

RNS Half-year/Interim Report

Half-year Report

PROTON MOTOR POWER SYSTEMS PLC

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Proton Motor Power Systems plc
("Proton Motor" or the "Company")

Unaudited Interim Results for the six months to 30 June 2022

Proton Motor Power Systems plc (AIM: PPS), the designer, developer and producer of fuel cells and fuel cell electric hybrid systems with a zero-carbon footprint, announces its unaudited interim results for the six months ended to 30 June 2022 (the "Period" or "H1 2022").

Operational Highlights

- Successful installation of two marine HyShip®71 Fuel Cell systems for Fincantieri
- Successful Factory Acceptance Test (FAT) of a HyFrame® S36 Fuel Cell system with long-standing client Deutsche Bahn Group GmbH (German Rail)
- In line with order intake for a series of standard products, production labour has been restructured to include groups specifically dedicated to the various standard product groupings, thereby increasing production efficiency
- After the period end, launch of large power generator pack (90kW)

Financial Highlights

- Order intake of £1.5m (H1 2021: £1.8m) for a total order book at the period end of £2.3m to be delivered by 2023, including repeat orders from existing customers and income from maintenance agreements
- Sales of £980k in H1 2022 (H1 2021: £922k)
- Generating a positive gross margin
- Increased existing loan facilities with principal shareholders by approximately €12.5m

Dr. Nahab, CEO of Proton, commented: "Although faced with highly challenging trading conditions in 2022, the Company has made further progress. In the year ahead, we are focused on further progressing the maturity of the Group's technology offer, ramping up production capacity and exploiting the current potential order intake and sales pipeline.

"Furthermore, it is anticipated that the significant strengthening of political commitment to hydrogen, continuing to be evident in 2022, will contribute to further accentuating the demand for hydrogen related products, such as the fuel cell."

For further information:

Proton Motor Power Systems Plc

Dr Faiz Nahab, CEO

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About Proton Motor Fuel Cell GmbH

Proton Motor has more than 20 years of experience in Power Solutions using CleanTech technologies such as hydrogen fuel cells, fuel cell and hybrid systems with a zero carbon footprint. Based in Puchheim near Munich, Proton Motor offers complete fuel cell and hybrid systems from a single source - from the development and production through the implementation of customized solutions. The focus of Proton Motor is on back-to-base, for example, for mobile, marine and stationary solutions applications. The product portfolio consists of base-fuel cell systems, standard complete systems, as well as customized systems.

Proton Motor serves IT, Telecoms, public infrastructure and healthcare customers in Germany, Europe and Middle East with power supply solutions for DC and AC power demand. In addition to power supply, SPower also offers solutions for Solar Systems as well as a new product line for Solar Energy Storage.

Proton Motor Fuel Cell GmbH is a wholly owned subsidiary of Proton Motor Power Systems plc. The Company has been quoted on the AIM market of the London Stock Exchange since October 2006 (code: PPS).

CHAIRMAN'S REPORT

We are pleased to report our unaudited results for the six months ended 30 June 2022.

Overview

Proton Motor has strengthened its organisation in order to continue to deliver complete zero emission power supply solutions through the addition of new staff in the production and product development teams.

Finance

Proton Motor received orders for £1.5m in the first half year of the year including a number of repeat orders from existing customers. Repeat orders allow better planning of production material purchases on more favourable terms, which management expects will lead to an improvement in margins.

Sales in H1 2022 were £980k (H1 2020: £922k), arising from the 2021 and H1 2022 order intake. These sales were generated in the stationary and maritime sectors, together with service and engineering income. £1.5m was invested in the development programme and our workforce has increased to 108 (H1 2021: 99) full time employees. In line with demand, we added staff resources predominantly in the areas of production and product development.

During the Period, we generated a Gross Profit of £265k (H1 2021: £97k) representing a 173 per cent increase.

Excluding the impact of exchange losses, the operating loss in the first half of 2022 was £4.9m (H1 2021: £3.9m). This was in line with our budgeted expectations and resulted from further investments in product development, production and staff in addition to manufacturing infrastructure.

£213k was invested in equipment and infrastructure during the period (H1 2021: £197k).

The "Fair value movements" in the H1 2021 financial results related to the embedded derivative, which was a non-operating, non-cash item, required by IFRS financial reporting, which was based on gauging the potential effects of partial convertible interest on loan financing. Due to the waiver of convertible interest on loan financing at the end of 2021, there is no fair value movement in H1 2022, as the embedded derivative associated with the convertible interest has been eliminated. The non-operating result in the first half of 2022 was negatively affected by the movement of exchange rates between Pound Sterling and the Euro.

Cash burn from operating activities increased during the Period to £4.8m (H1 2021: £4.4m), reflecting the increased level of activity to deliver our sales pipeline and from further investment. Cash flow is our key financial performance target and our objective is to achieve a positive cash flow in the shortest time possible. Current

contracts are quoted with up-front payments, reducing reliance on working capital as we continue to invest in our manufacturing capability. The cash position as at 30 June 2022 was £2.2m (30 June 2021: £2.7m).

We were very pleased with the continued support of our principal shareholders with whom we agreed to increase the existing financing facilities by €12.5 million to ensure operational financing for the Company into 2023. The principal and interest on these additional facilities is not convertible and interest is charged at EURIBOR+3%.

I personally would like to thank all our customers who believe in us, our committed employees and our shareholders who have the vision to invest in our mission.

Current trading and outlook

We are confident of our medium term prospects and are planning to increase our production capacity to up to 30,000 stacks per annum; this will also involve moving to new larger premises; the Board and I look forward to updating you on our progress over the next 12 months and further in the future.

Helmut Gierse

Non-Executive Chairman

STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months to 30 June 2022 £'000	Unaudited Six months to 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Revenue		980	922	2,771
Cost of sales		(715)	(825)	(2,346)
Gross profit		265	97	425
Other operating income		211	234	501
Administrative expenses		(5,454)	(4,232)	(10,047)
Operating loss		(4,978)	(3,901)	(9,121)
Finance income		1	1	3
Finance costs incl. exchange (losses)/gains		(3,064)	2,735	3,222
(Loss) for the period before embedded derivatives		(8,042)	(1,165)	(5,896)
Fair value gain on embedded derivatives		-	212,739	609,201
(Loss)/Gain for the period attributable to shareholders		(8,042)	211,574	603,305
Gain/(Loss) / Profit per share (expressed as pence per share)				
Basic	7	(0.5)	27.3	Restated 77.5
Diluted	7	(0.5)	13.2	Restated 77.5
(Loss) / Profit per share (expressed as pence per share) excluding embedded derivative				
Basic	7	(0.5)	(0.2)	(0.8)
Diluted	7	(0.5)	(0.1)	(0.8)

OTHER COMPREHENSIVE INCOME

	Unaudited Six months to 30 June 2022	Unaudited Six months to 30 June 2021	Audited Year ended 31 December 2021
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	£'000	£'000	£'000
(Loss)/ Profit for the period	(8,042)	211,574	603,305
Other comprehensive (expense) / income			
Items that may not be reclassified to profit and loss			
Exchange differences on translating foreign operations	(97)	186	(586)
Total other comprehensive income / (expense)	(97)	186	(586)
Total comprehensive (expense) for the period	(8,139)	211,760	602,719

STATEMENT OF FINANCIAL POSITION

	Unaudited At 30 June 2022 £'000	Unaudited At 30 June 2021 £'000	Audited At 31 December 2021 £'000
Assets			
Non-current assets			
Intangible assets	107	97	78
Property, plant and equipment	1,589	1,434	1,619
Right-of-use assets	13	210	111
Fixed asset investments	11	11	11
Total non-current assets	1,720	1,752	1,819
Current assets			
Inventories	2,408	2,842	1,835
Trade and other receivables	1,242	699	1,624
Cash and cash equivalents	2,183	2,702	2,152
Total current assets	5,833	6,243	5,611
Total Assets	7,553	7,995	7,430
Current Liabilities			
Trade and other payables	(4,831)	(5,019)	(4,498)
Lease debt	(14)	(206)	(111)
Borrowings	(410)	(615)	(517)
Total current liabilities	(5,255)	(5,840)	(5,126)
Non-current liabilities			
Borrowings	(91,859)	(80,023)	(83,956)
Lease debt	(4)	(15)	(8)
Embedded derivatives on convertible interest	-	(396,462)	-
Total non-current liabilities	(91,863)	(476,500)	(83,964)
Total Liabilities	(97,118)	(482,340)	(89,090)
Net liabilities	(89,565)	(474,345)	(81,660)
Equity			
Capital and reserves attributable to equity shareholders			
Share capital	11,025	11,022	11,023
Share premium account	20,416	20,254	20,390
Merger reserve	15,656	15,656	15,656
Reverse acquisition reserve	(13,861)	(13,861)	(13,861)
Share option reserve	2,393	961	2,187
Foreign translation reserve	(10,682)	9,448	11,745
Capital contributions	1,171	1,215	1,143
Accumulated losses	(115,683)	(519,040)	(129,943)
Total equity	(89,565)	(474,345)	(81,660)

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Share Option Reserve	Foreign Translation Reserve	Capital Contribution Reserves	Accumulated Losses	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	10,598	19,574	15,656	(13,861)	949	11,038	1,215	(732,390)	(687,221)
Share based payments	-	-	-	-	12	-	-	-	12
Proceeds from share issues	424	680	-	-	-	-	-	-	1,104
Currency translation differences	-	-	-	-	-	-	-	-	-
Transactions with owners	424	680	-	-	12	-	-	-	1,116
Profit for the period	-	-	-	-	-	-	-	211,574	211,574
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	(1,590)	-	1,776	186
Total comprehensive income for the year	-	-	-	-	-	(1,590)	-	213,350	211,760
Balance at 30 June 2021	11,022	20,254	15,656	(13,861)	961	9,448	1,215	(519,040)	(474,345)
Balance at 1 July 2021	11,022	20,254	15,656	(13,861)	961	9,448	1,215	(519,040)	(474,345)
Share based payments	4	284	-	-	1,226	-	-	(272)	1,242
Proceeds from share issues	(3)	(148)	-	-	-	-	-	-	(151)
Currency translation differences	-	-	-	-	-	-	-	-	-
Transactions with owners	1	136	-	-	1,226	-	-	(272)	1,091
Profit for the period	-	-	-	-	-	-	-	391,731	391,731
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	2,297	(72)	(2,362)	(137)
Total comprehensive income for the year	-	-	-	-	-	2,297	(72)	389,369	391,594
Balance at 31 December 2021	11,023	20,390	15,656	(13,861)	2,187	11,745	1,143	(129,943)	(81,660)
Balance at 1 January 2022	11,023	20,390	15,656	(13,861)	2,187	11,745	1,143	(129,943)	(81,660)
Share based payments	-	-	-	-	206	-	-	-	206
Proceeds from share issues	2	26	-	-	-	-	-	-	28
Currency translation differences	-	-	-	-	-	-	-	-	-
Transactions with owners	2	26	-	-	206	-	-	-	234
Loss for the period	-	-	-	-	-	-	-	(8,042)	(8,042)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	(22,427)	28	22,302	(97)

Total comprehensive income for the year	-	-	-	-	-	(22,427)	28	14,260	(8,139)
Balance at 30 June 2022	11,025	20,416	15,656	(13,861)	2,393	(10,682)	1,171	(115,683)	(89,565)

Share premium account

Costs directly associated with the issue of the new shares have been set off against the premium generated on issue of new shares.

Merger reserve

The merger reserve of £15,656,000 arose as a result of the acquisition of Proton Motor Fuel Cell GmbH during 2006. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and their fair value at 31 October 2006, the date of the acquisition.

Reverse acquisition reserve

The reverse acquisition reserve arose as a result of the method of accounting for the acquisition of Proton Motor Fuel Cell GmbH by the Company. In accordance with IFRS 3 the acquisition has been accounted for as a reverse acquisition.

Share option reserve

The Group operates an equity settled share-based compensation scheme. The fair value of the employee services received for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date the Company revises its estimate of the number of options that are expected to vest. The original expense and revisions of the original estimates are reflected in the income statement with a corresponding adjustment to equity. The share option reserve represents the balance of that equity.

CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2022 £'000	Unaudited Six months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Cash flows from operating activities			
Profit / (Loss) for the period	(8,042)	211,574	603,305
<i>Adjustments for:</i>			
Depreciation and amortisation	214	201	641
Loss on disposal of property, plant and equipment	-	-	-
Impairment of investment	-	-	-
Interest income	(1)	(1)	(3)
Interest expense	986	721	1,498
Share based payments	(206)	(12)	966
Movement in inventories	(572)	(1,052)	(45)
Movement in trade and other receivables	381	(351)	(1,276)
Movement in trade and other payables	333	630	109
Movement in fair value of embedded derivatives	-	(212,739)	(609,201)
Exchange rate movements	2,079	(3,456)	(4,720)

Net cash used in operations	(4,827)	(4,485)	(8,726)
Cash flows from investing activities			
Purchase of intangible assets	(45)	(45)	(44)
Purchase of property, plant and equipment	(169)	(152)	(633)
Purchase value of leased assets	-	(21)	-
Investment in associate company	-	-	-
Interest received	1	2	3
Net cash used in investing activities	(213)	(216)	(674)
Cash flows from financing activities			
Proceeds from issue of loan instruments	4,823	4,423	7,962
Proceeds from issue of new shares	234	30	1,241
New obligations of lease debt	-	21	(297)
Repayment of obligations under lease debt	(105)	(106)	21
Repayment of short term borrowings	(84)	(175)	(202)
Net cash generated from financing activities	4,868	4,193	8,725
Net increase in cash and cash equivalents	(171)	(508)	(675)
Effect of foreign exchange rates	203	471	88
Opening cash and cash equivalents	2,152	2,739	2,739
Closing cash and cash equivalents	2,183	2,702	2,152

Notes to the interim report

1. Basis of preparation

These interim consolidated financial statements of Proton Power Systems plc were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies under IFRS. They were also prepared under the historical cost convention and in accordance with IFRS interpretations (IFRICs) except for embedded derivatives which are carried at fair value through the income statement and on the basis that the Group continues to be a going concern. The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the 31 December 2021 statutory audited financial statements. No new accounting standards have been adopted by the group since preparing its last annual report.

The Group has chosen not to adopt IAS 34 (Interim Financial Statements) in preparing these financial statements therefore the interim financial information is not in full compliance with IFRS.

The financial information for the half year ended 30 June 2022 set out in this interim report is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's audited statutory financial statements for the year ended 31 December 2020 have been filed with the Registrar of Companies. The independent auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Until such time as the Group achieves operational cash inflows through becoming a volume producer of its products to a receptive market it will remain dependent on its ability to raise cash to fund its operations from existing and potential shareholders and the debt market.

In preparing the consolidated financial information, Proton Motor Fuel Cell GmbH has been deemed to be the acquirer and the Company, the legal parent, has been deemed to be the acquiree. Under IFRS 3 "Business Combinations", the acquisition of Proton Motor Fuel Cell GmbH by the Company has been accounted for as a reverse acquisition and the consolidated IFRS financial information of the Company is therefore a continuation of the financial information of Proton Motor Fuel Cell GmbH.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually, or more frequently where circumstances suggest an impairment may have occurred. Any impairment is recognised immediately in income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Recognition of development costs

Self developed intangible assets are recognised where the Group can estimate that it is probable that future economic benefits will flow to the entity.

Impairment of goodwill

The carrying value of goodwill must be assessed for impairment annually, or more frequently if there are indications that goodwill might be impaired. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the cash generating unit and the use of an appropriate discount rate to discount those cash flows to their present value.

3. Segmental information

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments for which discreet financial information is available and is regularly reviewed by the Chief Operating Decision Maker ("CODM").

Based on an analysis of risks and returns, the Directors consider that the Group has only one identifiable operating segment, green energy.

All non-current assets are located in Germany.

4. Share based payments

The Group has incurred an expense in respect of share options and shares issued to directors as follows:

	Unaudited Six months ended 30 June 2022 £'000	Unaudited Six months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Share options	-	10	(64)
Share awards	206	-	1,318
Shares	28	65	65
	234	75	1,319

5. Finance costs including exchange differences

	Unaudited Six months ended 30 June 2022 £'000	Unaudited Six months ended 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
Interest	985	721	1,498
Exchange (gain) on shareholder loans	-	(3,456)	(4,720)
Exchange loss on shareholder loans	2,079	-	-
Net finance cost (gain)/loss	3,064	(2,735)	(3,222)

6. Taxation

Due to losses within the Group, no expenses for tax on income were required in either the current or prior periods.

7. Profit / (Loss) per share

	Unaudited		Unaudited		Audited	
	Six months ended 30 June 2022		Six months ended 30 June 2021		Year ended 31 December 2021	
	£'000		£'000		£'000	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
(Loss) before embedded derivative	(8,042)	(8,042)	(1,165)	(1,165)	(5,896)	(5,896)
Fair value gain Embedded derivative	-	-	212,739	212,739	609,201	609,201
(Loss) / Profit attributable to equity holders of the company	(8,042)	(8,042)	211,574	211,574	603,305	603,305
Weighted average number of ordinary shares (thousands)	1,549,553	1,549,553	774,285	1,597,816	778,571	778,571
(Restated year ended 31 December 2021)	Pence per share	Pence per share	Pence per share	Pence per share	Pence per share	Pence per share
(Loss) / Profit per share (pence per share) (Restated)	(0.5)	(0.5)	27.3	13.2	77.5	77.5
Year ended 31 December 2021)						
(Loss) / Profit per share (pence per share) excluding embedded derivative	(0.5)	(0.5)	(0.2)	(0.1)	(0.8)	(0.8)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company one category of dilutive potential ordinary shares: share options, which have not been included in the calculation of loss per share because they are anti-dilutive for these periods. No interim dividend has been proposed or paid in relation to the current or prior interim period.

A copy of the interim report and the information required by AIM Rule 26 is available from the Company's website at www.protonmotor-powersystems.com

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