe for use in conjunction with their proprietary tyre management system, Goodyear Tire Optix, which was launched to the US market in January 2018.

Revenues from the sale of probes in the first half of the year exceeded £0.54m, which represented a significant increase compared with the same period last year. In the on road commercial fleet market we believe that the specification of our range will continue to generate additional pull through of end user demand, and we remain confident of further growth in this segment of our business.

#### **Outlook and prospects**

We are closely engaged with a select number of the world's leading companies, which are capable of generating very substantial growth in future. Significant progress has been made in building sustainable revenue streams and improving visibility of future earnings. The net cash consumption requirements of the business are reducing, and with strong margins the potential returns are high once revenues are built to a level that exceeds operating costs.

The directors consider that the technology and IP under the Company's ownership, together with the vast applications expertise and experience developed over many years, has a substantial value. With Translogik revenues building and

commercial traction increasing, we continue to view the future with cautious optimism.

**David M Ford**  
Chairman  
7 February 2018

**Transense Technologies plc**  
**Condensed Consolidated Statement of Comprehensive Income**

	Half year to <b>31 Dec 17</b> (Unaudited) £'000	Half year to 31 Dec 16 (Unaudited) £'000	Full Year 30 Jun 17 (Audited) £'000
<b>Continuing operations</b>			
Revenue	1,074	1,040	2,003
Cost of sales	(474)	(395)	(865)
<b>Gross profit</b>	<b>600</b>	645	1,138
Administrative expenses	(1,522)	(1,607)	(3,318)
<b>Operating loss</b>	<b>(922)</b>	(962)	(2,180)
Financial income	-	15	23
<b>Loss before taxation</b>	<b>(922)</b>	(947)	(2,157)
Taxation	-	(20)	(4)
Loss from continuing operations	(922)	(967)	(2,161)
<b>Discontinued operations</b>			
Loss from discontinued operation	-	(5)	(5)
<b>Loss for the year</b>	<b>(922)</b>	(972)	(2,166)
Other comprehensive income:			
Exchange difference on translating foreign operations	1	-	21
Other comprehensive income for the year	1	-	21
<b>Total comprehensive income for the year attributable to the equity holders of the parent</b>	<b>(921)</b>	(972)	(2,145)

**Transense Technologies plc**  
**Condensed Consolidated Statement of Financial Position**

	31 Dec 17 (Unaudited) £'000	31 Dec 16* (Unaudited) £'000	30 Jun 17 (Audited) £'000
<b>Non current assets</b>			

Property, plant and equipment	<b>387</b>	284	258
Intangible assets	<b>940</b>	919	938
Trade lease receivables	<b>3</b>	181	59
	<b>1,330</b>	1,384	1,255
<b>Current assets</b>			
Inventory	<b>842</b>	788	985
Corporation tax receivable	-	-	-
Trade and other receivables	<b>917</b>	1,169	702
Cash and cash equivalents	<b>1,326</b>	3,310	2,520
	<b>3,085</b>	5,267	4,207
<b>Total assets</b>	<b>4,415</b>	6,651	5,462
<b>Current liabilities</b>			
Trade and other payables	<b>(352)</b>	(586)	(511)
Current tax liabilities	<b>(67)</b>	(54)	(47)
Provisions	<b>(100)</b>	(100)	(100)
<b>Total liabilities</b>	<b>(519)</b>	(740)	(658)
<b>Net assets</b>	<b>3,896</b>	5,911	4,804
<b>Capital and reserves</b>			
Share capital	<b>4,775</b>	4,724	4,766
Share premium	<b>26</b>	-	22
Translation reserve	<b>22</b>	(15)	21
Accumulated reserve/(deficit)	<b>(927)</b>	1,202	(5)
<b>Shareholders' funds</b>	<b>3,896</b>	5,911	4,804

\*Restated, see note 1

#### Transense Technologies plc Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Issued share capital £'000	Share premium account £'000	Translation Reserve £'000	Accumulated deficit £'000	Total equity £'000
<b>Balance at 1 July 2016</b>	11,546	17,218	-	(21,841)	6,923
Loss for the period	-	-	-	(2,166)	(2,166)
Shares issued and share premium	43	22	-	-	65
Share reorganisation	(6,823)	(17,218)	-	24,041	-
Costs of share reorganisation	-	-	-	(39)	(39)
Currency movement on subsidiary reserves	-	-	21	-	21
<b>Balance at 30 June 2017</b>	<b>4,766</b>	<b>22</b>	<b>21</b>	<b>(5)</b>	<b>4,804</b>
Loss for the period	-	-	-	(922)	(922)
Translation of foreign entity	-	-	1	-	1
Shares issued and share premium	9	4	-	-	13
<b>Balance at 31 December 2017</b>	<b>4,775</b>	<b>26</b>	<b>22</b>	<b>(927)</b>	<b>3,896</b>

**Transense Technologies plc**  
**Condensed Consolidated Statement of Cash Flows**

	Half year to 31 Dec 17 (Unaudited) £'000	Half year to 31 Dec 16 (Unaudited) £'000	Full year to 30 Jun 17 (Audited) £'000
<b>Cash flow from operating activities</b>			
<b>(Loss) for the period</b>	<b>(922)</b>	(947)	(2,157)
Adjustments for			
Financial income	-	(15)	(23)
Depreciation of property, plant and equipment	69	58	118
Amortisation and impairment of intangible assets	130	114	238
Cost of capital restructure	-	-	(39)
Loss on discontinued operation	-	(5)	(5)
Unrealised currency translation gain	1	-	21
<b>Operating cash flows before movements in working capital</b>	<b>(722)</b>	(795)	(1,847)
Change in receivables	(215)	775	1,040
Change in payables	(139)	32	(50)
Change in inventories	143	(217)	(414)
Change in trade lease receivables	56	-	324
<b>Cash used in operations</b>	<b>(877)</b>	(205)	(947)
Taxation recovered/(paid)	-	51	70
<b>Net cash used in operations</b>	<b>(877)</b>	(154)	(877)
<b>Cash flows from investing activities</b>			
Interest received	-	15	23
Acquisition of property, plant & equipment	(198)	(27)	(63)
Acquisition of intangible assets	(132)	(138)	(282)
<b>Net cash used in investing activities</b>	<b>(330)</b>	(150)	(322)
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity share capital	13	-	65
Capital restructure costs	-	(40)	-
<b>Net cash used for financing activities</b>	<b>13</b>	(40)	65
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,194)</b>	(344)	(1,134)
<b>Cash and cash equivalents at beginning of period</b>	<b>2,520</b>	3,654	3,654
<b>Cash and cash equivalents at end of period</b>	<b>1,326</b>	3,310	2,520

Notes to the Interim results for the six months to 31 December 2017

**1 Accounting Policies**

The Condensed Consolidated Financial Statements for the half yearly report for the 6 months ended 31 December 2017 have been prepared using accounting policies and methods of computation consistent with those set in Transense Technologies plc's Annual Report and Financial Statements for the year ended 30 June 2017.

The Condensed Consolidated Statement of Financial Position in these Condensed Consolidated Financial Statements includes a restatement in relation to current liabilities at 31 December 2016, re classifying a credit balance as a Provision rather than as previously included within Trade and other payables.

**2 Reporting Entity**

Transense Technologies plc. ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006. These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 December 2017 comprises the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). These condensed consolidated interim financial statements are presented in pounds sterling, rounded to the nearest thousand.

The consolidated financial statements of the Group are available upon request from the Company's registered office or at [www.transense.co.uk](http://www.transense.co.uk)

These condensed consolidated interim financial statements are unaudited.

### 3 Earnings per share

	31 December 2017	31 December 2016	30 June 2017
	Shares	Shares	Shares
<b>Weighted average number of shares</b>			
Issued at start of period	9,532,435	9,446,289	9,446,289
Effect of shares issued in period	803	-	37,526
Weighted average number of shares at end of period	9,533,238	9,446,289	9,483,815
Basic Earnings per share	(9.70p)	(10.30p)	(22.78p)
Basic Earnings per share excluding license fee and discontinued operations	(9.70p)	(10.24p)	(22.84p)

### 4 Revenue

Revenue	Half year to 31 Dec 17 (Unaudited) £'000	Half year to 31 Dec 16 (Unaudited) £'000	Full year to 30 Jun 17 (Audited) £'000
Chile	307	330	659
United Kingdom & Europe	225	180	313
Australia	182	84	104
North America	159	394	703
Rest of the World	201	52	224
<b>Total</b>	<b>1,074</b>	<b>1,040</b>	<b>2,003</b>

### 5 Going Concern

The interim financial information has been prepared on a going concern basis, which assumes that the Company will have adequate resources to continue in operational existence for the foreseeable future.

### 6 Corporation tax and Deferred tax

The Company is entitled to a Corporation Tax credit in respect of expenditure on Research and Development. No deferred tax asset is recognised in these financial statements in respect of trading losses to date.

### 7 Consolidated Accounts

These accounts reflect the trading of IntelliSAW inc as discontinued operations following the disposal of the business on 20 October 2015.

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