

Transense Technologies plc

Interim Results & Management Statement for the half year ended 31st December 2013

Chairman's Statement

Transense is delighted to announce a maiden EBITDA profit of £0.02m for the first half of the current financial year. The Board believes that this marks a significant watershed moment towards the ongoing success and profitability of the Company. It is also a very substantial advance over the corresponding period loss of £0.9m, resulting from an increase in revenue of approximately 130% to £2.215m (H1 2013: £0.967m).

When the present Board took over the running of the Company in 2008, it took a strategic decision to develop near and medium term revenue streams in order to support the ongoing costs of existing IP royalty projects with longer timelines for development and commercialisation.

Coupled with the ongoing support of our shareholders, this strategy has proved a success, with the original royalty-model projects now closer to commercialisation and a host of new projects running alongside, across a diverse range of industries and applications. It is anticipated that revenue from new commercial applications of the Company's SAW torque technology will begin to arrive towards the end of 2014.

While the initial objective for the trading divisions was to support the Company's longer term development projects through to profitability, it is the Board's belief that the trading divisions are now well set to become major profit centres in their own right. Both Translogik and IntelliSAW are servicing markets that are global in scale, have massive growth potential for the Company, and with high barriers to entry for potential competitors due to the time it takes to develop products of this nature.

Translogik is currently leading the way in terms of revenue growth, as the increasing cost of tyres and fuel is driving the mining and commercial vehicle markets to seek out new technology for maximising the life and performance of its assets. Translogik, through its iTrack system and tyre probe products, is benefitting from these market drivers.

IntelliSAW was established after Translogik and, to date, sales have not been at the level the Board had originally anticipated at this stage of its development. However, feedback from the industry about the value of its products, and the recent decision by Siemens India to supply its temperature monitoring system as a factory-fit option, provides confidence that its revenue growth should follow in due course, as it has for Translogik.

With the Company now reporting an EBITDA profit, key projects moving forward strongly, triple digit revenue growth, a diverse range of innovative products selling around the globe, supported by an expanding number of partners and distributors and a stronger balance sheet, the Board is increasingly confident in the prospects for growth and believes that Transense is in an excellent position to capitalise on existing and future opportunities.

David M Ford
Chairman
4 February 2014

CEO Report

The first half of our financial year has seen record sales and EBITDA profitability for Transense. This is a continuation of the positive start to the 2013 calendar year outlined in the full-year results to June 2013, and this momentum is expected to continue.

Translogik

Inspection Tools

The last 6 months have seen a step-change in the sales volumes of both the original (Gen1) probe and the newer iProbe. Having received several record value orders in the second half of 2013 which have already been announced, we received a further 2 conditional orders together worth approximately \$750k. The conditionality has recently been satisfied and these orders should ship in the near future. Our distribution partners are also reporting significant increases in industry interest in the tyre probe.

iTrack

Deployment of Translogik's iTrack Tyre Temperature and Pressure Monitoring Systems for mining and off-the-road vehicles ("iTrack") continues at the Sishen mine in South Africa, owned by Kumba Iron Ore, a subsidiary of Anglo American plc, as well as at mines managed by Otraco Chile, a subsidiary of Otraco International (the world's leading provider of earthmover/off-the-road tyre management services to the mining industry).

Translogik has received encouraging feedback from customers on the value of accurate, real-time tyre data being provided by the iTrack system, with new insights being gained into how 24/7 tyre monitoring information impacts on overall mining vehicle performance.

As the volume of data gathered by the rapidly expanding number of iTrack systems around the globe grows, some significant information has emerged:

One mine has recognised a particular benefit of the continuous temperature data provided by iTrack. This accurate data is enabling the mine operator to operate their trucks for longer periods at faster speeds, while still remaining within tolerances specified by the tyre manufacturers. Previously mine fleet managers had to leave a much wider safety margin to ensure that tyre performance parameters were not exceeded. Data provided by this mine operator has indicated an increase in productivity of approximately 7.5%. In this particular mine this translates into 27 trucks achieving the production previously requiring 29 trucks. At a capital cost of approximately US\$5m per truck, that represents an impressive return on investment by implementing iTrack.

Another mine has reported achieving fuel savings (as a result of operating their tyres at correct pressures at all times) at a rate of approximately £20,000 per truck per annum. Although not as large as the capital savings achieved by higher productivity, this overhead saving itself is a sufficiently significant return on investment to justify iTrack.

Very importantly, if less quantifiably, another mine has reported that the iTrack system has allowed them to identify uneven load distribution on several vehicles based on relative tyre temperatures; in one instance an overheating tyre was discovered to have been caused by a mechanical fault with the suspension which would otherwise have caused significant loss of tyre life or potential failure. Further field trials are continuing and new deployments have recently begun in Bulgaria and Australia.

IntelliSAW

IntelliSAW was recently selected by Siemens India to supply its IS485 system for real-time temperature monitoring in medium voltage switchgear cabinets. The systems will be provided as a factory-installed option for Siemens customers requesting this feature.

An initial order has been made and switchgear cabinets produced at this Siemens operation began shipping with factory-fitted IS485 systems in January 2014. This supply agreement represents an important milestone for IntelliSAW, both in terms of the growing market recognition of its products, and driving the potential for new customer wins in association with a top-tier global switchgear manufacturer.

IntelliSAW continues to grow its global sales and distribution network and has recently opened regional offices in Shanghai, China and Bogota, Columbia (which will service South America), in order to strengthen its market presence in these rapidly emerging markets. The sales cycle for switchgear monitoring systems can be lengthy and complex so having regional expertise is a huge benefit in supporting a developing network of twenty three regional distributors, as well as original equipment manufacturer (“OEM”) relationships such as the one now established with Siemens.

Numerous trials are continuing with IS485 around the globe, but adoption on a commercial scale is taking longer than anticipated. The Board believe this is primarily down to the rigorous testing and approvals required to switch from existing monitoring systems which, although inferior, are familiar to the industry. Feedback from customers is that the IntelliSAW system is excellent and provides an ideal solution for switchgear monitoring. The new regional offices will provide sales and technical support in key global markets and should allow faster conversion of system pilots to commercial rollouts.

Several new products that enhance the IntelliSAW Switchgear Monitoring System have recently been introduced. The IM485 Temperature Measurement Meter complements the standard system by providing temperature information directly at the outer panel of the switchgear cabinet. The new Air Interface optimises the system by providing a high quality interrogation system with variable mounting methods, variable mast lengths for application matching. Finally, the integrated meter product that combines a HMI (Human Machine Interface) function with IntelliSAW's innovative sensor interrogation electronics, effectively reduces the number of components required to implement a complete system solution. The IM485-INT also includes an input for humidity sensors which allows the end-user to conduct humidity and ambient temperature monitoring in parallel with IntelliSAW's SAW based temperature sensors.

By combining the system reader function with a full-featured HMI we have greatly simplified the system implementation process while bringing additional functionality to the end-user. At the same

time, the option to add humidity sensors to the system brings another point of performance monitoring within these critical electric power delivery assets.

SAWSense

The number of projects underway is currently at an all-time high and Transense is pleased to report that progress is being made in partnership with one of the largest European industrial electronic system manufacturers on a SAW application for system condition monitoring. The project has been underway for two years developing a prototype, and the industrialisation process has now begun with production expected to follow later this year. The company has a global interest in SAW technology for multiple applications within its multiple divisions.

In addition, SAWSense has recently started a major torque related project with one of the world's largest industrial companies. This company has the in-house capability to develop, build and deploy SAWSense torque sensing solutions in multiple applications across a host of industrial sectors. While commercialisation is still some way off, contractual discussions have commenced and, as the client is both the developer of the applications, as well as the end-user, this represents an excellent opportunity.

Furthermore, the Company is continuing to make solid progress with its two major torque flexplate projects with General Motors and another major US automotive OEM.

Work continues on various applications of Transense's SAW technology for measuring torque, temperature and pressure with other companies and the Board is hopeful that further licences will be granted, subject to the satisfactory conclusion of commercial discussions in each case.

SAWSense's revenue for this six month period was equal to that of the entire previous financial year. Prospects for further growth are strengthening.

Outlook

With revenue more than doubling against the the comparable period last year, EBITDA profitability having been achieved and net losses improving to near breakeven at the half year, and whilst the timing of new contracts and orders always remains uncertain, the Board believes that Transense is well positioned to deliver on market expectations for the full year to June 2014. Forward visibility of sales in the second half is good, with several new orders received in January. This solid and growing sales pipeline combined with a strong balance sheet should allow the Company to scale rapidly over the next few years. Transense remains confident that it has entered an exciting phase in its commercial development.

Graham Storey

CEO

4 February 2014

Finance Director Financial Review

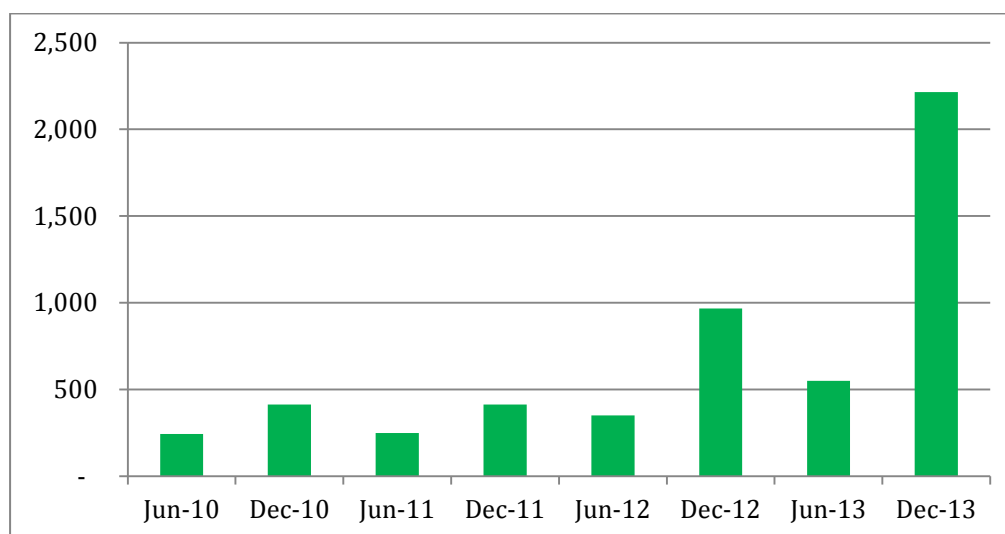
The financial highlights for the 6 month period ended 31 December 2013 were as follows:

	6 months ended 31 Dec 2013	6 months ended 31 Dec 2012	12 months ended 30 June 2013
Revenue	2,215	967	1,517
EBITDA	24	(909)	(2,157)
Net Loss after Taxation	(84)	(1,019)	(2,383)
Loss Per Share	(0.03p)	(0.45p)	(1.20p)
Shareholders' Funds	6,280	2,554	3,392
Cash Balance	3,158	813	1,989

Summary of Financial Review

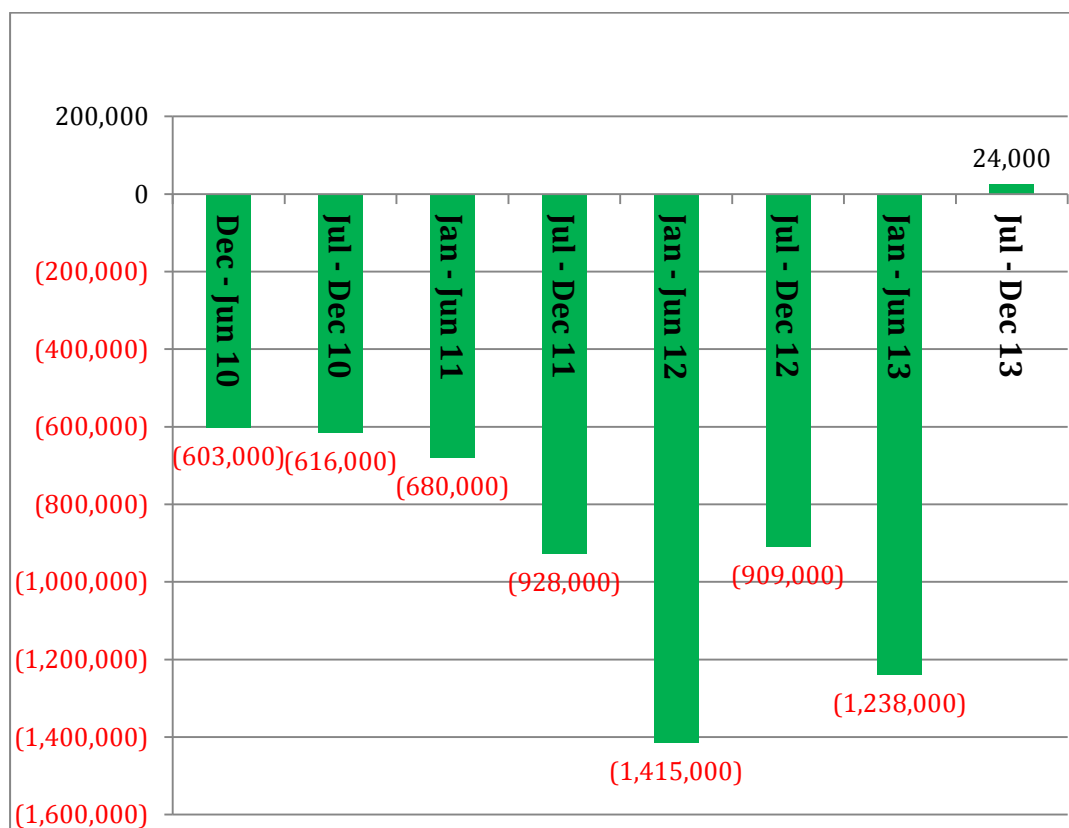
- Transense achieved record revenue for the 6 month period ended 31 December 2013 and achieved approximately 130% growth on the equivalent period to 31 December 2012.

Half Year	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13
Total Sales (£ '000)	243	413	249	414	351	967	550	2,215



- Both the EBITDA & Net Loss after Taxation have improved substantially in the period as a result of the revenue growth.

Half Year	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13
EBITDA (£ '000)	(603)	(616)	(680)	(928)	(1,415)	(909)	(1,238)	24



- The cash resources at 31 December 2013 were £3.16m and, in addition, the Company has a trade debtor book totalling £1.86m (30 June 2013: £289k). Included in debtors are sums due totalling £790K which are due after one year as the sales were made on finance leases over a 4-year term.
- The second stage of the fundraising and the open offer (the "Fundraise") which commenced during the financial year to 30 June 2013 was completed in July 2013 following shareholder approval. The aggregate proceeds raised from the Fundraise were £4.9m of which £2.9m was received during H1 2014.
- Transense has in excess of £14m of tax losses to carry forward against future trading profits. As stated previously, this should ensure an effective zero rate tax charge until those losses have been exhausted.

Melvyn Segal
 Finance Director
 4 February 2014

Transense Technologies plc
Condensed Consolidated Statement of Comprehensive Income

	Half year to 31 Dec 13 (Unaudited) £'000	Half year to 31 Dec 12 (Unaudited) £'000	Full Year to 30 Jun 13 (Audited) £'000
Continuing operations			
Revenue	2,215	967	1,517
Cost of sales	(575)	(286)	(500)
Gross profit	1,640	681	1,017
Administrative expenses	(1,735)	(1,731)	(3,464)
Operating loss	(95)	(1,050)	(2,447)
Financial income	11	2	4
Loss before taxation	(84)	(1,048)	(2,443)
Taxation	-	29	60
Total comprehensive income for the period	(84)	(1,019)	(2,383)
Basic and fully diluted loss per share	(0.03)	(0.45)	(1.20)

Transense Technologies plc
Condensed Consolidated Statement of Financial Position

	31 Dec 13 (Unaudited) £'000	31 Dec 12 (Unaudited) £'000	30 Jun 13 (Audited) £'000
Non current assets			
Property, plant and equipment	117	172	137
Intangible assets	932	1,113	989
	<u>1,049</u>	<u>1,285</u>	<u>1,126</u>
Current assets			
Inventory	483	156	315
Corporation tax receivable	61	103	61
Trade and other receivables	2,008	493	440
Cash and cash equivalents	3,158	813	1,989
	<u>5,710</u>	<u>1,565</u>	<u>2,805</u>
Total assets	<u>6,759</u>	<u>2,850</u>	<u>3,931</u>
Current liabilities			
Trade and other payables	(433)	(263)	(488)
Current tax liabilities	(46)	(33)	(51)
Total liabilities	<u>(479)</u>	<u>(296)</u>	<u>(539)</u>
Net assets	<u>6,280</u>	<u>2,554</u>	<u>3,392</u>
Capital and reserves			
Share capital	9,536	8,802	9,102
Share premium	15,675	11,301	13,144
Warrant reserve	330	430	378
Accumulated deficit	(19,261)	(17,979)	(19,232)
Shareholders' funds	<u>6,280</u>	<u>2,554</u>	<u>3,392</u>

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

	Issued share capital £'000	Share premium account £'000	Warrant Reserve £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 July 2012	8,591	9,753	430	(17,017)	1,757
Loss for the period	-	-	-	(2,383)	(2,383)
Shares issued and share premium	511	3,391	-	-	3,902
Transfer between reserves	-	-	(52)	(52)	-
Share based transactions	-	-	-	116	116
Balance at 30 June 2013	9,102	13,144	378	(19,232)	3,392
Loss for the period	-	-	-	(85)	(85)
Shares issued and share premium	434	2,531	-	-	2,965
Transfer between reserves	-	-	(48)	48	-
Share based transactions	-	-	-	8	8
Balance at 31 December 2013	9,536	15,675	330	(19,261)	6,280

Transense Technologies plc
Condensed Consolidated Statement of Cash Flows

	Half year to 31 Dec 13 (Unaudited) £'000	Half year to 31 Dec 12 (Unaudited) £'000	Full year to 30 Jun 13 (Audited) £'000
Cash flow from operating activities			
Loss for the period	(84)	(1,048)	(2,443)
Adjustments for			
Financial income	(11)	(2)	(4)
Depreciation of property, plant and equipment	37	32	72
Amortisation and impairment of intangible assets	82	109	218
Loss on disposal of fixed assets	-	-	-
Equity settled share based payment	8	57	116
Operating cash flows before movements in working capital	32	(852)	(2,041)
Change in receivables	(1,568)	(222)	(141)
Change in payables	(61)	9	234
Change in Inventories	(168)	(15)	(175)
Cash used in operations	(1,765)	(1,080)	(2,123)
Taxation recovered	-	29	90
Net cash used in operations	(1,765)	(1,052)	(2,033)
Cash flows from investing activities			
Interest received	11	2	4
Acquisition of property, plant & equipment	(17)	(55)	(60)
Acquisition of intangible assets	(25)	(33)	(19)
Proceeds from sale of fixed assets	-	-	-
Net cash used in investing activities	(31)	(86)	(75)
Cash flows from financing activities			
Proceeds from issue of equity share capital	2,965	1,756	3,902
Share premium refund of issuance fees	-	-	-
Net cash used for financing activities	2,965	1,756	3,902
Net (decrease)/increase in cash and cash equivalents	1,169	618	1,794
Cash and cash equivalents at beginning of period	1,989	195	195
Cash and cash equivalents at end of period	3,158	813	1,989

Notes to the Interim results for the six months to 31 December 2013

1 Accounting Policies

The accounting policies and presentation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2013, except as noted below.

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 31 December 2013 comprises the Company and its subsidiary (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 as at and for the period ended 30 June 2013 are available upon request from the Company’s registered office or at www.transense.co.uk

These condensed consolidated interim financial statements are unaudited.

3 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.

At 31 December 2013, the Group had net assets of £6.3 million and a positive cash balance of £3.2 million.

The Group meets its day to day working capital requirements through existing cash reserves and does not have an overdraft facility. The Directors have prepared cash flow forecasts for the period to 30 June 2015. These forecasts indicate that the Group will continue to be able to operate within its current cash resources for the foreseeable future.

4 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.

5 Consolidated Accounts

These accounts reflect the trading of IntelliSAW Inc for the six months to 31 December 2013.

6 Trade and other Receivables

Included within trade and other receivables is £790k (June 2013: £Nil) for both the Group and Company expected to be recovered in more than 12 months.