

1 December 2020

TEKMAR GROUP PLC
("Tekmar Group", the "Group" or the "Company")

HALF YEAR RESULTS
For the six months ended 30 September 2020

Tekmar Group (AIM: TGP), a leading provider of technology and services for the global offshore energy markets, announces its half year results for the six months ended 30 September 2020 ("H1 2021" or the "Period").

Following his appointment as the Company's new Chief Executive Officer in October 2020, Alasdair MacDonald commenced a review of the internal operations and activities of the business. The initial stage of this review, to reorganise the business to deliver increased integration efficiencies across the Group and a reduced cost-base, better aligned to the current market environment, has been concluded. With these increased efficiencies, the Board believes that the Group is now best-placed to weather the short-term disruption to its markets and performance, caused by the Covid-19 pandemic.

The fundamentals of the business remain strong, with a robust balance sheet, in-house expertise and IP, an excellent track record and major market share, and, following the initial stage of the review, a more efficient and simplified structure. Accordingly, the Board believes that the business is well-positioned to capitalise on the structural growth forecast in the offshore wind market in the medium to long term.

H1 2021 financials

	H1 2021	H1 2020	FY 2020
• Revenue	£15.2m	£17.1m	£40.9m
• Adjusted EBITDA ¹	£0.8m	£2.0m	£4.7m
• Cash	£3.6m	£3.9m	£2.1m
• Market Visibility ²	£36.5m	£40.5m	£65.5m

Sales KPIs:

	H1 2021	H1 2020	FY 2020
• Order Book ³	£10.0m	£15.9m	£10.0m
• Preferred Bidder ⁴	£11.3m	£7.5m	£14.6m
• Enquiry Book ⁵	£225m	£186m	£224m

Financial key points

- H1 2021 revenue and EBITDA impacted by Covid-19 with short term increase in operational costs and delays to order intake
- H1 2021 revenue in the core offshore wind market consistent with H1 2020
- Increase in Enquiry Book of 21% demonstrating strong underlying demand
- Strong liquidity position with £3.6m of cash at Period end and the Group continues to operate well within its banking facilities
- Financial year end moved to 30 September to provide financial results at a more normalised period end, avoiding peak seasonal impact. Next reporting period will be the six months to 31 March 2021 (H2 2021)

Operational highlights

- Maintained zero LTI (Lost Time Incidents) safety record throughout the Period
- Key contract wins:
 - Three new offshore wind contracts in China
 - First major offshore wind project in Japan
 - First project in the Middle East, in Saudi Arabia
 - Cable protection system supply contract for offshore wind remedial works in Germany
 - Remedial engineering and build of retrofit cable protection system clamps and cleaning tool for UK offshore wind farm
 - Supply of pipe-in-pipe water stops to customers in the Gulf of Mexico, Middle East and Asia
- Development of new generation of CPS progressed - Generation 10 ("Gen10")

Post half year end and review of internal operations and business activities

- Appointment of new CEO and Chairman
- New CEO initiates review of internal operations and business activities
- Initial stage of review concluded in November 2020 which set out objectives and a roadmap to reorganise the business to deliver increased integration efficiencies across the Group and a reduced cost-base which is better aligned to the current market environment
- N+1 Singer appointed as joint broker

Market outlook:

- Long-term outlook for growth in global offshore wind remains strong with the installed base of 28.9GW forecast to increase to 233GW by 2030⁶, representing a clear opportunity for the Group
- Short term outlook is also strong at c.18.6% CAGR for new global offshore wind capacity forecast to 2024
- UK commitment within the government's 10 point plan for Green Industrial Revolution; 40GW by 2030 including 1GW for floating wind; £160m infrastructure investment in ports and manufacturing facilities; and 60% UK content is seen as a very encouraging sign
- The Group estimates the addressable market for our core products at c.£120m to £140m per annum over the next five years

Outlook:

- Implementation of cost savings and integration efficiencies following initial stage of the internal review
- Launch of Gen10 cable protection system - a cost effective and technologically advanced solution
- Internal review: next stage focusing on the expansion of the Group's presence in offshore wind to deliver shareholder value by capitalising on its market-leading position and through expansion into related offshore products and services
- Whilst the market is still seeing projects progressing to their planned execution dates, the current uncertainty on the timing of contract awards into the supply chain is expected to continue in the near-term
- Due to the short term uncertainty in relation to the timing of contract awards, largely due to the pandemic, the Board will withhold reinstating earnings guidance at this time.
- With robust business fundamentals, the Board is confident that the prospects for the Group in the medium to long-term remain strong.

Ally MacDonald CEO of Tekmar Group, said:

“The long-term fundamentals within the offshore wind market remain compelling. However, significant disruption has been experienced across the globe over the last eight months as a result of the Covid-19 pandemic. The new way of working has created inefficiencies in the supply chain, slowing expected order placement schedules. This has inevitably affected our performance in the Period, compared to the previous half year, but, encouragingly, we have managed to maintain revenue from our core market, offshore wind. Our team has responded well to all the challenges presented by the pandemic and I am extremely grateful to our people, our customers, our suppliers and our shareholders for their support during these challenging times.

The first half of FY21 was one of the most demanding periods the Company has faced, and we responded swiftly to the unprecedented headwinds presented by Covid-19 by taking actions to reduce costs and protect the Group’s liquidity. Whilst delays in order placement are expected to continue in H2 2021, we expect trading to improve as we emerge from the pandemic and the market bounces back.

We will shortly commence the next stage of the internal review, where we will lay out our plans for the strategic direction of the business to widen our presence in the offshore wind market, creating a roadmap for growth and the delivery of sustainable shareholder value. The fundamentals of this business are strong and I have no doubt that we can capitalise on the structural growth forecast in our core market and deliver sustainable returns for our shareholders.”

Notes:

- (1) Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, share based payments charge, and exceptional items is a non-GAAP metric used by management and is not an IFRS disclosure.
- (2) Market Visibility is defined as: Revenue + Order Book + Preferred Bidder.
- (3) Order Book is defined as signed contracts with clients.
- (4) Preferred Bidder defined as being out of competitive tender process and selected as sole bidder in active contract negotiations.
- (5) Enquiry Book is defined as all active lines of enquiry within the Tekmar Group.
- (6) GWEC 2020, 4C Offshore Q3 2020

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About Tekmar Group plc - <https://investors.tekmar.co.uk/>

Tekmar's vision is to be the partner of choice for the supply and installation support of equipment to the global offshore energy markets. The Group has five primary operating companies; these are Tekmar Energy Limited, Subsea Innovation Limited, AgileTek Engineering Limited, Ryder Geotechnical Limited and Pipeshield International limited.

Tekmar Energy is a global market leader in protection systems for subsea cable, umbilical and flexible pipe. Tekmar has been trusted to protect billions of Euros worth of assets in the offshore wind, oil and gas, wave, tidal and interconnector markets since 1985: <https://www.tekmar.co.uk/>

Subsea Innovation is a global leader in the design, manufacture and supply of complex engineered equipment and technology used in the offshore energy market. Its products include large equipment handling systems which operate on the back of pipelay installation vessels; emergency pipeline repair clamps (EPRC) which protect major oil and gas pipelines, and bespoke equipment for use in the construction of offshore energy projects: <https://www.subsea.co.uk/>

AgileTek Engineering is an award-winning subsea engineering consultancy for offshore energy projects. AgileTek helps its clients de-risk projects through advanced computer simulation and analysis. <https://agiletek.co.uk/>. AgileDat, a division of AgileTek, provides software development, cloud architecture and data analytics services. <https://agiledat.co.uk/>

Ryder Geotechnical provides expert geotechnical design and consulting services to the offshore wind and subsea oil and gas sectors. Services include offshore structure foundation design, geohazard assessment and subsea cable routing and burial assessment. <https://www.rydergeotechnical.com/>

Pipeshield International is a market leading provider of specialised subsea protection solutions, in the form of concrete mattresses. These mattresses are used for the stabilisation and impact protection of subsea equipment, in areas where they cannot be buried, and to limit the development of scour (seabed erosion), particularly local to that of a foundation, pipeline or in marine ports. <http://www.pipeshield.com/>.

The Group and Tekmar Energy are headquartered in Newton Aycliffe; AgileTek and Ryder operate from offices in London and Newcastle; Subsea Innovation has its head office and manufacturing centre in Darlington. Pipeshield's headquarters are in Lowestoft with manufacturing in Blyth, Northumberland. Tekmar also has representation in South Korea, USA, China and across the Middle East.

HALF YEAR REPORT

This is my first report as Group CEO, following my appointment to the role in October 2020. Whilst this has been a challenging year for the Group and for shareholders, I have profound confidence in the fundamentals of this business and believe that the opportunity for the Group remains substantial. Despite the short-term hurdles created by Covid-19, we have a leading market position, expertise, ability and significant tailwinds in our core market, offshore wind, where forecast growth remains strong.

Offshore wind remains our primary focus and our acquisitions since IPO will enable us to offer more products and services into this growth market. My focus since appointment as CEO, along with my Executive management team, has been on integrating the new businesses and driving efficiencies through a simplified Group management structure, which also maximises the cross-selling opportunities. I am delighted to take over the helm as we work to realise the full potential of the enlarged group. We have concluded the first stage of the review of internal operations and business activities, the detail of which is set out below, along with the next steps we have planned to take the Group forward and capitalise on the clear market opportunity that lies before us.

Impact of Covid-19

The Group's progress has been impacted by the global pandemic in several ways. Initially, the business was impacted in February 2020 by disruption to its supply chain, as manufacturing in China ground to a halt. The necessary resourcing of components delayed order delivery and impacted our margins. In the ensuing period we have seen global market uncertainty, primarily resulting in delays to order placement. There is a backlog of demand and we anticipate that this will start to unwind once the pandemic is under control, into late H2, early H3 2021. We have worked hard to ensure that all our businesses are in position to operate successfully under the current restrictions, and whilst the current year has undoubtedly presented challenges, we have continued with project execution due to the commitment and flexibility of our team.

Due to the delays mentioned above, Market Visibility, our primary measure for Group outlook, calculated as the sum of revenue in the Period plus pending contracts under negotiation on which we have Preferred Bidder Status and the Group's Secured Order Book, closed at £36.5m (H1 2020: £40.5m). I am pleased to report that our Enquiry Book has increased by 21% to a healthy £225m (H1 2020: £186m).

Review of internal operations and business activities

As mentioned previously, on commencing my CEO role, I initiated a detailed strategic review across the Group. The overarching focus of my review is on expansion within the offshore wind market, broadening the Group's product portfolio across the project lifecycle. The review is in the early stages, but I am pleased to report on our progress to date.

The initial focus has been on the immediate term, addressing the financial impact of Covid-19 on our markets and the Group's near-term revenue and profitability. To address this, we took the difficult decision to reduce headcount by 6% and are currently reviewing more efficient use of the Group's manufacturing footprint, reducing this by 25%, which includes changing our registered office in the new year. We are being careful to retain our skill base to ensure that all our businesses are in a position to meet demand when the market starts to flow again, with many of the efficiencies achieved through better integration across our portfolio.

We will be moving to a matrix-based internal organisation structure to capitalise on Group synergies, to share core skills and coordinate product and service development opportunities.

We took the decision to move our financial year end to 30 September to better match year end market order cycles and reduce earnings volatility, providing financial results at a more normalised period end, thereby avoiding the peak seasonal impact.

The next phase of the review, which will be progressed early in the new year, will focus on widening our presence in the offshore wind market, including further expansion into the OPEX market and greater penetration into the project lifecycle, through increased product development and exploring the option of acquiring complementary bolt-on technologies. To serve these extended products and services and reflecting the increasing global spread of planned offshore wind projects, we will look to develop local strategies in key geographies. We expect to update the market on the conclusion of this stage of the review in our H2 2021 trading update.

We have continued to develop our next generation technology for the offshore wind market with our Gen10 cable protection system which will provide cost saving benefits within the market offering and supports increasing technical demands as developments progress towards larger structures, into deeper water and increasingly adopt floating technology.

While the team at Tekmar have weathered a difficult year, it has brought our businesses together, making the sum of the individual parts greater. This has become a year of transition for us and we will emerge from it stronger.

Operational highlights

Tekmar Energy

55% of Group H1 2021 revenue

Revenue in the Period for Tekmar Energy was impacted by the Covid-19 related delays in order placement, as detailed above. Despite these challenges, the market for Tekmar Energy remains a vastly exciting one and its financial performance in the Period does not reflect the substantial progress made in the business with the development of Gen10.

Highlights include:

- Strong safety performance continued - three years LTI (Lost Time Incident) free;
- Covid-19 restrictions well-managed throughout the year with no impact on delivery of customer orders;
- First project awarded in Saudi Arabia;
- Continue to execute our geographical expansion strategy in emerging offshore wind markets, resulting in our first French offshore wind project and first major offshore wind project in Japan;
- CPS supply contract for offshore wind remedial works in Germany;
- Three new offshore wind contracts in China;
- Continuing supply for UK offshore wind on what is set to be the largest offshore windfarm in the world; and
- Appointed Operations Director & Finance Director to strengthen executive team.

Subsea Innovation

18% of Group H1 2021 revenue

Revenue at Subsea Innovation reduced in the period as a result of the Covid-19 related slowdown in order placement. However, the business continues to expand into offshore wind, delivering several projects during the Period, including working collaboratively with Agiletek for an OPEX offshore wind project.

Highlights include:

- Strong safety performance continued - over 7 years LTI free;
- Successful delivery of 406Te of back deck equipment, as part of a pipelay spread for use on a new installation vessel;
- In-house production capability developed in support of Water-stops, Pipeline repair Clamps and connectors solutions; and
- Projects executed for clients in Houston, UK, Holland, India, Norway and Australia.

Pipeshield

21% of Group H1 2021 revenue

Pipeshield performed well in the Period with an improved order intake against FY20. Revenues are being affected by deferrals to project execution by customers, with delivery dates being moved back at the moment.

Highlights include:

- Strong safety performance continued - with 5 years LTI free;
- Offshore grouting solution launched as an additional revenue stream;
- LLC established within the Kingdom of Saudi Arabia to support the provision of local content;
- Approval gained as local registered company for pre-qualification for Abu Dhabi National Oil Company contracts;
- 4th Queen's Award for Industry for International Trade;
- Record level of sales pipeline, bids and enquiries achieved;
- New fronded PRP rock placement units product developed in-house; and
- Re-accredited Gold Level IIP (Investors in People) at first attempt under the new more onerous standard.

AgileTek

6% of Group H1 2021 revenue

In addition to supporting the offshore wind market at development stages we continued to support the wider group offering and worked with the other businesses on OPEX delivery & floating wind in the Period.

Highlights include:

- Supported Orsted with technical design consultancy for the design of offshore wind projects;
- Conducted detailed analysis on Gen10, Tekmar Energy's next generation CPS product;
- Provided global analysis for the OPEX remedial solutions;
- Progressed the development of AgileDat, an industry leading software automation tool;
- Provided geotechnical support for trenching assessments on five wind farm sites on the east coast of the USA;
- Supported over 100 Jack-Up rig moves across the Middle East, Europe, and the USA;
- Supported developers with floating wind foundation feasibility studies; and
- Progressed the development of a strategy for ground investigation management and data storage.

Our Markets

The global market for offshore wind, the Group's core market, continues to strengthen and we are encouraged by the UK Government's initiatives to support UK content within the UK sector. Most notably:

- Projected global demand increasing from a fully commissioned capacity of 28.9GW to projected global capacity of 233GW starting offshore construction by 2030, with live project visibility on over 171GW of projects globally
- Aligning with UK ambition to deliver 40GW by 2030, an increase from current installed capacity of 10.4GW, supported by UK commitment of increased CfD funding and UK local content target of 60% from 2021
- Increased political lobbying for greater UK content on UK energy projects supporting Group domestically, whilst UK investment in local ports and infrastructure strengthens Group's export position on the global stage
- Estimated €50bn global spend on subsea cable procurement and installation in the next decade with over 60,000km of subsea cable to be installed by 2030, creating substantial opportunity for Group's technology and services
- China and US to join UK as largest offshore wind markets within the decade, markets which the Group already supplies and is well-positioned to benefit from future growth
- Global floating wind market switching pace in next five years with 19GW installed capacity forecast by 2030, supporting Group's accelerated growth strategy

The 21% Enquiry Book increase to £225m in the Period reflects the above growth now being tendered, presenting a compelling opportunity for the wider group business.

Tekmar Energy has a strong track record and dominant market share in cable protection systems in the offshore wind market. While the exponential growth of this market is attracting increased competition, our in-house expertise and IP, coupled with our strong balance sheet and cash position, put us in a favourable position to expand our products and services and capitalise on the medium term opportunity. We have also developed our latest CPS product, Gen10, delivering cost benefits to the industry, whilst also delivering much improved technical capabilities. We are, therefore, confident of remaining a key strategic supplier to our customers in this market.

Whilst our primary market will continue to focus on offshore wind, we see strong opportunities within other offshore markets, where our existing and planned technologies will continue to be in demand through the current energy transition phase. We are also moving to penetrate further the offshore wind OPEX market, which we will support with technology bolt-on acquisitions in due course.

With the increasing geographical split for planned offshore wind-installation projects, we will continue to develop local strategies aligned to our customers' plans, such as in the US where we are now seeing project investments progressing.

Financial review

Key financials £m	H1 2021	H1 2020	FY 2020
Revenue	15.2	17.1	40.9
Gross profit	4.7	5.4	12.3
Adjusted EBITDA	0.8	2.0	4.7
Profit before taxation	(0.3)	0.8	2.0
Profit after taxation	(0.2)	0.7	2.0
Cash	3.6	3.9	2.1
Adjusted EPS (pence)*	(0.5)	2.2	5.8

*Adjusted EPS is a key metric used by the Directors since IPO as it aligns to the analysts' method of calculation (see Note 6).

Revenue

Revenue by business £m	H1 2021	H1 2020	FY 2020	Revenue by market £m	H1 2021	H1 2020	FY 2020
Tekmar Energy	8.3	11.6	27.5	Offshore wind	10.1	9.8	25.7
Subsea Innovation	3.2	4.9	8.8	Other offshore	5.1	7.3	15.2
AgileTek	1.5	1.1	3.0				
Pipeshield	3.3	-	3.1				
Intercompany elimination	(1.1)	(0.5)	(1.6)				
Total	15.2	17.1	40.9	Total	15.2	17.1	40.9

Offshore wind accounted for 66% of Group revenue, being a small increase on H1 2020, with the reduction in the period relating to a slow-down in order intake in Other offshore projects, impacting all businesses with the exception of AgileTek who mainly work in renewables. AgileTek secured a large offshore wind remedial engineering scope, which also involved Subsea Innovation who worked on the design and build scope, hence the increase in intercompany sales in the Period. Tekmar Energy's revenue of £8.3m (H1 2020: £11.6m) included four offshore wind projects, including one in China. Pipeshield was acquired in October 2019 and contributed revenue of £3.3m (H1 2020: nil) over its first full six month period.

Gross profit

Gross profit by business £m	H1 2021	H1 2020	FY 2020	Gross profit by market £m	H1 2021	H1 2020	FY 2020
Tekmar Energy	2.3	3.4	7.7	Offshore wind	4.1	4.3	9.8
Subsea Innovation	1.1	1.3	2.0	Other offshore	1.7	2.1	4.3
AgileTek	0.4	0.7	1.5				
Pipeshield	0.9	-	1.1	Unallocated costs	(1.1)	(1.0)	(1.8)
Total	4.7	5.4	12.3	Total	4.7	5.4	12.3

Gross profit remains at similar levels of return to H1 2020 with slight differences due to project mix in the Period. Unallocated costs in the table above (gross profit by market) relate to the manufacturing costs within the business that are not recovered through individual projects.

Adjusted EBITDA

Adjusted EBITDA is a primary reporting measure across the businesses to provide a consistent measure of trading performance. We adjust operating profit to remove certain non-cash and exceptional items to provide a more accurate reflection of underlying earnings. The Board reviews all exceptional items to ensure resulting Adjusted EBITDA achieves this.

Adjusted EBITDA by business £m	H1 2021	H1 2020	FY 2020
Tekmar Energy	0.2	1.5	3.9
Subsea Innovation	0.5	0.5	0.5
AgileTek	0.1	0.2	0.4
Pipeshield	0.3	-	0.4
Group	(0.3)	(0.2)	(0.5)
Total	0.8	2.0	4.7

Share based payment charge

We launched share incentive plans in the Period and the resulting share based payment charges are included in operating expenses. Share based payment charges relating to the initial IPO options are treated as exceptional costs for the purpose of calculating Adjusted EBITDA. Due to James Ritchie leaving employment in the Period his options lapsed and the related charges have been released through operating expenses and adjusted back through the Adjusted EBITDA in the Period.

Profit before tax

Depreciation and amortisation in H1 2021 included charges for Pipeshield for the whole period. Finance costs related to interest on bank guarantees, which are a common requirement for offshore wind contracts, and the fair value revaluation of forward foreign currency contracts (see note 5).

Foreign currency

We continued to hold forward foreign currency contracts to mitigate against movements in the Euro/GBP rate for those contracts that are paid in Euros. The closing rate for revaluation of Euro balances at the 30 September 2020 was 1.1023 (31 March 2020: 1.1306).

Balance sheet

£m	H1 2021	H1 2020	FY 2020
Property, plant & equipment	5.5	5.2	5.9
Other non-current assets	25.8	21.7	26.3
Stock	2.2	2.1	2.5
Trade & other receivables	20.3	20.0	26.8
Cash	3.6	3.9	2.1
Trade & other payables	(10.9)	(8.4)	(16.2)
Other non-current liabilities	(1.1)	(0.7)	(1.4)

Our balance sheet remains robust and we closed the Period with £3.6m cash. It is often a feature for a project based business to have high levels of Trade & other receivables as a result of having large contracts with structured payment milestones. This is not unusual for us and we have provided more detail in this regard in the note below.

Property, plant & equipment

Investments in property, plant and equipment have been kept to a minimum over the period.

Other non-current assets

Includes the goodwill arising on the original management buy-out in 2011 (£19.6m) and intangible assets and goodwill arising on the acquisition of Subsea Innovation and Pipeshield (£6m).

Trade and other receivables

£m	H1 2021	H1 2020	FY 2020
Trade debtors	7.3	3.4	9.9
Contract assets (accrued income)	12.4	15.5	15.0
Other debtors	0.6	1.1	1.9

As a project-based business, we carry high levels of accrued income due to the timing of payment milestones in relation to revenue recognition. This is a rolling balance across our project lifecycle.

Our large design and build projects usually have 5-6 payment milestones linked to specific stages in the contract. Early milestones relate to the engineering and design approval process. The largest milestone is linked to manufacturing completion (c.50%), with trailing milestones for delivery and final documentation. In offshore wind contracts we often have a final milestone (c.5%) linked to the installation of first cables, even though this is a client activity outside of our scope. When clients make changes during their design and build process, we may be asked to make changes to our scope or provide additional products. This can happen after our manufacturing completion, and whilst this generates additional revenue through variation orders, it can have the impact of delaying payment milestones, resulting in a build-up of accrued income.

Of the £15m of accrued income at the end of FY 2020, £10.4m has been invoiced and of this £8.6m has been paid, with the remaining £1.8m due for receipt across the next two months. The uninvoiced accrued income of £4.6m is made up of £3.4m relating to one project, being delayed as a result of scope changes, and final trailing milestones across five projects.

At the Period end, accrued income of £12.4m included £8.7m across five large offshore wind projects. To date we have invoiced £2.8m of this in line with agreed schedules, with the majority of the remainder due to be invoiced over the next quarter.

There are no issues identified regarding the recoverability of the trade and other receivables balances, and this was also confirmed by KPMG in their Interim report to the Board.

Cash

We closed the Period with £3.6m of cash and continue to operate well within our banking facilities. We had customer related bank guarantees in place for £4.4m which are held off balance sheet.

Trade and other payables

Trade and other payables include the final deferred consideration payment of £1.25m relating to the Pipeshield acquisition which was paid to the vendor in October 2020.

Other non-current liabilities

Other non-current liabilities relate to the lease liabilities in relation to IFRS16 and deferred grant income. There is also an increase of £0.3m in deferred tax liability relating to the Pipeshield acquisition.

Outlook for the remainder of FY 2021

The Group's full year results for the 18 months ending 30 September 2021 ("FY 2021") will be dependent on the speed at which the markets in which we operate recover from the pandemic. As delays to contract timings have had, and continue to have, a significant impact on the Group's financial performance, we do not intend to reinstate guidance on financial performance until visibility on the timing of contract awards returns.

Given the positive Enquiry Book position and the encouraging, long-term global outlook for offshore wind, the Board believes that the Group, with its market leading position, is well-placed to capitalise on this structural growth, as demand flows through. Whilst trading conditions are expected to remain challenging in the six months to 31 March 2021, we expect the Group's performance to improve gradually, assuming the global roll-out of Covid-19 vaccines commences to plan.

Alasdair MacDonald
Chief Executive Officer
1 December 2020

Consolidated Statement of Comprehensive Income

	Note	Half year ended 30 September 2020 £'000	Half year ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
Revenue	4	15,238	17,093	40,943
Cost of sales		(10,501)	(11,653)	(28,671)
Gross profit		4,737	5,440	12,272
Operating expenses		(4,767)	(4,645)	(10,227)
Other operating income		35	-	-
Group operating profit		5	795	2,045
Analysed as:				
Adjusted EBITDA ^[1]		795	1,975	4,695
Depreciation		(667)	(545)	(1,253)
Amortisation	8	(564)	(306)	(834)
Share based payments charge		441	(260)	(454)
Exceptional items		-	(69)	(109)
Group operating profit		5	795	2,045
Finance costs	5	(258)	(47)	(170)
Finance income	5	-	78	84
Net finance costs		(258)	31	(86)
(Loss)/Profit before taxation		(253)	826	1,959
Taxation	7	66	(102)	3
(Loss)/Profit for the period and total comprehensive income/(expense)		(187)	724	1,962
(Loss/Earnings per share (pence))				
Basic	6	(0.36)	1.43	3.85
Diluted	6	(0.36)	1.38	3.73

There are no items of Other Comprehensive Income.

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, share based payments charge, and exceptional items is a non-GAAP metric used by management and is not an IFRS disclosure.

All results derive from continuing operations.

Consolidated Balance Sheet

	Note	Half year ended 30 September 2020 £'000	Half year ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
Non-current assets				
Property, plant and equipment		5,476	5,198	5,892
Goodwill and other intangibles	8	25,816	21,600	26,294
Deferred tax asset		-	79	-
Total non-current assets		31,292	26,877	32,186
Current assets				
Inventory		2,192	2,137	2,536
Trade and other receivables	9	20,271	19,886	26,819
Corporation tax recoverable		-	90	-
Cash and cash equivalents		3,613	3,867	2,130
Total current assets		26,076	25,980	31,485
Total assets		57,368	52,857	63,671
Equity and liabilities				
Share capital		513	507	513
Share premium		64,100	64,100	64,100
Merger relief reserve		1,738	993	1,738
Merger reserve		(12,685)	(12,685)	(12,685)
Retained losses		(8,294)	(9,121)	(7,690)
Total equity		45,372	43,794	45,976
Non-current liabilities				
Borrowings		268	314	310
Trade and other payables		351	359	355
Deferred tax liability		431	-	469
Total non-current liabilities		1,050	673	1,134
Current liabilities				
Trade and other payables		7,634	8,004	16,010
Corporation tax payable		47	-	47
Other interest-bearing loans and borrowings		3,265	386	504
Total current liabilities		10,946	8,390	16,561
Total liabilities		11,996	9,063	17,695
Total equity and liabilities		57,368	52,857	63,671

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	507	64,100	993	(12,685)	(10,098)	42,817
Profit for the period	-	-	-	-	724	724
Total comprehensive income for the period	-	-	-	-	724	724
Share based payments	-	-	-	-	253	253
Total transactions with owners, recognised directly in equity	-	-	-	-	253	253
Balance at 30 September 2019	507	64,100	993	(12,685)	(9,121)	43,794
Profit for the period	-	-	-	-	1,238	1,238
Total comprehensive income for the period	-	-	-	-	1,238	1,238
Issue of shares	6	-	745	-	-	751
Share based payments	-	-	-	-	193	193
Total transactions with owners, recognised directly in equity	-	-	-	-	193	944
Balance at 31 March 2020	513	64,100	1,738	(12,685)	(7,690)	45,976
Loss for the period	-	-	-	-	(187)	(187)
Total comprehensive income for the period	-	-	-	-	(187)	(187)
Share based payments	-	-	-	-	(417)	(417)
Total transactions with owners, recognised directly in equity	-	-	-	-	(417)	(417)
Balance at 30 September 2020	513	64,100	1,738	(12,685)	(8,294)	45,372

Consolidated Cash Flow Statement

	Half year ended 30 September 2020 £'000	Half year ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities			
(Loss)/Profit before taxation	(253)	826	1,959
Adjustments for:			
Depreciation	667	546	1,253
Amortisation of intangible assets	564	306	834
Share based payments charge	(389)	228	488
Finance costs	258	47	170
Finance income	-	(78)	(84)
	847	1,875	4,620
Changes in working capital:			
Decrease/(Increase) in inventories	344	(223)	(512)
Decrease/(Increase) in trade and other receivables	6,572	(349)	(4,393)
(Decrease)/increase in trade and other payables	(8,403)	(1,390)	2,357
Cash used in from operations	(640)	(87)	2,072
Tax recovered	-	211	209
Net cash (outflow)/inflow from operating activities	(640)	124	2,281
Cash flows from investing activities			
Purchase of property, plant and equipment	(253)	(243)	(1,704)
Purchase of intangible assets	(86)	(69)	(729)
Proceeds on sale of property, plant and equipment	-	-	-
Acquisition of subsidiary net of cash acquired	-	-	(1,637)
Interest received	-	78	84
Net cash outflow from investing activities	(339)	(234)	(3,986)
Cash flows from financing activities			
New bank borrowings	3,000	-	-
Repayment of borrowings	(280)	(166)	(355)
Interest paid	(258)	(47)	-
Net cash inflow/(outflow) from financing activities	2,462	(213)	(355)
Net increase/(decrease) in cash and cash equivalents	1,483	(323)	(2,060)
Cash and cash equivalents at beginning of period	2,130	4,190	4,190
Cash and cash equivalents at end of period	3,613	3,867	2,130

Consolidated Cash Flow Statement

Analysis of changes in net debt

	As at 1 April 2020	Cash flows	Capitalisation of interest	As at 30 September 2020
	£'000	£'000	£'000	£'000
Cash	2,130	1,483	-	3,613
Bank Borrowings	-	(3,000)	-	(3,000)

	As at 1 October 2019	Cash flows	Capitalisation of interest	As at 31 March 2020
	£'000	£'000	£'000	£'000
Cash	3,867	(1,737)	-	2,130

	As at 1 April 2019	Cash flows	Capitalisation of interest	As at 30 September 2019
	£'000	£'000	£'000	£'000
Cash	4,190	(323)	-	3,867

Notes to the Condensed consolidated interim financial information

1. GENERAL INFORMATION

Tekmar Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham, DL5 6AR. The registered company number is **11383143**.

The principal activity of the Company and its subsidiaries (together the "Group") is that of design, manufacture and supply of subsea cable, umbilical and flexible protection systems operating across the Offshore Wind, Oil & Gas and other energy sectors, including associated subsea engineering services. These condensed interim financial statements ("interim financial statements") have not been audited or reviewed by the Company's auditor.

Forward looking statements

Certain statements in this results announcement are forward looking. The terms "expect", "anticipate", "should be", "will be" and similar expressions identify forward-looking statements. Although the Board of Directors believes that the expectations reflected in these forward-looking statements are reasonable, such statements are subject to a number of risks and uncertainties and events could differ materially from these expressed or implied by these forward-looking statements.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They should be read in conjunction with the Annual Report for the year ended 31 March 2020 which was prepared in accordance with International Financial Reporting Standards ('IFRS'), and their interpretations adopted by the European Union. The interim financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

These interim financial statements do not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparatives for the full year ended 31 March 2020 are not the Company's full statutory accounts for that year. They have been extracted from the 2020 Annual Report. The accounting policies applied to these financial statements are in line with those disclosed in the 2020 Annual Report.

(b) Going concern

The Group meets its day-to-day working capital requirements through its available banking facilities. The Group held £3.6m of cash at the end of the period including cash received from the CBILS loan of £3m in April 2020 (available through to April 2021) to ensure any short-term impact of Covid-19 is manageable. There are no financial covenants that the Group must adhere to. The level of cash on 30 November 2020 was £2.2m. The Directors have prepared cash flow forecasts to 31 March 2022. Taking account of reasonably foreseeable changes in trading performance, these forecasts and projections show that the Group is expected to have a sufficient level of financial resources available through current and future facilities. Furthermore, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable

future. For this reason, they continue to adopt the going concern basis in preparing the interim financial statements.

(c) New standards, amendments and interpretations

At the date of authorisation of these interim financial statements there are no standards in issue which are expected to have a material impact on the Group.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the interim financial statements together with estimates with a significant risk of material adjustment in the next year are discussed in note 3 to the interim financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the preparation of the interim financial statements the Directors, in applying the accounting policies of the Group, make some judgements and estimates that effect the reported amounts in the interim financial statements. The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Group financial statements.

(a) Critical judgements in applying the entity's accounting policies

Revenue recognition

The recognition of revenue on contracts requires judgement and estimates on the overall contract margin. This judgement is based on contract value, historical experience and forecasts of future outcomes. Judgement is applied in determining the most appropriate method to apply in respect of recognising revenue over time as the service is performed using either the input or output methods.

Share based payments

The weighted average fair value of equity options granted is determined using various fair value models, including Black-Scholes-Merton and Monte Carlo models. The Group makes assumptions in identifying the appropriate inputs significant. The assumptions are subject to estimation and are considered for reasonableness at each balance sheet date.

(b) Critical accounting estimates

Revenue Recognition – Stage of completion when using input method

Revenue on contracts is recognised based on the stage of completion of a project, which, when using the input method, is measured as a proportion of costs incurred out of total forecast costs. Forecast costs to complete each project are therefore a key estimate in the financial statements and can be inherently uncertain due to changes in market conditions.

For the partially complete projects in Tekmar Energy at the half year end if the percentage completion was 1% different to management's estimate the revenue impact would be £122,897. Within Subsea Innovation and Pipeshield International there were a number of projects in progress over the year end and a 1% movement in the estimate of completion would impact revenue in each by £43,091 and £37,865 respectively. However, the likelihood of errors in estimation is small, as the businesses have a history of reliable estimation of costs to complete and given the nature of production, costs to complete estimate are relatively simple.

4. SEGMENTAL ANALYSIS

Management has determined the operating segments based upon the information provided to the Board of Directors which is considered the chief operation decision maker. The Group is managed and reports internally by business entity and changed the composition of its reportable segments for the year ended 31 March 2020 to reflect this. All previous periods were reported as one reportable segment. Project performance is monitored by Offshore Wind and Other Offshore markets, but the Board does not measure profit or cash by market. All assets of the Group reside in the UK.

Major customers

In the half year ended 30 September 2020 there were two major customers that individually accounted for at least 10% of total revenues (half year ended 30 September 2019: three customers; year ended 31 March 2020: two customers). The revenues relating to these in the half year 30 September 2020 were £4,056,000 (half year ended 30 September 2019: £8,047,000; year ended 31 March 2020: £11,079,395). Included within this is revenue from multiple projects with different entities within each customer.

Analysis of revenue

	Half year ended 30 September 2020 £'000	Half year ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
UK & Ireland	10,686	10,386	24,152
Rest of the World	4,552	6,707	16,791
	15,238	17,093	40,943

Analysis of revenue by market

Offshore wind	10,095	9,809	25,706
Other offshore	5,143	7,284	15,237
	15,238	17,093	40,943

Revenue for the Offshore Wind market is reported separately from all other revenue, which reflects the focus on management on this key market. All other revenue is included in Other offshore.

5. NET FINANCE COSTS

	Half year ended 30 September 2020 £'000	Half year ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
Interest payable and similar charges			
On other loans	93	47	170
Fair value movement on forward foreign exchange contracts	167	-	-
Total interest payable and similar charges	260	47	170
Interest receivable and similar income			
Interest receivable	(2)	(1)	(4)
Fair value movement on forward foreign exchange contracts	-	(77)	(80)
Total interest receivable and similar income	(2)	(78)	(84)
Net finance costs	258	(31)	86

6. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue.

The calculation of basic and diluted loss per share is based on the following data:

	Half year ended 30 September 2020	Half year ended 30 September 2019	Year ended 31 March 2020
Earnings (£'000)			
Earnings for the purposes of basic and diluted earnings per share being loss for the year attributable to equity shareholders	(187)	724	1,962
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	51,261,685	50,687,852	50,961,405
Weighted average dilutive effect of conditional share awards	1,720,314	1,625,000	1,625,000
Weighted average number of shares for the purposes of diluted earnings per share	52,981,999	52,312,852	52,586,405
Earnings/(loss) per ordinary share (pence)			
Basic earnings/(loss) per ordinary share	(0.36)	1.43	3.85
Diluted earnings/(loss) per ordinary share	(0.36)	1.38	3.73
Adjusted earnings per ordinary share (pence)*	(0.52)	2.19	5.79

The calculation of adjusted earnings per share is based on the following data:

Earnings (£'000)			
(Loss)/Profit for the period attributable to equity shareholders	(187)	724	1,962
Add back/(deduct):			
Amortisation as a result of business combinations	332	111	443
Share based payments	(441)	260	454
Exceptional items	-	69	109
Tax effect of the above	29	(54)	2
Adjusted earnings	(268)	1,110	2,970
Number of shares			
Number of shares in issue at the period end	51,261,685	50,687,852	51,261,685

*Adjusted earnings per share is calculated as profit for the period adjusted for amortisation as a result of business combinations, exceptional items, share based payments and the tax effect of these at the effective rate of corporation tax, divided by the closing number of shares in issue at the Balance Sheet date. This is the measure most commonly used by analysts in evaluating the business' performance and therefore the Directors have concluded this is a meaningful adjusted EPS measure to present.

7. TAXATION

The taxation charge represents the loss before tax for the period with an effective tax rate based on that which we expect for the full year.

Our expectation is that the Group will continue to benefit from incentives, such as Patent Box, and this will lead to an effective tax rate that is lower than the main rate of corporation tax for both the current and future years.

8. GOODWILL AND OTHER INTANGIBLES

	Goodwill	Software	Product development	Trade name	Customer relationships	Total
	£'000	£'000	£'000	£'000	£'000	£'000
COST						
As at 1 April 2019	23,705	181	2,001	738	446	27,071
Additions	-	26	43	-	-	69
As at 30 September 2019	23,705	207	2,044	738	446	27,140
On acquisition	2,587	-	-	551	1,424	4,562
Additions	-	63	597	-	-	660
As at 31 March 2020	26,292	270	2,641	1,289	1,870	32,362
Additions	-	51	35	-	-	87
As at 30 September 2020	26,292	321	2,676	1,289	1,870	32,449
AMORTISATION AND IMPAIRMENT						
As at 1 April 2019	4,109	78	938	36	73	5,234
Charge for the period	-	9	186	37	74	306
As at 30 September 2019	4,109	87	1,124	73	147	5,540
Charge for the period	-	1	195	60	272	528
As at 31 March 2020	4,109	88	1,319	133	419	6,068
Charge for the period	-	27	162	64	312	565
As at 30 September 2020	4,109	115	1,481	197	731	6,633
NET BOOK VALUE						
As at 1 April 2019	19,596	103	1,063	702	373	21,837
As at 30 September 2019	19,596	120	920	665	299	21,600
As at 31 March 2020	22,183	182	1,322	1,156	1,451	26,294
As at 30 September 2020	22,183	206	1,195	1,092	1,139	25,816

The remaining amortisation periods for software and product development are six months to 36 months (half year ended 30 September 2019: six months to 36 months; year ended 31 March 2020: six months to 36 months).

The Directors have carried out an impairment review within the last year in accordance with the accounting policies. The forecast cash generation for each Cash Generating Unit ("CGU") and the Weighted Average Cost of Capital ("WACC") represent significant assumptions.

The cash flows are based on a three-year forecast with growth in year one of between 20% and 40% built up from the detailed budget setting process, and target growth rates of 15% applied for the following two years. Subsequent years were based on a reduced rate of growth of 2.0% into perpetuity.

These growth rates are based on past experience and market conditions and discount rates are consistent with external information. The growth rates shown are the average applied to the cash flows of the individual cash generating units and do not form a basis for estimating the consolidated profits of the Group in the future.

The discount rate used to test the cash generating units was the Group's pre-tax WACC of 9.3%. The goodwill impairment review has been tested against a reduction in EBITDA by 80% versus the original budget.

The value in use calculations performed for the impairment review, together with sensitivity analysis using reasonable assumptions, indicate ample headroom and therefore do not give rise to impairment concerns. Having completed the impairment reviews no impairments have been identified. Management does not consider that there is any reasonable downside scenario which would result in an impairment.

9. TRADE AND OTHER RECEIVABLES

	Half year ended 30 September 2020 £'000	Half year ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
Trade receivables not past due	4,792	2,729	9,049
Trade receivables past due (1-30 days)	1,767	657	509
Trade receivables past due (over 30 days)	728	52	296
Trade receivables, net	7,287	3,438	9,854
Contract assets	12,422	15,492	14,969
Other debtors	126	327	1,261
Prepayments	436	418	593
Derivative financial assets	-	211	142
	20,271	19,886	26,819