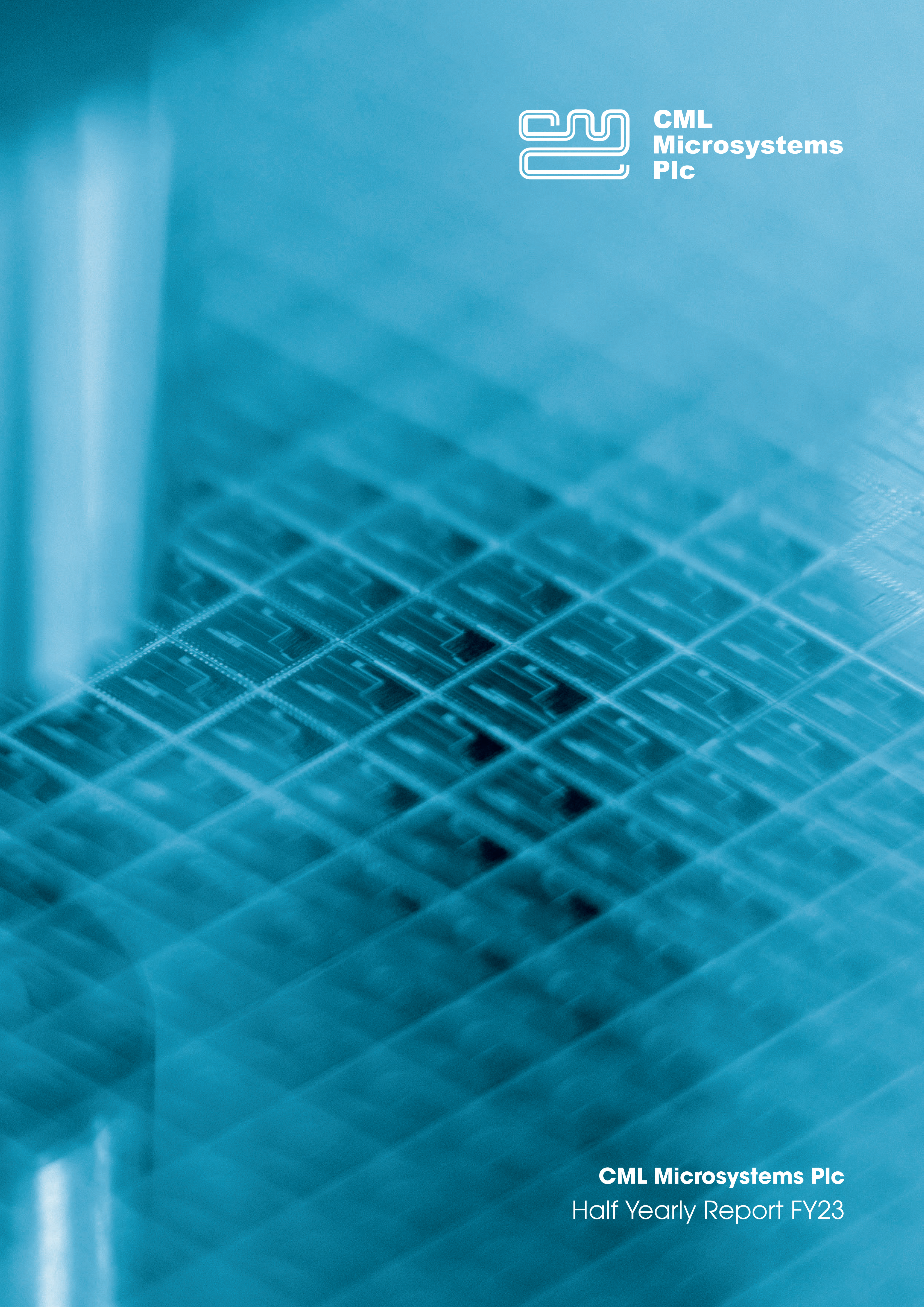


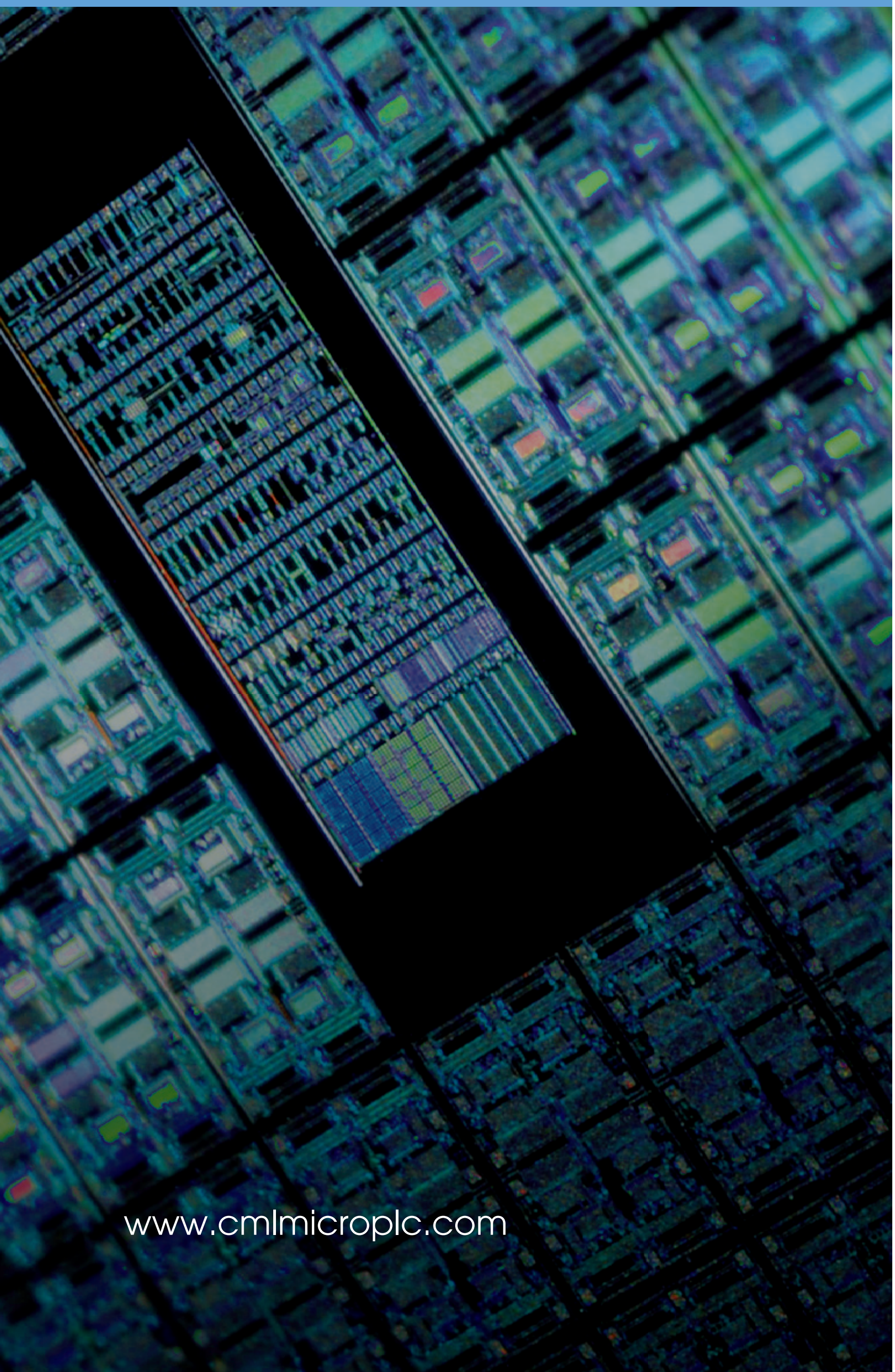
CML Microsystems Plc

CML Microsystems Plc

Half Yearly Report FY23

About us

We develop mixed-signal, RF and microwave semiconductors for global communications markets.



www.cmlmicroplc.com

Contents

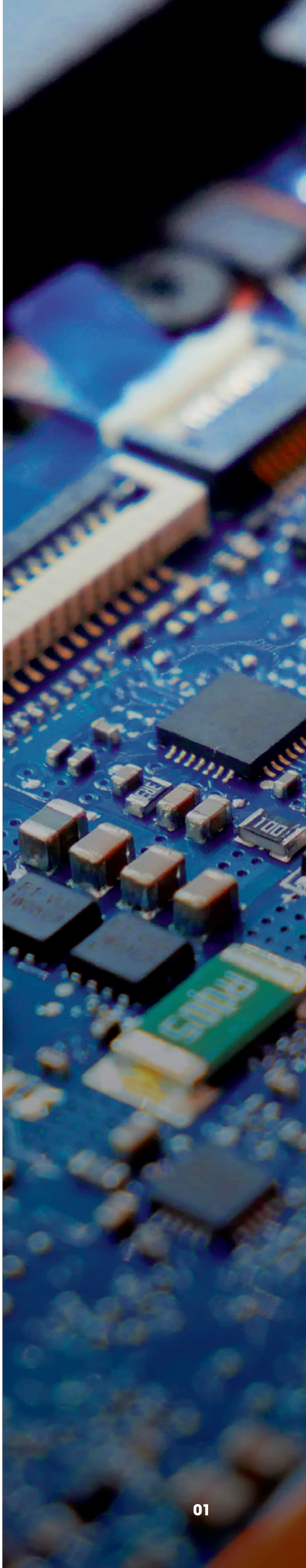
Financial highlights

10.05 **+22%** (HY FY22: 8.26) Revenue (£m)	**1.83** **+81%** (HY FY22: 1.01) Pre-tax profit (£m)
11.72 **+141%** (HY FY22: 4.87) Basic earnings per share for profit attributable to the ordinary equity holders of the Company (p)	**3.25** **+53%** (HY FY22: 2.12) Adjusted EBITDA[1] (£m)
305.19 **+2%** (FY22: 299.22) Net assets per share (p)	**22.67** **(9)%** (FY22: 25.04) Cash[2] (£m)

1. For definition and reconciliation see note 10.
2. Cash is the total of cash, cash equivalents and short-term deposits see note 6.

Operational highlights

- Revenue ahead of both management and market expectations
- Fourth consecutive six-month period of revenue growth for continuing business
- Recovery in existing markets, driving growth
- Strong order book stretching beyond twelve months
- Expanding product range significantly increases total addressable market
- New product developments show early signs of success



Chairman's statement

Introduction

Given the current macroeconomic environment, I can only say how pleased I am with the exceptionally strong first half results that we have reported. CML continues to execute on our defined strategy which has proven to be successful despite the general economic conditions. However, a degree of prudence and caution needs to be followed as it may be some time before the global situation improves.

Against this backdrop, we continue to see opportunities both for growing organically and by selective acquisition. We are maintaining a strong focus on R&D in order to capitalise on existing and new market opportunities that we can see. The prospects are good but the headwinds strong.

Results and trading

The reported comparative figures for H1 FY22 have been restated to reflect the presentational changes made in the year end 31 March 2022 Annual Report, although these changes do not alter the profit before taxation, profit after taxation or the net asset values and are purely changes to the presentation of the financials.

Although growth at the pre-tax level is very important, this does capture the benefits from one-off gains and does not reflect the underlying performance of the business. Our long-term focus has been to grow profitability at the operational level and this is now beginning to show through.

The financial performance for the six months to 30 September 2022 was very strong and is well ahead of the comparative period (April to September 2021). Even though good growth was expected this year, revenues were driven further ahead of management's original expectations due to the strength of the US Dollar. This has had a positive effect through the income statement but to a much lesser extent below the revenue line as we incur significant costs denominated in other currencies.

Revenue for the six months increased by just under 22% to £10.05m compared to the prior year (H1 FY22: £8.26m). This increase in revenues coupled with a slight improvement in margins and tight cost control led to the significant improvement in profit from operations of 230% to £1.75m (H1 FY22: £0.53m). With no material one-off non-recurring items the profit before tax improved by 81% to £1.83m (H1 FY22: £1.01m) which, after an income tax credit, results in a 131% increase in profit after tax to £1.87m (H1 FY22: £0.81m). EBITDA improved 54% to £3.25m (H1 FY22: £2.12m) and diluted EPS increased 141% to 11.58p (H1 FY22: 4.80p). Cash balances at the end of the period stood at £22.67m (31 March 22: £25.04m) following significant share buyback and dividend payments.

The share buyback programme that resulted in £3m of shares being purchased at the start of the year was re-introduced at the start of October to a lesser extent and has resulted in a small number of shares being repurchased on a regular basis since the half year end.

Dividend

The Board is recommending a half year dividend of 5.0p per share (H1 FY22: 4.0p per share), payable on 16 December 2022 to shareholders on the Register on 2 December 2022.

Property

As I stated at the time of the year end results and further enlarged upon within the RNS announcement made on 26 September 2022, we have applied to commercially develop the excess land at Oval Park with contracts signed to sell some of this land to third parties, subject to a successful planning application. This is progressing, but slowly, and I now believe the application will be considered by Maldon District Council during the first calendar half of 2023. The Group also has one further property in Hampshire that it no longer trades from and so is held for sale. Discussions are progressing with relevant parties but again, until contracts are exchanged uncertainty exists. The disposal of the Group's property interests will be cash generative and will assist our growth objectives. That said, I must stress they are one-off transactions and below the operating profit line.

Employees

The key to any successful business is the employees and without them the Group cannot achieve the success it strives for. We are very lucky in having a dedicated, highly talented and hardworking team at multiple locations throughout the world, and on behalf of the Board I wish to thank them all.

Prospects and outlook

We are expecting a further improvement in revenues for the second half year, although with inflationary pressures the distribution and administration expenses are expected to increase. That said, a meaningful full year uplift in both operating and pre-tax profitability is expected meaning that current market expectations should be surpassed.

For the longer term, exciting opportunities continue to be worked in all of the market areas being addressed and they are expected to provide strong organic growth, along with potential inorganic additions to the Group's existing capabilities.

In summary, despite the challenging times, I feel your Company is well placed to make significant progress forward over the remainder of the year.

Nigel Clark
Executive Chairman
22 November 2022

Operational and financial review

Introduction

The Group entered the current financial year on a positive footing, backed by a recovery in the traditional end markets for wireless voice and data communications along with a strong order book stretching beyond twelve months. Our established markets have continued to recover whilst the expansion into wider application areas through higher frequency semiconductor developments is gathering pace.

In conjunction with the operational advances being made, it is pleasing to report revenues ahead of original management and market expectations at the halfway stage, despite a backdrop of selected raw material supply chain issues, particularly within China, which continues to suffer from pandemic-related rolling lockdowns.

Investments made over recent years into new product developments and related activities are bearing fruit and are expected to drive meaningful growth in the future. Coupled with the now entrenched strategy being followed, this positions the Group well to take advantage of the increasing number of opportunities being presented.

Strategy

The Group's vision is to be the first-choice semiconductor partner to technology innovators, together transforming how the world communicates.

We are focused on our customers' success by delivering advantages through the improved functionality and performance of class leading Integrated Circuit ("IC") solutions. R&D activity is targeted at developing the product portfolio to support emerging and evolving customer requirements for size, cost and performance whilst striving to remain each customer's first choice supplier within their advanced communication platforms.

A more connected world is fuelling the insatiable appetite for data consumption – driving growth across communications markets globally. As a result of focused market and customer intelligence activities, our new product development teams are supporting the expansion of our total addressable market to include applications within 5G, Satellite and the Industrial Internet of Things ("IIoT"). This complements the existing markets of public safety, maritime and mission critical wireless voice and data communications, leveraging our systems knowledge, semiconductor engineering capabilities and routes to market.

Markets and operations

For the comparable prior year period (April to September 2021 inclusive), revenues from voice-centric wireless applications had started to improve, with the situation across a wide range of data-centric IIoT customers faring somewhat better. Fast forward to the end of September 2022 and the progress has been more pronounced, with the level of new order bookings and product shipments delivering a fourth consecutive six-month period of revenue growth for the continuing business (excluding revenues from the sale of the Storage Division in March 2021).

This improved performance was driven by our disciplined execution of a clearly defined strategy to take market share and widen the addressable market. Sales grew 22% on a year-over-year basis and 15% sequentially. Geographically, sales into Asia grew by 21% whilst revenue from the Americas almost doubled. Conditions within Europe were a little tougher due to the impact of lower demand from one of the Group's significant voice communications customers. At the period end, our total order book had advanced once again, despite demand fluctuations that typically occur following the supply chain disruptions that have been a feature of the semiconductor industry over the last 18-24 months.

The global communications markets addressed by the Group are exhibiting a number of growth areas. Within the Land Mobile Radio/Private Mobile Radio arena (LMR/PMR), systems are constantly evolving from analogue to digital with some customers focusing on new products to integrate with LTE technology. Public safety agencies prefer the spectrum efficiency associated with digital networks and the ease with which communications can be encrypted for security purposes. Interoperability has become a key success factor, with P25 the dominant standard in North America and TETRA the leading standard in Europe and some other regions. DMR is a global private industry version of a digital standard where the radios of multiple suppliers designed using the DMR standard can be used in conjunction with each other. The Group is an established supplier to a number of the major equipment manufacturers throughout the world and continues to take market share through product evolution and function integration.

Operational and financial review continued

Markets and operations continued

For data-centric markets, 'smart everything' is driving data throughput increases within industry verticals such as agriculture, construction and smart grid/city. The use of established geostationary satellite networks and more recently deployed low-earth orbit networks is another important wireless medium being used to satisfy the requirement to connect to everything from anywhere. Whether the transmission technology is terrestrial, via space or a combination of both, semiconductor needs vary according to frequency range, channel bandwidth, power requirements and other key technical performance characteristics. CML is positioning itself to be a significant player in each of the chosen end-application areas and possesses the people and the know-how to succeed.

More recently, the Group has been releasing products to market that are intended to capture share of the enormous revenue opportunities within end applications that utilise microwave and millimetre wave radio frequencies. Some of these market areas blur the line between the Group's traditional "industrial" markets focus and other more commercially oriented applications but the technical requirements and quality demands to be successful play to our strengths. These markets are many times larger than the Group's already established markets within the sub 1GHz RF arena. In support of this, an intensive product development roadmap and associated release schedule is well underway. Through the first six months of the financial year new IC's were released to market including a 28GHz Power Amplifier product along with Positive Gain Slope Amplifiers designed to compensate for frequency related gain losses that occur when designing wide band wireless products. Further new products are scheduled for release across the second half of the year. All products operating above the frequency range of 1GHz are marketed under the SuRF brand.

Prior to the disposal of the Storage Division in March 2021, the Group was addressing an annual serviceable market of close to $360 million, split almost 50/50 between communication and storage application areas. Post the disposal, under our enhanced strategy, the addressable market has expanded to include a number of key growth areas, including critical infrastructure, 5G and satellite communications. As a result, the Group's annual addressable market has increased substantially and now easily exceeds $1 billion.

For some of the newer markets we are at the early stages of a journey to drive the business forward strongly but across the whole product portfolio we continue to gain market share and achieve meaningful design wins.

CML has excellent routes to market and over recent years has invested significant effort in ensuring sales channels globally are appropriate for the direction of travel that the business is taking. The process is one of evolution and refinement, with ongoing adjustments needed and, in that regard, two new representatives were appointed, one to cover Southeast USA and one to support our activities in South Africa.

Our people represent our single biggest asset and without them we could not achieve the results being delivered. Our average length of service is 19 years, with 40% of our team having worked for our businesses for over 10 years. Importantly, we remain focused on attracting new talent into the Company to ensure both continuity and expansion of our capabilities over time. It is therefore pleasing to see we are being successful with our recruitment programmes across the business in several areas including engineering, operations and sales.

Outlook

The financial year commenced with the business positioned nicely to grow well, despite the various macroeconomic headwinds that have been a feature of the last two years. The results achieved for the opening six months have been strong in absolute terms, delivered through a clear strategy for growth and backed by a disciplined and determined workforce.

The effort being expended towards capturing the organic growth opportunities in front of us is delivering tangible results, both operationally and financially. Opportunities exist to accelerate delivery of our objectives via complementary acquisitions and management continue to devote an appropriate amount of time towards exploring them.

The good progress being made is built upon strong foundations laid during previous years. This, coupled with the energy and enthusiasm to succeed and a clear strategy for growth, enables the Board to have confidence that continuing progress will be made through the second half year period, delivering a very positive outcome for the year as a whole.

Financial review

Total revenues for the first six months of the financial year increased by a very healthy 22% over the comparative half year period, totalling £10.05m (H1 FY22: £8.26m). The improvement was broad-based across the customer base and driven by strong growth in Asia and the Americas from a regional perspective.

The higher revenue drove a 24% uplift in gross profitability to £7.62m (H1 FY22: £6.15m). Gross margin as a percentage improved slightly due to product mix and the Group's prior decision to increase inventory levels against an extended order book. Having said that, cost of sale pressures remain due to ongoing raw material price increases from a selection of our third-party suppliers.

Distribution and administration expenses were slightly up at £5.77m (H1 FY22: £5.61m) although it is noteworthy that the prior year comparison included one-off costs associated with the move to an AIM listing (£0.25m).

Profit from operations improved threefold to £1.75m (H1 FY22: £0.53m) and, after accounting for net finance income, the Group recorded a profit before tax of £1.83m, against £1.01m for the prior year first half.

A marginal income tax credit of £0.04m was recorded compared to a charge of £0.20m for the comparable period, leading to a diluted earnings per share figure of 11.58p against 4.80p for the prior year.

Adjusted EBITDA came in at £3.25m (H1 FY22: £2.12m).

In line with the previously communicated policy, inventory levels increased significantly. This strategy continues to help minimise the impact our customers feel from ongoing supply issues within the global semiconductor supply chain. Delays do remain and capacity constraints are expected to start to ease over the next six months. At 30 September 2022 inventory levels were £2.30m (H1 FY22: £1.53m).

The Group has no debt, and cash balances stood at £22.67m at 30 September 2022 (31 March 2022: net cash of £25.04m). The cash levels are particularly pleasing given the Company had a net spend of £3.30m on share buybacks, invested £2.74m in research and development activities and paid a dividend of £0.80m during August.

Chris Gurry

Group Managing Director

22 November 2022

Condensed consolidated income statement

for the six months ended 30 September 2022

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year end 31/03/22 £'000
Continuing operations			
Revenue	**10,045**	8,256	16,964
Cost of sales	**(2,423)**	(2,107)	(4,169)
Gross profit	**7,622**	6,149	12,795
Distribution and administration costs	**(5,765)**	(5,611)	(11,562)
Share-based payments	**(137)**	(45)	(98)
	1,720	493	1,135
Other operating income	**30**	37	79
Profit from operations	**1,750**	530	1,214
Other income	**4**	437	500
Loss on sale of investment property	**—**	—	(50)
Finance income	**97**	57	106
Finance expense	**(21)**	(13)	(33)
Profit before taxation	**1,830**	1,011	1,737
Income tax credit/(charge)	**35**	(202)	(499)
Profit after taxation for period attributable to equity owners of the parent	**1,865**	809	1,238

The condensed consolidated income statement has been restated for unaudited six months ended 30 September 2021. See note 13 for further details.

Earnings per share from total operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	**11.72p**	4.87p	7.45p
Diluted earnings per share	**11.58p**	4.80p	7.35p

The following measure is considered an alternative performance measure, not a generally accepted accounting principle. This ratio is useful to ensure that the level of borrowings in the business can be supported by the cash flow in the business. For definition and reconciliation see note 10.

Adjusted EBITDA	**3,252**	2,118	4,308

Condensed consolidated statement of total comprehensive income

for the six months ended 30 September 2022

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year end 31/03/22 £'000
Profit for the period	**1,865**	809	1,238
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of benefit obligation	**—**	—	3,307
Deferred tax on actuarial loss	**—**	—	(827)
Change in deferred tax rate on defined benefit obligation	**—**	—	345
Items reclassified subsequently to profit or loss upon derecognition:			
Foreign exchange differences	**829**	410	880
Other comprehensive income for the period			
net of taxation attributable to the equity holders of the parent	**829**	410	3,705
Total comprehensive income for the period attributable to the equity holders of the parent	**2,694**	1,219	4,943

Condensed consolidated statement of financial position

as at 30 September 2022

	Unaudited 30/09/22 £'000	Unaudited 30/09/21 Restated £'000	Audited 31/03/22 £'000
Assets			
Non-current assets			
Goodwill	**7,861**	7,282	7,531
Other intangible assets	**1,107**	1,198	1,119
Development costs	**12,738**	10,727	11,197
Property, plant and equipment	**5,479**	5,576	5,593
Right-of-use assets	**338**	524	458
Investment properties	**—**	3,775	—
Deferred tax assets	**2,605**	1,822	1,550
	30,128	30,904	27,448
Current assets			
Investment properties – held for sale	**1,975**	—	1,975
Inventories	**2,302**	1,532	2,258
Trade receivables and prepayments	**2,156**	2,433	2,199
Current tax assets	**—**	1,479	409
Cash and cash equivalents	**20,005**	11,227	19,084
Short-term cash deposits	**2,663**	11,360	5,958
	29,101	28,031	31,883
Total assets	**59,229**	58,935	59,331
Liabilities			
Current liabilities			
Trade and other payables	**3,665**	3,122	2,827
Lease liabilities	**133**	174	230
Current tax liabilities	**96**	42	42
	3,894	3,338	3,099
Non-current liabilities			
Deferred tax liabilities	**4,103**	3,207	3,702
Lease liabilities	**229**	220	238
Retirement benefit obligation	**2,439**	5,570	2,439
	6,771	8,997	6,379
Total liabilities	**10,665**	12,335	9,478
Net assets	**48,564**	46,600	49,853
Capital and reserves attributable to equity owners of the parent			
Share capital	**796**	863	865
Share premium	**2,462**	1,222	1,362
Capital redemption reserve	**8,372**	8,285	8,285
Treasury shares – own share reserve	**—**	(1,670)	(1,670)
Share-based payments reserve	**395**	497	490
Foreign exchange reserve	**2,011**	712	1,182
Retained earnings	**34,528**	36,691	39,339
Total shareholders' equity	**48,564**	46,600	49,853

Condensed consolidated cash flow statement

for the six months ended 30 September 2022

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year end 31/03/22 £'000
Operating activities			
Profit for the period before taxation – continuing operations	**1,830**	1,011	1,737
Adjustments for:			
Depreciation – on property, plant and equipment	**219**	171	375
Depreciation – on right-of-use assets	**142**	126	258
Impairment of development costs	**—**	—	123
Amortisation of development costs	**831**	673	1,507
Amortisation of intangibles recognised on acquisition and purchased	**169**	136	283
Loss on disposal of investment properties	**—**	—	50
Rental income	**—**	(157)	(215)
Forgiveness US PPP loan	**—**	—	(284)
Employee Retention Credit US	**109**	—	—
Movement in non-cash items (retirement benefit obligation)	**90**	(190)	176
Share-based payments	**137**	45	98
Finance income	**(97)**	(57)	(106)
Finance expense	**21**	13	33
Movement in working capital	**32**	(286)	(1,025)
Cash flows from operating activities	**3,483**	1,485	3,010
Income tax (paid)/received	**(75)**	(118)	905
Net cash flows from operating activities	**3,408**	1,367	3,915
Investing activities			
Proceeds from sale of investment properties	**—**	—	1,750
Purchase of property, plant and equipment	**(88)**	(882)	(1,105)
Investment in development costs	**(2,291)**	(2,161)	(3,532)
Investment in intangibles	**(67)**	—	—
Repayment/(Investment) in fixed term deposits (net)	**3,295**	(1,210)	4,192
Repayment of investment loan note	**—**	—	293
Rental income	**—**	157	215
Finance income	**97**	57	106
Net cash inflow/(outflow) investing activities	**946**	(4,039)	1,919
Financing activities			
Lease liability repayments	**(153)**	(142)	(287)
Issue of ordinary shares (net of expenses)	**1,118**	186	329
Purchase of own shares for treasury	**(4,442)**	—	—
Dividends paid to shareholders	**(796)**	(8,298)	(8,964)
Finance expense	**—**	3	—
Net cash outflow from financing activities	**(4,273)**	(8,251)	(8,922)
Increase/(decrease) in cash, cash equivalents and short-term cash deposits	**81**	(10,923)	(3,088)
Movement in cash and cash equivalents:			
At start of period/year	**19,084**	22,046	22,046
Increase/(decrease) in cash, cash equivalents and short-term cash deposits	**81**	(10,923)	(3,088)
Effects of exchange rate changes	**840**	104	126
At end of period	**20,005**	11,227	19,084

The Consolidated cash flow statements have been restated for unaudited six months ended 30 September 2021. See note 13 for further details.

Cash flows presented exclude sales taxes. Further cash-related disclosure details are provided in note 6.

Changes in liabilities arising from financing activities relate to lease liabilities only.

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2022

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2021 (restated)	859	1,039	8,285	(1,670)	570	302	44,062	53,447
Profit for period							809	809
Other comprehensive income net of taxes								
Foreign exchange differences						410		410
Total comprehensive income for the period	—	—	—	—	—	410	809	1,219
Transactions with owners in their capacity as owners	859	1,039	8,285	(1,670)	570	712	44,871	54,666
Issue of ordinary shares – exercise of share options	4	183						187
Dividend paid							(8,298)	(8,298)
Total of transactions with owners in their capacity as owners	4	183	—	—	—	—	(8,298)	(8,111)
Share-based payment charge					45			45
Cancellation/transfer of share-based payments					(118)		118	—
At 30 September 2021 (unaudited)	863	1,222	8,285	(1,670)	497	712	36,691	46,600
Profit for period							429	429
Other comprehensive income net of taxes								
Foreign exchange differences						470		470
Re-measurement of defined benefit obligations							3,307	3,307
Deferred tax on actuarial loss							(827)	(827)
Change in deferred tax rate on defined benefit obligation							345	345
Total comprehensive income for the period	—	—	—	—	—	470	3,254	3,724
	863	1,222	8,285	(1,670)	497	1,182	39,945	50,324
Transactions with owners in their capacity as owners								
Issue of ordinary shares – exercise of share options	2	140						142
Dividend paid							(666)	(666)
Total of transactions with owners in their capacity as owners	2	140	—	—	—	—	(666)	(524)
Share-based payment charge					53			53
Cancellation/transfer of share-based payments					(60)		60	—
At 31 March 2022	865	1,362	8,285	(1,670)	490	1,182	39,339	49,853

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2022	865	1,362	8,285	(1,670)	490	1,182	39,339	49,853
Profit for period							**1,865**	**1,865**
Other comprehensive income net of taxes								
Foreign exchange differences						**829**		**829**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**829**	**1,865**	**2,694**
	865	**1,362**	**8,285**	**(1,670)**	**490**	**2,011**	**41,204**	**52,547**
Transactions with owners in their capacity as owners								
Issue of ordinary shares – exercise of share options	**18**	**1,100**						**1,118**
Purchase of own shares – treasury				**(4,442)**				**(4,442)**
Treasury share cancellation	**(87)**		**87**	**6,112**			**(6,112)**	**—**
Dividend paid							**(796)**	**(796)**
Total of transactions with owners in their capacity as owners	**(69)**	**1,100**	**87**	**1,670**	**—**	**—**	**(6,908)**	**(4,120)**
Share-based payments					**137**			**137**
Cancellation/transfer of share-based payments					**(232)**		**232**	**—**
At 30 September 2022	**796**	**2,462**	**8,372**	**—**	**395**	**2,011**	**34,528**	**48,564**

Notes to the condensed consolidated financial statements

for the six months ended 30 September 2022

1 Segmental analysis

Reported segments and their results, in accordance with IFRS 8, are based on internal management reporting information that is regularly reviewed by the Chief Operating Decision Maker (Chris Gurry). The measurement policies the Group uses for segmental reporting under IFRS 8 are the same as those used in its financial statements.

The Group is focused for management purposes on one primary reporting segment, being the semiconductor segment, with similar economic characteristics, risks and returns and the Directors therefore consider there to be one single segment, being semiconductor components for the communications industry.

Geographical segments (by origin)

Unaudited	**UK £'000**	**Americas £'000**	**Far East £'000**	**Total £'000**
Six months ended 30 September 2022				
Revenue to third parties – by origin	**2,167**	**1,622**	**6,256**	**10,045**
Property, plant and equipment	**5,375**	**13**	**91**	**5,479**
Right-of-use assets	**176**	**17**	**145**	**338**
Investment properties – held for sale	**1,975**	**—**	**—**	**1,975**
Development costs	**11,318**	**—**	**1,420**	**12,738**
Intangible assets – software and intellectual property	**298**	**—**	**2**	**300**
Goodwill	**1,531**	**—**	**6,330**	**7,861**
Other intangible assets arising on acquisition	**171**	**—**	**636**	**807**
Total assets	**44,315**	**1,043**	**13,871**	**59,229**

Unaudited	UK £'000	Americas £'000	Far East £'000	Total £'000
Six months ended 30 September 2021				
Revenue to third parties – by origin	1,837	916	5,503	8,256
Property, plant and equipment	5,475	17	84	5,576
Right-of-use assets	100	226	198	524
Investment properties	3,775	—	—	3,775
Development costs	9,175	—	1,552	10,727
Intangible assets – software and intellectual property	254	—	98	352
Goodwill	1,531	—	5,751	7,282
Other intangible assets arising on acquisition	197	—	649	846
Total assets	46,109	1,606	11,220	58,935

Audited	UK £'000	Americas £'000	Far East £'000	Total £'000
Year ended 31 March 2022				
Revenue to third parties – by origin	4,569	2,572	9,823	16,964
Property, plant and equipment	5,504	12	77	5,593
Right-of-use assets	227	60	171	458
Investment properties – held for sale	1,975	—	—	1,975
Development costs	9,714	—	1,483	11,197
Intangible assets – software and intellectual property	243	—	96	339
Goodwill	1,531	—	6,000	7,531
Other intangible assets arising on acquisition	184	—	596	780
Total assets	46,024	1,163	12,144	59,331

Revenue

The geographical classification of business turnover (by destination) is as follows:

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year end 31/03/22 £'000
Europe	**1,634**	1,927	3,705
Far East	**6,194**	5,092	9,603
Americas	**1,943**	986	2,901
Other	**274**	251	755
	10,045	8,256	16,964

The operational classification of business turnover (by market) is as follows:

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year end 31/03/22 £'000
Semiconductor	**9,595**	7,907	15,909
Design and development	**450**	349	1,055
	10,045	8,256	16,964

Semiconductor products, goods and services are transferred at a point in time, design and development over the period of the contract on a percentage basis of contract completion, as detailed in the Group's revenue recognition policy within its published Annual Report.

The Group does not have any contract assets at 30 September 2022 (£Nil at 31 March 2022) from semiconductors as it does not fulfil any of its performance obligations in advance of invoicing to its customer. The Group has contract assets of £476,000 as at 30 September 2022 (£157,000 at 31 March 2022) from design and development. The Group, however, does have contractual balances in the form of trade receivables. See note 21 for disclosure of this in the Annual Report and Accounts for the year ended 31 March 2022. The Group does not have any contractual liabilities at 30 September 2022 (£Nil at 31 March 2022).

The Group expects all contractual costs capitalised or any outstanding performance obligations will be completed within the next twelve months.

2 Dividend paid and interim dividend

The Board is declaring an interim dividend of 5p per ordinary share of 5p for the half year ended 30 September 2022, payable on 16 December 2022 to shareholders on the Register on 2 December 2022.

A final dividend of 5p per ordinary share of 5p was paid on 19 August 2022 and an interim dividend of 4p per ordinary share of 5p was paid on 17 December 2021, totalling 9p per ordinary share of 5p paid for the year ended 31 March 2022 (2021: 52.0p per ordinary share of 5p paid for the year ended 31 March 2021).

Notes to the condensed consolidated financial statements continued

for the six months ended 30 September 2022

3 Income tax (credit)/expense

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year end 31/03/22 £'000
Current tax			
UK corporation tax on results of the year	**(23)**	(469)	(415)
Adjustment in respect of previous years	**366**	8	(6)
	343	(461)	(421)
Foreign tax on results of the year	**192**	89	121
Total current tax	**535**	(372)	(300)
Deferred tax			
Deferred tax – origination and reversal of temporary differences	**(99)**	500	6
Change in deferred tax rate	**—**	114	833
Adjustments to deferred tax charge in respect of previous years	**(471)**	(40)	(40)
Total deferred tax	**(570)**	574	799
Tax (credit)/expense on profit on ordinary activities	**(35)**	202	499

The Directors consider that tax will be payable at varying rates according to the country of incorporation of its subsidiary undertakings and have provided on that basis.

The tax charge for the six months ended 30 September 2022 has been calculated by applying the effective tax rate which is expected to apply to the Group for the year ended 31 March 2023, using rates substantially enacted by 30 September 2022 as required by IAS 34 – Interim Financial Reporting.

4 Earnings per share

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year end 31/03/22 £'000
Earnings per share from total operations attributable to the ordinary equity holders of the Company (comparatives include discontinued operations):			
Basic earnings per share	**11.72p**	4.87p	7.45p
Diluted earnings per share	**11.58p**	4.80p	7.35p

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, as explained below:

	Ordinary 5p shares	
	Weighted average number	Diluted number
Six months ended 30 September 2022	**15,912,744**	**16,111,674**
Six months ended 30 September 2021	16,692,935	16,718,813
Year ended 31 March 2022	16,628,301	16,848,252

5 Investment properties

Investment properties were measured at current market valuation. No depreciation is provided on freehold investment properties or on long leasehold investment properties. In accordance with IAS 40, gains and losses arising on revaluation of investment properties are shown in the income statement. The open market valuation of investment properties recognised is £Nil (2022: £Nil). Investment properties held for sale is £1,975,000 (£1,975,000 at 31 March 2022).

The investment property was reclassified on 31 March 2022 as held for sale as the property became vacant with no prospective tenant in place and is held based upon the current market valuation methodology. The property is currently expected to sell within the next twelve months.

6 Cash, cash equivalents and short-term deposits

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year ended 31/03/22 £'000
Cash on deposit	**14,157**	5,509	10,275
Cash at bank	**5,848**	5,718	8,809
	20,005	11,227	19,084
Short-term cash deposits	**2,663**	11,360	5,958
	22,668	22,587	25,042

7 Retirement benefit obligations

The Directors have not obtained an actuarial IAS 19 Employee Benefits Report in respect of the defined benefit pension scheme for the purpose of this Half Yearly Report.

8 Principal risks and uncertainties

Key risks of a financial nature

The principal risks and uncertainties facing the Group are with foreign currencies and customer dependency. With the majority of the Group's earnings being linked to the US Dollar, a decline in this currency will have a direct effect on revenue, although since the majority of the cost of sales are also linked to the US Dollar, this risk is reduced at the gross profit line. Additionally, though the Group has a very diverse customer base in certain market sectors, key customers can represent a significant amount of revenue. Key customer relationships are closely monitored; however, changes in buying patterns of a key customer could have an adverse effect on the Group's performance.

Key risks of a non-financial nature

The Group is a small player operating in a highly competitive global market that is undergoing continual and geographical change. The Group's ability to respond to many competitive factors including, but not limited to, pricing, technological innovations, product quality, customer service, raw material availabilities, manufacturing capabilities and employment of qualified personnel will be key in the achievement of its objectives. The Group's ultimate success will depend on the demand for its customers' products, since the Group is a component supplier.

A substantial proportion of the Group's revenue and earnings are derived from outside the UK and so the Group's ability to achieve its financial objectives could be impacted by risks and uncertainties associated with local legal requirements (including the UK's withdrawal from the European Union, or "Brexit"), political risk, the enforceability of laws and contracts, changes in the tax laws, terrorist activities, natural disasters or health epidemics.

COVID-19

Following the effect of the COVID-19 pandemic, the Group followed the guidance of the World Health Organization and other government health agencies in safeguarding the health and wellbeing of its employees and continues to operate a hybrid working policy. The Group did not make use of the government's staff retention schemes in the UK, nor make any redundancies. In the United States, the government provided support in the form of a loan under the Paycheck Protection Program ($388,400) which was forgiven on 23 May 2021.

There continues to be localised COVID-19 outbreaks, and the Board closely monitors the impact taking prudent steps to mitigate any potential impacts on our employees, customers, suppliers and other stakeholders. The Group remains prepared to implement appropriate mitigating strategies to minimise any potential business disruption.

Given the nature of the markets we operate within, we anticipate our end customers being insulated from a consumer downturn to some extent, although the roll-out of some of the new products may be delayed, dampening demand for our semiconductors. Even in these difficult times, we still maintain the belief that the Group is well placed to move positively forward in the medium to long term. This belief is underpinned by a strong balance sheet and no debt, along with a product portfolio that addresses markets that have a positive outlook.

Russia and Ukraine conflict

Following Russia's invasion of Ukraine, the Group took the decision to cease all supplies to customers based in Russia, resulting in the non-payment of a debt totalling £16,000 ($20,000) which has been fully provided for.

Notes to the condensed consolidated financial statements continued

for the six months ended 30 September 2022

9 Directors' statement pursuant to the Disclosure and Transparency Rules

The Directors confirm that, to the best of their knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting; and
- the Chairman's Statement and Group Managing Director's Operational and Financial Review include a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors are also responsible for the maintenance and integrity of the CML Microsystems Plc website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The basis of preparation and accounting policies used in preparation of this Half Year Report have been prepared in accordance with the same accounting policies set out in the year ended 31 March 2022 financial statements.

10 Adjusted EBITDA

Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") is defined as profit from operations before all interest, tax, depreciation and amortisation charges and before share-based payments. The following is a reconciliation of the Adjusted EBITDA for the three periods presented:

	Unaudited 6 months end 30/09/22 £'000	Unaudited 6 months end 30/09/21 Restated £'000	Audited year end 31/03/22 £'000
Profit before taxation (earnings)	**1,830**	1,011	1,737
Adjustments for:			
Finance income	**(97)**	(57)	(106)
Finance expense	**21**	13	33
Depreciation	**219**	171	375
Depreciation – right-of-use assets	**142**	126	258
Impairment of development costs	**—**	—	123
Amortisation of development costs	**831**	673	1,507
Amortisation of intangibles of purchased and			
acquired intangibles recognised on acquisition	**169**	136	283
Share-based payments	**137**	45	98
Adjusted EBITDA	**3,252**	2,118	4,308

11 Disposal of the Storage Division

On 10 December 2020, the Group announced it had entered into a definitive agreement to divest its Storage Division, Hyperstone.

Hyperstone was sold on 4 February 2021 and is reported in the prior period as a discontinued operation. For financial information relating to the discontinued operations see note 13 for disclosure of this in the Annual Report and Accounts for the year ended 31 March 2022.

12 General

Other than already stated within the Chairman's Statement and Group Managing Director's Operational and Financial Review, there have been no important events during the first six months of the financial year that have impacted this Half Yearly Report.

There have been no related party transactions or changes in related party transactions described in the latest Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year. The principal risks and uncertainties within the business are contained within this report in note 8 above.

The financial information contained in this Half Yearly Report has been prepared in accordance with UK adopted International Accounting Standards. This Half Yearly Report does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2022 is based on the statutory accounts for the financial year ended 31 March 2022 that have been filed with the Registrar of Companies and on which the auditor gave an unqualified audit opinion.

The auditor's report on those accounts did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. This Half Yearly Report has not been audited or reviewed by the Group auditor.

A copy of this Half Yearly Report can be viewed on the Company website: www.cmlmicroplc.com.

13 Unaudited six months ended 30 September 2021 restatement

The Consolidated Statement of Comprehensive Income

Third-party product re-sales have been reclassified from other operating income to revenue and presented on a gross basis to correctly reflect the Group's role as principal in a revenue arrangement. In the prior year, Revenue of £255,000 and Cost of sales of £174,000 were presented net as other operating income. This has now been correctly classified as Revenue and Cost of sales respectively on a gross basis in the restated statement of comprehensive income. The reclassification of these items has had no effect on the profit before taxation or net assets.

Rental income and government grants have been reclassified as other income to be included within profit/(loss) from operations, having previously been incorrectly classified as other operating income after profit/(loss) from operations. The reclassification has resulted in a decrease in the loss on operations of £437,000.

Share-based payment expense was incorrectly presented below profit/(loss) from operations. They have been reclassified to be included within profit/(loss) from operations to properly reflect the nature of the expense. This has resulted in an increase in the loss from operations of £45,000.

The reclassification of the rental income, government grants income and share-based payment expenditure provides a better measure of operating profit/(loss) in the consolidated statement of comprehensive income. The reclassification of these items has had no effect on the profit before taxation or net assets.

The Consolidated statement of financial position

An omission of a transfer within the statement of changes in equity in relation to the B shares that were issued, redeemed, and subsequently cancelled has been corrected. The adjustment recognises a transfer of £8,276,000 from retained earnings to the capital redemption reserve as required by the Companies Act 2006 and has had no effect on the profit before taxation or net assets.

Short-term cash deposits with initial maturity of more than 3 months were incorrectly included within cash and cash equivalents. Therefore, the short-term cash deposits of £11,360,000 have been reclassified as financial assets.

The Consolidated cash flow statements

Short term cash deposits totalling £11,360,000 with initial maturity of more than 3 months were incorrectly included within cash and cash equivalents. Cash flows from investing activities have therefore been corrected to reflect the movements in the short-term cash deposits instead of reflecting these in cash and cash equivalents. Cash flows from rental income have been reclassified as investing activities from operating activities within the Consolidated and Company cash flow statements to ensure consistent presentation with rental income within the Consolidated Statement of Comprehensive Income. The reclassification of these items has had no effect on the profit before taxation or net assets.

The Consolidated statement of changes in equity

An omission of a transfer within the statement of changes in equity in relation to the B shares that were issued, redeemed, and subsequently cancelled has been corrected. The adjustment recognises a transfer of £8,276,000 from retained earnings to the capital redemption reserve as required by the Companies Act 2006 and has had no effect on the profit before taxation or net assets.

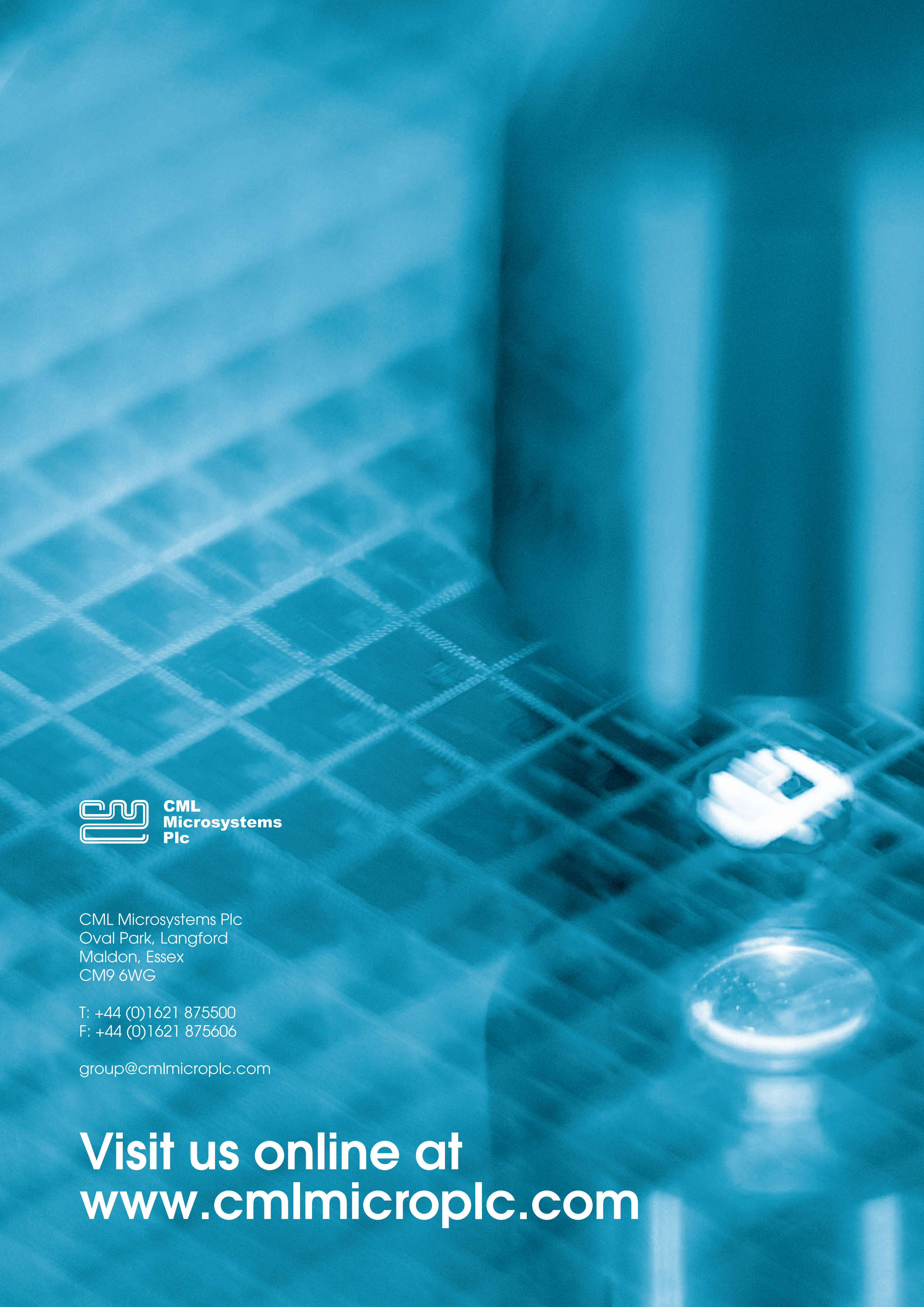
14 Approvals

The Directors approved this Half Yearly Report on 22 November 2022.

Glossary

5G	Fifth Generation Cellular Network Technology
AIM	Alternative Investment Market
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FY	Full Year
H1	First Half (Financial Year)
IAS	International Accounting Standards
IC	Integrated Circuit
IFRS	International Financial Reporting Standards
IIoT	Industrial Internet of Things
IoT	Internet of Things
R&D	Research and Development

Designed and produced by
lyonsbennett
www.lyonsbennett.com



CML
Microsystems
Plc

CML Microsystems Plc
Oval Park, Langford
Maldon, Essex
CM9 6WG

T: +44 (0)1621 875500
F: +44 (0)1621 875606

group@cmlmicroplc.com

Visit us online at www.cmlmicroplc.com