

AMINO TECHNOLOGIES PLC

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 MAY 2014**

STRONG OPERATING PROFIT AND CASH GENERATION

Amino Technologies plc ('Amino' or the 'Company') (LSE: AMO), the Cambridge-based leader in digital entertainment solutions for IPTV, Internet TV and in-home multimedia distribution, announces unaudited consolidated results for the period ended 31 May 2014 which demonstrate robust gross margin, operating profit and cash generation.

Financial Overview

- Revenue of £16.4m (H1 2013: £20.1m) reflects a return to a traditional second half weighting in line with existing guidance and continued strong demand for lower specification product
- Gross profit of £7.4m (H1 2013: £9.3m), reflecting the second half weighting with corresponding gross margin of 44.9% (H1 2013: 46.2%)
- EBITDA of £2.9m (H1 2013: £3.3m) representing a 2% improvement in EBITDA margin (EBITDA margin 18%; H1 2013: 16%)
- Operating profit up 6% to £1.8m (H1 2013: £1.7m before exceptional items)
- Basic earnings per share increased to 3.29p (H1 2013: 3.23p excluding exceptional items)
- Net cash increased by £1.5m (8%) to £19.7m (H1 2013: £18.2m)
- Interim dividend increased to 1.15p per share, payable on 19 September 2014 (H1 2013: 1.00p per share)
- Commitment to a progressive dividend policy of no less than 10% per annum for a further two years, up to and including the year ending November 2016

Business highlights:

- Continued investment in upgrading our sales force, with appointment of new VP of Global Sales and a number of experienced industry specialists
- Wider solutions-based portfolio launched to provide operators with a more diverse range of products
- Commercial launch of new A150 mainstream device into the European market and Live Advanced Media Platform into North America
- Successful customer trials undertaken for Amino Home Reach in advance of launch in the second half
- Good progress made across all core geographies, particularly in Eastern Europe and Latin America
- Overall market dynamics are improving with the shift to IP

Commenting on the results, Keith Todd CBE, Non-Executive Chairman said:

“The Board remains confident that results for the full year will be in line with current market expectations. Following a period of product refinement and investment we are on track to return to top line revenue growth in addition to continued profit and cash generation in the periods ahead.

“Amino has made encouraging progress in the first half and the Board is pleased to confirm that it is extending its commitment to pursue a progressive dividend policy for a further two years up to and including the year ending November 2016.”

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About Amino Technologies plc

Amino Technologies plc specialises in the development and delivery of IPTV and hybrid/OTT solutions. With over five million devices sold to 850 customers in 85 countries, Amino's award-winning solutions are deployed by major network operators and service providers worldwide. Amino Technologies plc is listed on the AIM market of the London Stock Exchange (AIM: symbol AMO). It is headquartered near Cambridge, in the UK, with offices in the US and China. For more information, please visit www.aminocom.com

Chairman's statement

Amino has made good progress in the first half of the year in terms of financial performance and delivery against its strategic objectives.

The Company has consolidated its position in existing geographical markets with a solid performance in the US market whilst taking further steps, including the expansion of its sales operation and product portfolio, to establish itself in new and emerging markets. These markets include Latin America and Eastern Europe where Amino has benefitted from the successful take up of its highly competitive entry level product.

As expected, the slowdown that was experienced at the end of 2013 in Western Europe continued in the first half of the year. However, post-period end, the Company has seen a pick-up in tendering activity with encouraging early interest in Amino's newly launched mainstream device, the A150.

The strategy of increasing Amino's total addressable market, through product innovation has continued with the launch of an enhanced range of IPTV platforms during the period and further new offerings available in the second half of the year.

The Company is performing in line with expectations and has extended its commitment to shareholders to provide a progressive dividend policy for a further two years.

Focused strategy:

Amino is focused on a number of clear and addressable markets. The industry-wide move towards Internet Protocol (IP) as the means of delivering content between devices and around the connected home is opening up new opportunities for the Company in its existing and adjacent markets.

In response, a wider solutions-based portfolio has been created to provide operators with a more diverse range of products to help drive new revenues and retain existing customers. While this new portfolio is expected to contribute to revenues from 2015, encouraging progress is under way with new set-top box products commercially launched during the period benefitting from enhanced performance, improved user experiences and value-added features.

The portfolio now extends across a full range of customer requirements. Where market demand is for a lower specification device, for example in Latin America and Eastern Europe, Amino provides a highly cost-competitive and robust solution which has gained good traction with existing and new customers.

Where customers require a more feature-rich, high performance device for specific customer segments, Amino has likewise introduced the new Live Advanced Media Platform to meet these needs and the growing demand for multiscreen delivery around the home.

At the same time, a new mainstream device – the A150: targeted at Amino's established customer base - was commercially launched during the period into the European market. This includes improved System on Chip (SoC) performance, integrated apps and enhanced user experience capabilities.

To enable operators to drive additional Average Revenue Per User ("ARPU") from their customers, a new service layer based around home monitoring and control is to launch in the second half of the year in North America. Called Amino Home Reach, this new solution is easily integrated into both existing and recently launched set-top devices. Feedback from customer trials has been encouraging, particularly in North America, where similar offerings from major operators and new solution providers are gaining traction and validating the market as a whole.

This new portfolio has been driven by continued improvements in the pace of innovation and the benefits achieved from consolidating research and development.

The Company has also expanded its sales operations with the appointment of a new VP Global Sales and incremental additions of experienced industry-proven specialists to the team. A renewed focus on customer and partner engagement is now feeding through with an upturn in tender activity.

Growth across customers and markets

Amino's addressable market covers multiple geographies each at varying stages of growth and maturity. During the period, good progress has been made across each of these markets but particularly in Eastern Europe and Latin America where the demand for lower specification solutions continues to develop strongly.

In Eastern Europe, the Company has secured large volume orders from a major operator as IPTV deployments have accelerated across the region in tandem with continued investment in broadband infrastructure. Most recently, the Company was awarded a contract to supply a leading Albanian network operator with devices for its initial IPTV service rollout.

As highlighted at the year-end, Western Europe remains challenging for the industry as a whole. Demand has been depressed by a combination of economic uncertainty, a degree of market saturation in several territories and one specific customer in the Netherlands. As expected, this customer has not placed any orders during the first half of the year, however, towards the end of the period there were encouraging signs that this key customer was planning to re-enter the market with the latest generation of the Amino mainstream platform.

The US market continues to experience good demand with a solid performance from the Company's distributor network. Here the continued focus on short delivery times to customers is proving to be a competitive advantage in supporting a number of new contract wins. The commercial availability of the high performance Live Advanced Media Centre device towards the end of the period has attracted good interest and is in trial with a number of key customers.

The Company continues to make solid progress in the Latin American market. Already a well-established supplier to a major operator in the region – with further orders secured during the period – new opportunities are emerging as markets de-regulate and broadband rollouts accelerate. During the period, the first contract in Argentina was secured with a group of local "co-operativas", locally-focused operators who are now able to provide IPTV services following changes in legislation.

The Company also announced in March that it is supplying major regional telecom operator LIME, part of Cable and Wireless Communications plc, with set-top boxes to support the rollout of pay TV services in the Cayman Islands and Barbados.

Financial progress

A solid sales performance delivered revenue for the period at £16.4m (H1 2013: £20.1m) which, in line with existing guidance, reflects a return to a traditional second half weighting.

Gross margins remain strong at 44.9%, a reduction of 1.3% against the prior year, due to product and geographical mix. Gross profit was £7.4m (H1 2013: £9.3m), largely reflecting the return to a traditional second half sales weighting.

Operating costs have reduced by 26% to £4.5m (H1 2013: £6.0m). This reduction reflects continued investment in the product portfolio alongside efficient cost management and operational control, whilst at the same time also investing in the Company's sales force in preparation for the launch of these products. Operational improvement and cost optimisation remain important areas of focus, as does a lean and flexible supply chain to ensure that short product delivery times continue to be a strategic differentiator in winning business and enhancing margins.

EBITDA before exceptional items was £2.9m (H1 2013: £3.3m) following a return to a traditional second half seasonal weighting in revenues which has been largely offset by lower operating costs.

Depreciation and amortisation at £1.1m was £0.5m lower than the prior period (H1 2013: £1.6m) due to the continued development of the new product portfolio during the year. Amortisation will commence on these products once they are launched.

Operating profit increased 6% to £1.8m (H1 2013: £1.7m before exceptional duties rebates of £1.7m and restructuring costs of £0.7m).

During the prior period, the Company received two rebates totalling £1.7m in respect of duties paid on previously recognised international product sales. These receipts followed claims and negotiations with the tax authorities which were successfully argued and refunds were received during March and April 2013. There remains a slightly smaller final retrospective claim in respect of other duties paid by the Company but at this time there can be no certainty over timing or likelihood of such a rebate.

The Company's continued drive for profitable underlying revenue, tight cost control and strong working capital management brought further benefit to the Company's net cash balance, which closed the period at £19.7m (H1 2013: £18.2m). This represents an increase in cash on the 2013 year-end balance of £19.5m, despite significant investment in R&D projects in the period and payment of the final dividend in respect of FY2013 of £1.3m.

Dividend Policy

The Board is pleased to announce that an interim dividend of 1.15p per share in respect of H1 2014 (H1 2013: 1.00p per share) will be payable on 19 September 2014. The record date for the interim dividend is 5 September 2014 and the corresponding ex-dividend date is 3 September 2014.

Additionally, the Board is also pleased to announce an extension to the progressive dividend policy with an expectation that the dividend will grow by no less than 10% per cent per annum for a further two years up to and including the year ending November 2016.

Outlook

During the first half of the current financial year, the Company has focused on winning business in its core markets and developing new products to broaden the markets in which it operates. These efforts will continue into the second half and Amino is now benefitting from a healthy upturn in tender activity as well as an on-going focus on customer and partner engagement which is providing the Company with a number of new and exciting opportunities. As previously mentioned, revenue will show a second half seasonal weighting in line with that seen in prior years. Amino is well placed to continue its growth strategy, both in existing and new product areas. The Board remains confident that results for the full year will be in line with current market expectations.

Consolidated income statement
For the six months ended 31 May 2014

	Notes	Six months ended 31 May 2014 Unaudited £000s	Six months ended 31 May 2013 Unaudited £000s	Year ended 30 November 2013 Audited £000s
Revenue	3	16,412	20,144	35,852
Cost of sales		(9,046)	(10,836)	(19,616)
Gross profit		7,366	9,308	16,236
Other income		-	1,650	1,650
Operating expenses		(5,591)	(8,347)	(13,764)
Operating profit		1,775	2,611	4,122
Analysed as:				
Gross profit		7,366	9,308	16,236
Selling, general and administrative expenses		(2,664)	(3,737)	(6,592)
Research and development expenses		(1,803)	(2,305)	(3,598)
EBITDA before exceptional items		2,899	3,266	6,046
Depreciation		(67)	(76)	(147)
Amortisation		(1,057)	(1,520)	(2,586)
Operating profit before exceptional items		1,775	1,670	3,313
Restructuring	4	-	(709)	(841)
Operating profit after restructuring		1,775	961	2,472
Exceptional income – duties refund	4	-	1,650	1,650
Operating profit		1,775	2,611	4,122
Finance expense		-	(1)	(2)
Finance income		18	21	112
Net finance income		18	20	110
Profit before corporation tax		1,793	2,631	4,232
Corporation tax (charge)/credit		(44)	2	(67)
Profit for the period from continuing operations attributable to equity holders		1,749	2,633	4,165
Basic earnings per 1p ordinary share	5	3.29p	5.02p	7.89p
Diluted earnings per 1p ordinary share	5	3.24p	4.99p	7.83p
Basic earnings per 1p ordinary share (excluding exceptional items)	5	3.29p	3.23p	6.36p
Diluted earnings per 1p ordinary share (excluding exceptional items)	5	3.24p	3.21p	6.31p

The accompanying notes are an integral part of these interim financial statements.

Consolidated statement of comprehensive income*For the six months ended 31 May 2014*

	Six months ended 31 May 2014 Unaudited £000s	Six months ended 31 May 2013 Unaudited £000s	Year ended 30 November 2013 Audited £000s
Profit for the period	1,749	2,633	4,165
Foreign exchange difference arising on consolidation	(11)	24	56
Other comprehensive (expense)/income	(11)	24	56
Total comprehensive income for the period	1,738	2,657	4,221

The accompanying notes are an integral part of these interim financial statements.

Consolidated Balance Sheet

As at 31 May 2014

	As at 31 May 2014 Unaudited £000s	As at 31 May 2013 Unaudited £000s	As at 30 November 2013 Audited £000s
Assets			
Non-current assets			
Property, plant and equipment	456	509	485
Intangible assets	4,330	3,233	3,812
Deferred income tax assets	560	644	560
Other receivables	162	162	162
	<u>5,508</u>	<u>4,548</u>	<u>5,019</u>
Current assets			
Inventories	2,192	2,337	2,537
Trade and other receivables	6,479	8,598	5,248
Cash and cash equivalents	19,703	18,247	19,521
	<u>28,374</u>	<u>29,182</u>	<u>27,306</u>
Total assets	<u>33,882</u>	<u>33,730</u>	<u>32,325</u>
Capital and reserves attributable to equity holders of the business			
Called-up share capital	579	579	579
Share premium	126	126	126
Capital redemption reserve	6	6	6
Foreign exchange reserves	586	566	598
Other reserves	16,389	16,389	16,389
Retained earnings	7,717	6,042	7,224
Total equity	<u>25,403</u>	<u>23,708</u>	<u>24,922</u>
Liabilities			
Current liabilities			
Trade and other payables	8,479	9,962	7,403
Derivative financial instruments	-	60	-
Total liabilities	<u>8,479</u>	<u>10,022</u>	<u>7,403</u>
Total equity and liabilities	<u>33,882</u>	<u>33,730</u>	<u>32,325</u>

The interim financial statements on pages 6 to 12 were approved by the Board of directors on 11 July 2014 and were signed on its behalf by:

Donald McGarva

Director

The accompanying notes are an integral part of these interim financial statements

Consolidated Cash Flow Statement

As at 31 May 2014

		Six months ended 31 May 2014	Six months ended 31 May 2013	Year to 30 November 2013
	Notes	Unaudited £000s	Unaudited £000s	Audited £000s
Cash flows from operating activities				
Cash generated from operations	6	3,223	3,683	7,193
Corporation tax (paid)/received		(44)	63	63
Net cash generated from operating activities		3,179	3,746	7,256
Cash flows from investing activities				
Expenditure on intangible assets		(1,575)	(1,275)	(2,920)
Purchase of property, plant and equipment		(40)	(29)	(75)
Proceeds on disposal of property, plant and equipment		2	-	-
Interest received		18	20	110
Net cash used in investing activities		(1,595)	(1,284)	(2,885)
Cash flows from financing activities				
Proceeds from exercise of employee share options		27	152	309
Dividends paid		(1,302)	(1,580)	(2,111)
Net cash used in financing activities		(1,275)	(1,428)	(1,802)
Net increase in cash and cash equivalents		309	1,034	2,569
Cash and cash equivalents at start of the period		19,521	17,103	17,103
Effects of exchange rate fluctuations on cash held		(127)	110	(151)
Cash and cash equivalents at end of period		19,703	18,247	19,521

Consolidated Statement of changes in equity

	Share capital	Share premium	Other reserves	Foreign exchange reserve	Capital redemption reserve	Profit and loss account	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Shareholders' equity at 30 November 2012 (audited)	579	126	16,389	542	6	4,803	22,445
Comprehensive income							
Profit for the period	-	-	-	-	-	2,633	2,633
Other comprehensive income	-	-	-	24	-	-	24
Total comprehensive income for the period attributable to equity holders	-	-	-	24	-	2,633	2,657
Share option compensation charge	-	-	-	-	-	34	34
Movement on EBT reserves	-	-	-	-	-	152	152
Dividends paid	-	-	-	-	-	(1,580)	(1,580)
Total transactions with owners	-	-	-	-	-	(1,394)	(1,394)
Total movement in shareholders' equity	-	-	-	24	-	1,239	1,263
At 31 May 2013 (unaudited)	579	126	16,389	566	6	6,042	23,708
Comprehensive income							
Profit for the period	-	-	-	-	-	1,532	1,532
Other comprehensive income	-	-	-	32	-	-	32
Total comprehensive income for the period attributable to equity holders	-	-	-	32	-	1,532	1,564
Share option compensation charge	-	-	-	-	-	23	23
Movement on EBT reserves	-	-	-	-	-	158	158
Dividends paid	-	-	-	-	-	(531)	(531)
Total transactions with owners	-	-	-	-	-	(350)	(350)
Total movement in shareholders' equity	-	-	-	32	-	1,182	1,214
Shareholders' equity at 30 November 2013 (audited)	579	126	16,389	598	6	7,224	24,922
Comprehensive income							
Profit for the period	-	-	-	-	-	1,749	1,749
Other comprehensive income	-	-	-	(11)	-	-	(11)
Total comprehensive income for the period attributable to equity holders	-	-	-	(11)	-	1,749	1,738
Share option compensation charge	-	-	-	-	-	18	18
Movement on EBT reserves	-	-	-	-	-	27	27
Dividends paid	-	-	-	-	-	(1,302)	(1,302)
Total transactions with owners	-	-	-	-	-	(1,257)	(1,257)
Total movement in shareholders' equity	-	-	-	(11)	-	492	481
At 31 May 2014 (unaudited)	579	126	16,389	586	6	7,717	25,403

Notes to the interim financial statements

Six months ended 31 May 2014

1 General information

Amino Technologies plc ('the Company') and its subsidiaries (together 'the Group') specialises in IPTV software technologies and hardware platforms that enable delivery of digital programming and interactivity over IP networks, including the internet.

The Company is a public limited company which is listed on the AIM market of the London Stock Exchange and is incorporated and domiciled in the UK.

2 Basis of preparation

The financial information has been prepared in accordance with all relevant International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that had been published by 31 May 2014 as endorsed by the European Union (EU). The accounting policies adopted are consistent with those of the financial statements for the year ended 30 November 2013, as described in those financial statements. In preparing these interim financial statements the Board has not sought to adopt IAS 34 "Interim financial reporting".

The figures for the six-month periods ended 31 May 2014 and 31 May 2013 have not been audited. The figures for the year ended 30 November 2013 have been extracted from, but do not constitute, the consolidated financial statements of Amino Technologies plc for that year. Those financial statements have been delivered to the Registrar of Companies and included an auditors' report, which was unqualified and did not contain a statement under Section 498(2) or Section 498(3) Companies Act 2006.

3 Revenue

The Group has only one operating segment, being the development and sale of broadband network software and systems. All revenues, costs, assets and liabilities relate to this segment.

The geographical analysis of revenue is as follows:

	Six months ended 31 May 2014 Unaudited £000s	Six months ended 31 May 2013 Unaudited £000s	Year to 30 November 2013 Audited £000s
USA	7,338	8,280	13,468
Serbia	3,168	2,330	4,341
Netherlands	1,753	3,664	7,035
Rest of the World	4,153	5,870	11,008
	<u>16,412</u>	<u>20,144</u>	<u>35,852</u>

4 Exceptional items

As announced in December 2012, it was decided to close the Company's Swedish office and focus all research and development in Cambridge. The process was completed to plan and the benefits are now feeding through in terms of team working. This resulted in an exceptional restructuring cost of £709,000 in the six months ending 31 May 2013.

During the six months ending 31 May 2013, the Company received two rebates totalling £1,650,000 in respect of duties paid on previously recognised international product sales. These receipts followed claims and negotiations with the tax authorities which were successfully argued and refunds were received during March and April 2013. There remains a slightly smaller final retrospective claim in respect of other duties paid by the Company but at this time there can be no certainty over timing or likelihood of such a rebate.

No exceptional items were disclosed in the financial statements for the current period.

5 Earnings per share

	Six months ended 31 May 2014 Unaudited £000s	Six months ended 31 May 2013 Unaudited £000s	Year to 30 November 2013 Audited £000s
Profit attributable to shareholders	1,749	2,633	4,165
Profit attributable to shareholders excluding exceptional items	1,749	1,692	3,357
	Number	Number	Number
Weighted average number of shares (Basic)	53,128,260	52,479,170	52,761,398
Weighted average number of shares (Diluted)	54,038,981	52,765,559	53,184,135

The calculation of basic earnings per share is based on profit after taxation and the weighted average number of ordinary shares of 1p each in issue during the period, as adjusted for shares held by an Employee Benefit Trust.

The profit attributable to shareholders excluding exceptional items is derived by adding back the exceptional items disclosed in note 4 to the profit attributable to ordinary shareholders.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary share options. The Group has only one category of dilutive potential ordinary share options: those share options where the exercise price is less than the average market price of the Company's ordinary shares during the period.

6 Cash generated from operations

	Six months ended 31 May 2014 Unaudited £000s	Six months ended 31 May 2013 Unaudited £000s	Year to 30 November 2013 Audited £000s
Operating profit before exceptional items	1,775	1,670	3,313
Restructuring costs	-	(709)	(841)
Duties rebate	-	1,650	1,650
Operating profit	1,775	2,611	4,122
Amortisation charge	1,057	1,520	2,586
Depreciation charge	69	76	147
(Gain)/loss on disposal of property, plant & equipment	(2)	23	21
Share-based payment charge	18	34	57
Loss on derivative financial instruments	-	65	5
Exchange differences	116	(87)	208
Decrease/(increase) in inventories	345	(240)	(440)
(Increase)/decrease in trade and other receivables	(1,126)	(722)	2,642
Increase/(decrease) in trade and other payables	971	403	(2,155)
Cash generated from operations	3,223	3,683	7,193