

18 August 2021

ASX Announcement







ETHERSTACK PLC [ASX:ESK] ("Etherstack" or the "Company")

Results for the half year 30 June 2021

Etherstack plc, the developer, manufacturer and licensee of mission critical radio technologies across the globe, is pleased to announce results for the half year ended 30 June 2021.

All amounts are in USD 000 unless otherwise specified.

Results Highlights

-  **Revenue Growth:** revenue is \$4,316 up 79% on the prior corresponding period ("pcp"), with growth across all revenue streams:
 - Recurring revenues from long term support contracts have increased 30% from pcp
 - Royalty revenues driven by sales of licensee products which incorporate Etherstack technology and have increased 129% from pcp
 - Strong project revenues
-  **Strong EBITDA result:** \$1,451 EBITDA for the half year (\$829 for the pcp)
-  **Net profit after tax:** \$799 profit for the half year (\$2,284 loss for the pcp)
-  **Strategic Business development and contract wins:**
 - **Samsung:** In July 2021 Etherstack announced a \$8,500 contract (AUD \$11.6 million) with Samsung Electronics Co. Limited of Korea ('Samsung') to supply Etherstack network elements to Samsung for provision to a telecommunications carrier client of Samsung's. This is the first binding agreement with a carrier.
 - **Defence and Government:** Etherstack was awarded contracts with UK Ministry of Defence and the Commonwealth of Australia.
 - **Resources:** Etherstack won a follow-on order delivering technology to a Pilbara region iron ore mining company.
-  **Reduced Borrowings:** the Company continued to pay down debt during the first half of FY2021
-  **Increased investment in R&D and development of new office and engineering facility in Sydney**

Authorised for release by David Carter

English Registered Company No. 7951056 | ARBN 156 640 532

London (GMT)
P: +44 207 734 0200
info.eu@etherstack.com

Yokohama (GMT +9)
P: +81 45 342 9050
info.jp@etherstack.com

New York (GMT-5)
P: +1 917 661 4110
info.na@etherstack.com

Enquiries

Etherstack

David Carter, Chief Financial Officer

T: +61 2 8399 7500

www.etherstack.com

Media: Walbrook Investor Relations

Mr. Ben Knowles

T: +61 426 277 760

ben.knowles@walbrookir.com.au

About Etherstack plc (ASX:ESK):

Etherstack is a wireless technology company specialising in developing, manufacturing and licensing mission critical radio technologies for wireless equipment manufacturers and network operators around the globe. With a particular focus in the public safety, defence, utilities, transportation and resource sectors, Etherstack's technology and solutions can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in London, Sydney, New York and Yokohama.

English Registered Company No. 7951056 | ARBN 156 640 532

London (GMT)

P: +44 207 734 0200

info.eu@etherstack.com

Yokohama (GMT +9)

P: +81 45 342 9050

info.jp@etherstack.com

New York (GMT-5)

P: +1 917 661 4110

info.na@etherstack.com

**Etherstack plc
and controlled entities**

Appendix 4D

Half Year report under ASX listing Rule 4.2A.3

Half Year ended on 30 June 2021

ARBN 156 640 532

**Previous Corresponding Period: Half
Year ended on 30 June 2020**

Results for Announcement to the market				USD\$'000
Revenue from ordinary activities	Increased	79%	to	4,316
EBITDA ¹	Increased	75%	to	1,451
Profit/(Loss) from ordinary activities after tax attributable to members	Increased	135%	to	799
Net Profit/(Loss) attributable to members	Increased	135%	to	799
Notes 1 - EBITDA is a non-IFRS measure used by management of the company to assess the operating performance of the business. Non-IFRS measures are not subject to audit or review.				

Dividends

There were no dividends declared or paid during the period (30 June 2020:\$nil) and the Directors do not recommend any dividend be paid.

	30 June 2021 US cents	30 June 2020 US cents
Net tangible assets/(liabilities) per share		
Net tangible assets/(liabilities) per share	0.4	(3.6)

Explanation of Results

A detailed review and analysis of operations and financial results is set out within the Directors' Report.

The interim financial report for the half year ended 30 June 2021 dated 16 August 2021, forms part of and should be read in conjunction with this Half Year Report (Appendix 4D). The unaudited condensed consolidated financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.



David Deacon, Director
16 August 2021

Etherstack plc AND CONTROLLED ENTITIES

ARBN 156 640 532

INTERIM CONDENSED FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2021



CONTENTS

Directors' Report	2-8
Independent Auditor's Review Report	9-10
Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	15-18
Directors' Declaration	19
Corporate Information	20

Etherstack is a wireless technology company specialising in licensing mission critical radio technologies to equipment manufacturers and network operators around the globe. With a particular focus in the public safety, defence, utilities, transportation and resource sectors, Etherstack's technology can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in London, Sydney, New York and Yokohama.

DIRECTORS' REPORT

The directors present the condensed consolidated interim financial report of Etherstack plc ("the Company" or "Etherstack") and its controlled entities (together referred to as "the Group") for the half year ended 30 June 2021. All amounts are in thousands of USD, unless otherwise specified.

Directors

The names of the Company's directors in office during the half year and until the date of this report are set out below. Directors were in office for the entire period:

- Peter Stephens Non-Executive Chairman
- David Deacon Executive Director and Chief Executive Officer
- Paul Barnes Non-Executive Director
- Scott W Minehane Non-Executive Director

2021 First Half Highlights (USD \$'000)

- **Revenue Growth:** revenue is \$4,316 up 79% on the prior corresponding period ("pcp"), with growth across all revenue streams:
 - Recurring revenues from long term support contracts have increased 30% from pcp
 - Royalty revenues driven by sales of licensee products which incorporate Etherstack technology and have increased 129% from pcp
 - Strong project revenues
- **Strong EBITDA result:** \$1,451 EBITDA for the half year (\$829 for the pcp)
- **Net profit after tax:** \$799 profit for the half year (\$2,284 loss for the pcp)
- **Strategic Business development and contract wins:**
 - **Samsung:** In July 2021 Etherstack announced a \$8,500 contract (AUD \$11.6 million) with Samsung Electronics Co. Limited of Korea ('Samsung') to supply Etherstack network elements to Samsung for provision to a telecommunications carrier client of Samsung's. This is the first binding agreement with a carrier.
 - **Defence and Government:** Etherstack was awarded contracts with UK Ministry of Defence and the Commonwealth of Australia .
 - **Resources:** Etherstack won a follow-on order delivering technology to a Pilbara region iron ore mining company.
- **Reduced Borrowings:** the Company continued to pay down debt during the first half of FY2020
- **Increased investment in R&D and development of new office and engineering facility in Sydney**

DIRECTORS' REPORT Continued

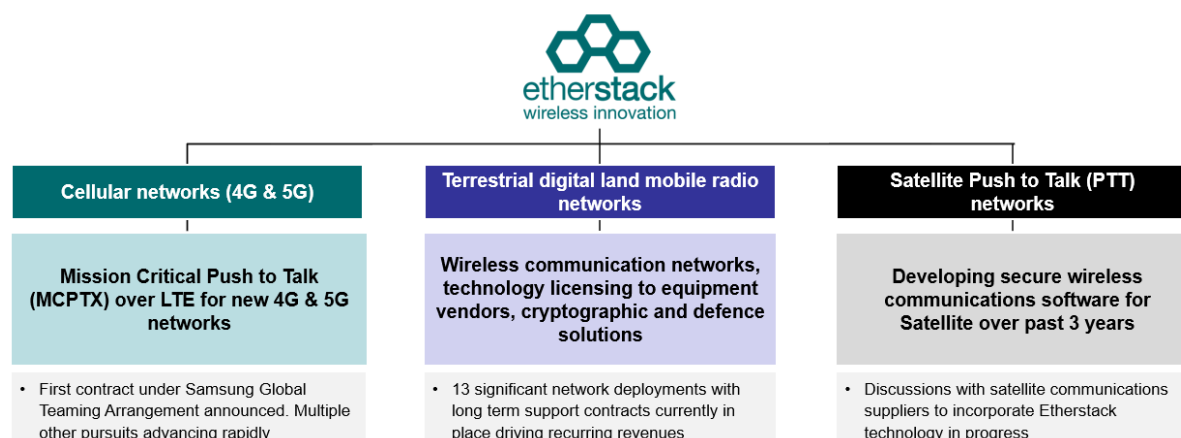
Principal activities

The principal activities of the Group throughout the period were design, development and deployment of wireless communications software and products. The principal activity of Etherstack plc (the "Company") is that of a holding company.

Etherstack has a substantial intellectual property portfolio that generates a diverse range of revenue from multiple technology areas and clients, and a mix of mature, new and emerging product lines. Etherstack derives revenues from:

- Mission critical radio network products; these products may carry Etherstack brands or be sold as "white labelled" equipment (where customer uses its own brand)
- Specialised communications equipment
- Technology licences and royalties
- System solution sales, where Etherstack sells its products and software and then provides ongoing support systems
- Customisation and Integration services; and
- Ongoing Support services.

Etherstack licences innovative technology across three key platforms:



Etherstack seeks to differentiate our offerings by:

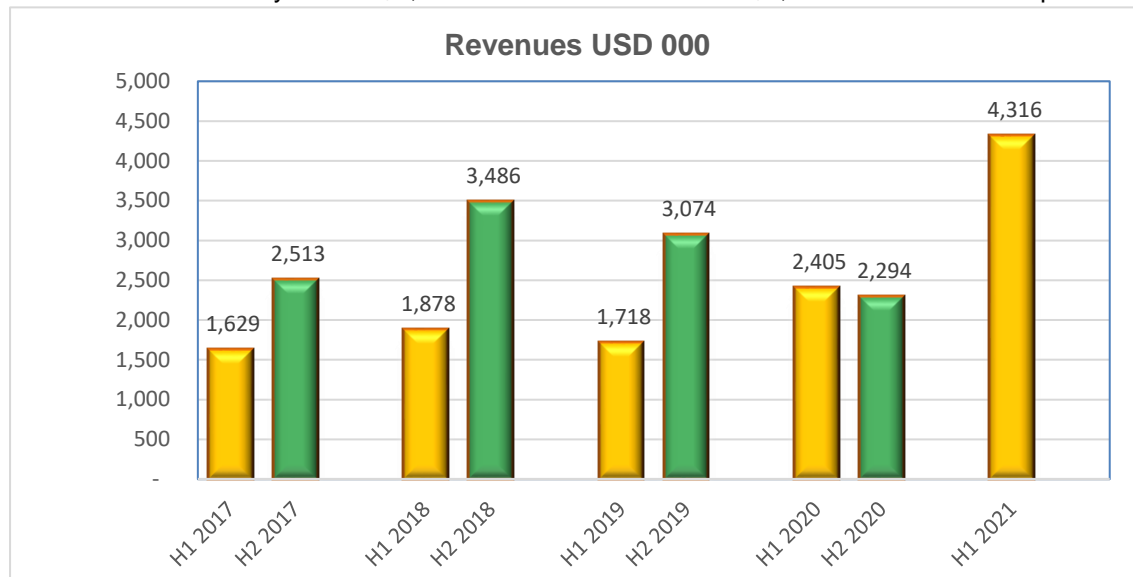
- Leveraging small company agility to provide flexible and customised solutions
- Identifying and supplying market "gaps" where our products offer a competitive edge in terms of features, functions or price
- Focussing on specific industry sectors where our technology has a track record of uninterrupted performance
- Providing local support in North America, Asia and Europe with global back up
- Ongoing investment in developing new capabilities

DIRECTORS' REPORT Continued

Review of operations and financial results

Revenues

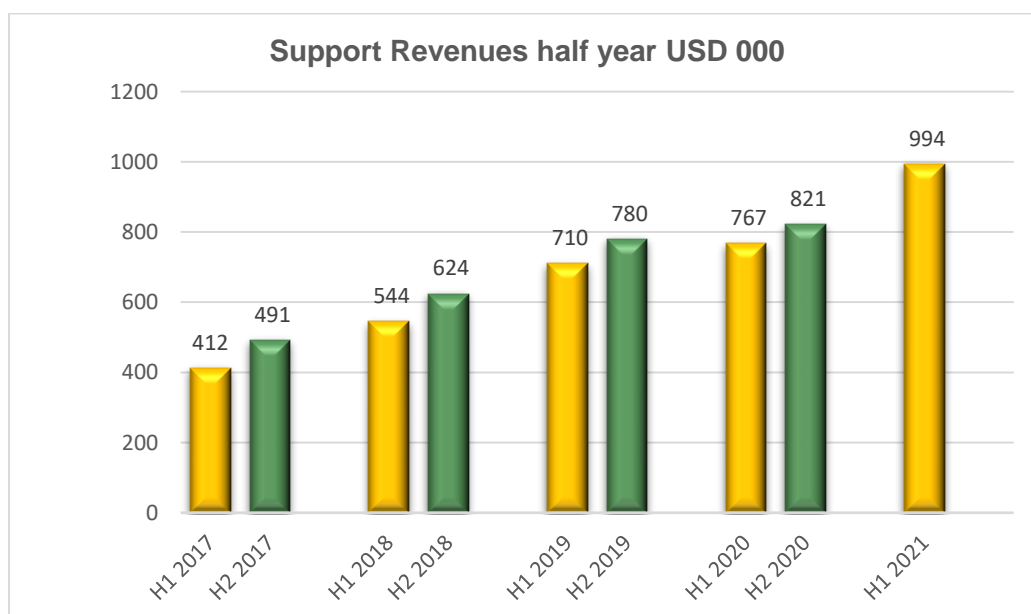
Revenues for the half year are \$4,316 which is an increase of \$1,911 or 79% from the prior half year.



Graph 1: Etherstack Revenues 2017 to 2021 USD 000

The revenue increase is due to:

- **Support revenue** for first half of FY2021 grew 30% to \$994 compared to \$767 for the first half of FY2020. This is attributable to continued growth in Etherstack's installed support client base in particular from the network projects commissioned in 2020 and follows 20% growth in these revenues in the first half of 2020. Growth in support revenues is particularly important as these revenues are not subject to the same volatility or timing risk as project revenues.



Graph 2: Support Revenues for each half year 2017 to 2021 USD 000

DIRECTORS' REPORT Continued

- **Increased royalty revenues:** royalty revenues for first half of FY2021 are \$371 compared to \$162 for the first half of FY2020 representing a 129% increase. The increase is due to increased sales achieved by licensed manufacturers and new royalty agreements which include minimum guaranteed royalties.
- **Increased level of project activity:** in the first half of FY2021 relative to the first half of FY2020 resulting in project revenues of \$2,951 compared to \$1,476 for the pcp, a 100% increase. The nature of the Etherstack business means project revenues are driven by a small number of large contracts and can be volatile, depending upon project activity and deliveries, within a particular period.

Key projects in the half year include:

- Australian Department of Defence project announced in December 2020
- West Australian resources company follow on order

The July 2021 contract with Samsung, outlined below under Strategic business development and contract wins, made no contribution to revenue in the first half of 2021.

EBITDA and Net profit after tax

	30 June 2021	30 June 2020
Statutory profit/(loss) after tax	799	(2,284)
After tax effect of:		
Depreciation	152	73
Amortisation	599	647
Interest expense	89	116
Embedded derivatives revaluation and amortisation (net)	8	2,383
Income tax	(196)	(106)
Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)	1,451	829

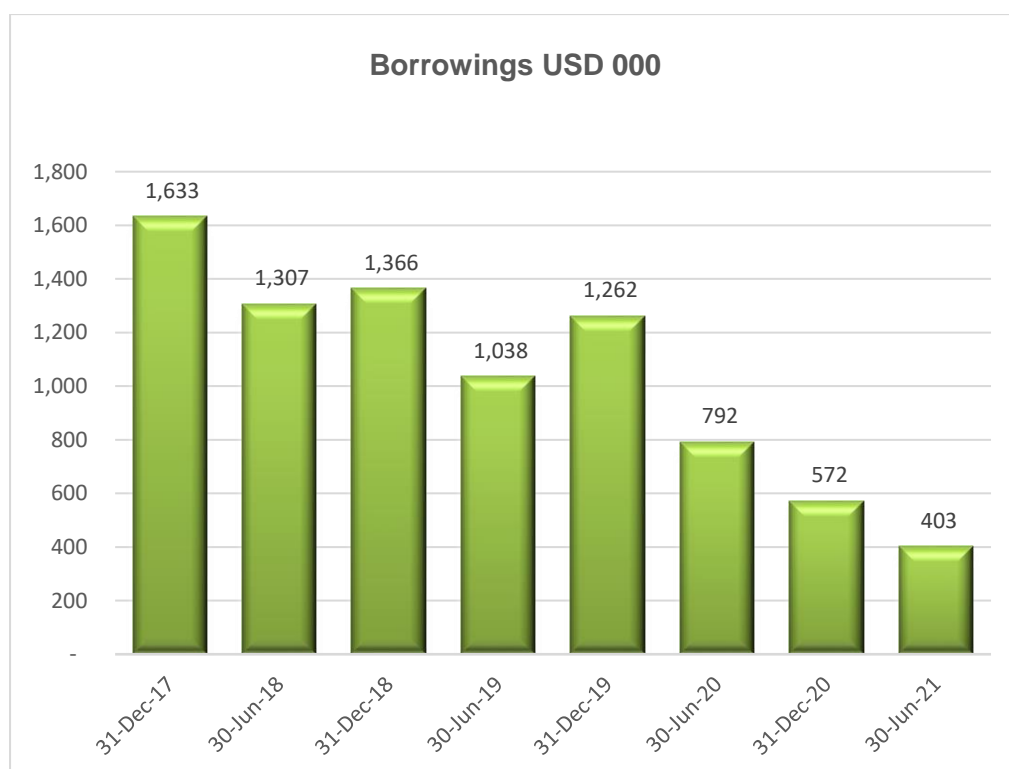
The key drivers of the result for the year were:

- Increased revenues, as outlined above
- Cost of sales varies between periods based on the revenue mix, in particular the value of third party hardware where the margins are low relative to the margins earned on Etherstack products. The increase in gross profits in the current half year reflects this changed mix with less revenues derived from third party products.
- Within Operating costs, occupancy costs have increased as the Company is in the process of establishing a new Sydney office and engineering facility. Other operating costs have moved in line with increased revenues and an increased headcount required to deliver current and contracted projects.
- The group is exposed to foreign currency fluctuations and incurred a foreign exchange loss of \$496 in the period compared to a gain of \$188 in the pcp
- In H1 2020, there was a non cash finance charge of \$2,383 arising from the revaluation of the embedded derivative within the convertible notes. This was a consequence of the sharp increase in the share price on 30 June 2020. While there was a revaluation in H1 2021, there was no repetition of the share price spike and there was a smaller number of convertible notes outstanding at the revaluation date in March 2021 being the date the notes were converted into fully paid ordinary shares. The revaluation of the embedded derivative in H1 2021 resulted in an expense of \$8.
- The net income tax credit has increased notwithstanding increased profitability over the pcp as there was an increased investment in R&D in the current year. There is a corresponding increase in the R&D incentives for which the group is eligible.

DIRECTORS' REPORT Continued

Cash flows

- **Operating cash flows:** Operating cash flows are \$416 for the half year have decreased relative to the same period in 2020 (\$1,354) notwithstanding increased revenues due to the timing of project revenues which were skewed toward the end of the half. This skewing has resulted in reduced operating cash generation in the half. The consequence of the skewed timing is a large increase in Trade & Other receivables at 30 June 2021 (\$3,846 compared to \$933 at 30 June 2020) and collection of amounts after the end of the half year will be reflected in operating cashflows in the second half of the year.
- **Financing Cashflows:** Operating cashflows have enabled further repayments of borrowings to be made in the first half of FY2021 \$201 (H1 2020 \$212).




Graph 3: Borrowings 31 Dec 2017 to 30 June 2021 USD 000

- **Investing cashflows:** The Company has invested a further \$1,399 (H1 2020 \$483) into our suite of intellectual property assets in developing new assets and enhancing existing assets. The company has also invested in a new office and engineering facility in Sydney


DIRECTORS' REPORT Continued

Strategic business development and contract wins

 **Samsung:** In July 2021 Etherstack announced a \$8,500 contract (AUD \$11.6 million) with Samsung Electronics Co. Limited of Korea ('Samsung') to supply Etherstack network elements to Samsung for provision to a telecommunications carrier client of Samsung's. This is the first binding agreement with a carrier and follows the signing of the Global Teaming Agreement in June 2020 under which the companies jointly pursue opportunities to provide MCPTX (mission critical push-to talk/voice/video) solutions globally within the telecommunications carrier sector. There was no revenue recognised from this contract in the 2021 first half.

 **Defence and Government:** The Group has been awarded:

- a contract with UK Ministry of Defence for technology and services, with an initial value of \$311 (GBP 220).
- A \$400 (AUD \$515) with the Commonwealth of Australia, represented by the Department of Home Affairs, to supply the Company's technology and associated delivery services to the Commonwealth. The order represents Etherstack's first contract with the Department of Home Affairs

 **Resources:** the Group won a follow-on order to the initial network deployment announced in May 2020 delivering Etherstack technology to a Pilbara region iron ore mining company. Etherstack expects revenues of \$462 (AUD \$600) from the follow-on order. A third expansion order at this mine site is expected and recurring support revenues are expected to commence in H2 2021 and continue for the duration of the mine site lifespan

Future developments

As announced on 30 June 2020, Etherstack entered a global teaming agreement with Samsung Electronics to deliver next generation Mission Critical Push To Talk (MCPTT) over LTE solutions to telecommunications carriers and governments across the globe, utilising Etherstack's digital LMR (Land Mobile Radio) soft switching technologies embedded within Samsung's advanced network solutions.

On 22 July 2021 the Company announced the first carrier agreement with Samsung Electronics Co Limited ("Samsung"). This is a \$8,500 contract (AUD \$11.6 million) to supply Etherstack network elements to Samsung for provision to a telecommunications carrier client of Samsung's and the Company has commenced the planning and delivery stages of this contract.

The key terms of the contract are:

- Total revenues for Etherstack comprising licence fees, project deployment revenues and support revenues are \$8,500 which includes \$1,200 revenue previously announced on 18th February 2021.
- The term of the contract is 5 years, with the majority of the licence revenues expected to be recognised across the Company's 2021, 2022 and 2023 financial years. Initial support revenues included in the deal are expected to commence in 2022 and be earned over 3 years from the date of delivery of the solution to Samsung's customer.

Additionally, further long-term annual support revenues, while not yet currently contracted, are expected to renew in FY2025, with a typical minimum lifespan of 10-15 years for public safety infrastructure projects

Etherstack has a number of other carrier opportunities in progress with Samsung and looks forward to jointly supplying Etherstack's MCPTX technology to Samsung's customers.

In the Land Mobile Radio market sector, the Company looks forward to leveraging recent successes to development the business further. In particular, the success in winning and delivering the Royal

DIRECTORS' REPORT Continued

Canadian Mounted Police network in 2020/21 and the two Western Australian resources sector projects in 2020 and 2021 create further opportunities over the medium and long term as both customers have multiple digital radio networks at various stages in their lifecycles. Etherstack will look to leverage these initial successes to:

- build a multi-year pipeline of opportunities within each customer; and
- simultaneously enhance support revenue streams.

Rounding of amounts

Amounts in the Directors Report and the accompanying financial report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, unless otherwise expressly stated.

Signed in accordance with a resolution of the directors



David Deacon, Director
16 August 2021

Independent Review Report to Etherstack plc

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of Etherstack Plc (the 'company') for the six months ended 30 June 2021 which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Our responsibility

Our responsibility is to express a conclusion to the company on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of macro-economic uncertainties on our review

Our review of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. Our review will assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the basis of preparation of the condensed financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no review should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

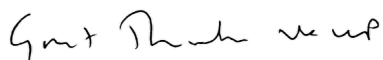
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Independent Review Report to Etherstack plc Continued

Use of our report

This report is made solely to the company, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company as a body, for our review work, for this report, or for the conclusion we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
17 August 2021

**Consolidated Statement of Comprehensive Income
For the period ended 30 June 2021**

	Half year 30 June 2021 USD \$'000 (unaudited)	Half year 30 June 2020 USD \$'000 (unaudited)
Revenue from Contracts with Customers	4,316	2,405
Cost of sales	(1,024)	(1,059)
Gross Profit	3,292	1,346
Other income; research & development & government incentives	55	72
Amortisation and impairment of intangible assets	(599)	(647)
Other administrative expenses	(1,552)	(850)
Net foreign exchange gains / (losses)	(496)	188
Total administrative expenses	(2,647)	(1,309)
Group operating profit / (loss) from continuing operations	700	109
Embedded derivatives revaluation and amortisation (net)	(8)	(2,383)
Finance expense-borrowing costs	(89)	(116)
Net finance expense	(97)	(2,499)
<i>Profit/(Loss) before taxation</i>	603	(2,390)
Income tax benefit	196	106
<i>Profit/(Loss) after taxation for the period attributable to the equity holders of the parent</i>	799	(2,284)
<i>Other comprehensive income/(loss)</i>		
Items that may be classified subsequently to profit and loss :		
Exchange differences on translation of foreign operations	388	(103)
Total comprehensive income/(loss) for the period attributable to the equity holders of the parent	1,187	(2,387)
	Cents	Cents
Basic earnings/(loss) per share	0.62	(2.02)
Diluted earnings/(loss) per share	0.61	(2.02)

The results above relate to continuing operations.

**Consolidated Statement of Financial Position
As at 30 June 2021**

	Note	30 June 2021 USD \$'000 (unaudited)	31 December 2020 USD \$'000 (audited)
Current assets			
Cash and bank balances		2,428	4,180
Trade and other receivables		3,846	1,410
Inventories		311	318
Right-of-use assets		269	128
		<u>6,854</u>	<u>6,036</u>
Non-current assets			
Property, plant and equipment		475	73
Trade and other receivables		290	404
Intangible assets	5	4,316	3,516
Right-of-use assets		390	75
		<u>5,471</u>	<u>4,068</u>
TOTAL ASSETS		12,325	10,104
Current liabilities			
Trade and other payables		2,428	2,760
Current tax liabilities		82	61
Deferred revenue		2,535	1,641
Employee entitlements		443	357
Lease liabilities		238	145
Convertible notes	6	-	233
Borrowings		403	572
		<u>6,129</u>	<u>5,769</u>
Non-current liabilities			
Deferred tax liability		-	14
Deferred revenue		118	103
Employee entitlements		13	10
Lease liabilities		522	112
		<u>653</u>	<u>239</u>
TOTAL LIABILITIES		6,782	6,008
NET ASSETS		5,543	4,096
Capital and reserves			
Share capital		741	739
Share premium account		15,449	15,212
Merger reserve		3,497	3,497
Share based payment reserve		630	609
Foreign currency translation reserve		(2,595)	(2,983)
Retained Earnings		(12,179)	(12,978)
TOTAL EQUITY		5,543	4,096

Consolidated Statement of Changes in Equity
For the period ended 30 June 2021

	Share Capital USD \$'000	Share Premium Account USD \$'000	Merger Reserve USD \$'000	Share Based Payment Reserve USD \$'000	Foreign Currency Translation Reserve USD \$'000	Retained Earnings USD \$'000	Total Equity USD \$'000
<i>For the half-year ended 30 June 2020</i>							
Balance at 1 January 2020	652	7,998	3,497	609	(2,698)	(10,678)	(620)
Conversion of convertible notes to Share Capital	19	1,876	-	-	-	-	1,895
Transactions with owners	19	1,876	-	-	-	-	1,895
(Loss) for the period	-	-	-	-	-	(2,284)	(2,284)
Other comprehensive (expense) for the period	-	-	-	-	(103)	-	(103)
Total comprehensive (expense) for the period	-	-	-	-	(103)	(2,284)	(2,387)
Balance at 30 June 2020 (unaudited)	671	9,874	3,497	609	(2,801)	(12,962)	(1,112)
<i>For the half-year ended 30 June 2021</i>							
Balance at 1 January 2021	739	15,212	3,497	609	(2,983)	(12,978)	4,096
Conversion of convertible notes to Share Capital	2	237	-	-	-	-	239
Share based payment charge	-	-	-	21	-	-	21
Transactions with owners	2	237	-	21	-	-	260
Profit for the period	-	-	-	-	-	799	799
Other comprehensive income for the period	-	-	-	-	388	-	388
Total comprehensive income for the period	-	-	-	-	388	799	1,187
Balance at 30 June 2021 (unaudited)	741	15,449	3,497	630	(2,595)	(12,179)	5,543

Consolidated Statement of Cash Flows
For the period ended 30 June 2021

		Six months 30 June 2021 USD \$'000 (unaudited)	Six months 30 June 2020 USD \$'000 (unaudited)
	Note		
Cash flows from operating activities			
Receipts from customers		2,874	3,550
Payments to suppliers and employees		(2,455)	(2,271)
Interest paid		(60)	(19)
Government grants and tax incentives		94	92
Income tax (paid) refunded		(37)	2
		<hr/>	<hr/>
Net cash generated from operating activities		416	1,354
Cash flow from Investing activities			
Additions to intangible assets	5	(1,399)	(483)
Payments for property, plant and equipment		(439)	(19)
		<hr/>	<hr/>
Net cash flow (used in) investing activities		(1,838)	(502)
Cash flows Financing activities			
Share issue cost		(2)	-
Principal element of lease payments		(77)	(61)
Repayments of loan		(201)	(212)
Interest paid		(2)	(24)
		<hr/>	<hr/>
Net cash flow (used in) financing activities		(282)	(297)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		(1,704)	555
Effect of foreign exchange rate changes		(48)	(6)
Cash and cash equivalents at 1 January		4,180	931
		<hr/>	<hr/>
Cash and cash equivalents at end of period		2,428	1,480
		<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

1. General information

Etherstack plc is a public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The registered office is 30-31 Friar Street Reading, Berkshire RG1 1DX, UK.

The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2021 comprises the Company and its subsidiaries (together referred to as 'the Group'). The principal activities of the Group throughout the period were design, development and deployment of wireless communications software and products. The principal activity of Etherstack plc (the "Company") is that of a holding company. These financial statements are presented in US\$ because the Group operates in international markets and the US\$ provides the most comparable currency for peer companies. All amounts are in USD and \$000 unless otherwise indicated.

2. Basis of preparation

The condensed consolidated interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2020.

This condensed consolidated interim financial report does not include all the information required for full financial statements prepared in accordance with International Financial Reporting Standards, (IFRS) as adopted by the European Union and should be read in conjunction with the consolidated financial statements at 31 December 2020. The condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 16 August 2021.

2.1 Financial reporting period

The interim financial information for the period from 1 January 2021 to 30 June 2021 is unaudited. In the opinion of the Directors, the interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period in accordance with IAS 34. The accounts incorporate comparative figures for the interim period 1 January 2020 to 30 June 2020 and the audited financial year to 31 December 2020. The financial information contained in this interim report does not constitute statutory accounts as defined by section 435 of the Companies Act 2006.

The comparatives for the full year ended 31 December 2020 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified.

3. Judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2020.

4. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2020.

Notes to the Condensed Consolidated Financial Statements

5. Intangible assets

Intangible assets comprise costs incurred on the development of specific products that meet the criteria set out in IAS 38 Intangible Assets. The amortisation period for development costs incurred on the Group's intellectual property developments is over the useful life estimate of 3 to 6 years or over the estimated delivery model, whichever is shorter. Amortisation does not take place until the asset is fully completed. Engineering software is amortised over its expected useful life of 5 years.

	Capitalisation of development costs USD \$'000	Engineering software USD \$'000	Acquired Customer relationship USD \$'000	Total USD \$'000
Cost:				
At 1 January 2020	20,819	431	802	22,052
Additions	483	-	-	483
Exchange differences	-	-	(17)	(17)
At 30 June 2020	21,302	431	785	22,518
At 1 January 2021	22,221	431	881	23,533
Additions	1,174	225	-	1,399
Exchange differences	-	-	(21)	(21)
At 30 June 2021	23,395	656	860	24,911
Accumulated amortisation				
At 1 January 2020	17,704	395	658	18,757
Charge for the period	590	12	45	647
Exchange differences	-	-	(12)	(12)
At 30 June 2020	18,294	407	691	19,392
At 1 January 2021	18,777	412	828	20,017
Charge for the period	542	4	53	599
Exchange differences	-	-	(21)	(21)
At 30 June 2021	19,319	416	860	20,595
Carrying amount				
At 30 June 2021	4,076	240	-	4,316
At 30 June 2020	3,008	24	94	3,126

Notes to the Condensed Consolidated Financial Statements

6. Convertible notes	30 June 2021 USD \$'000	31 December 2020 USD \$'000
Amortised cost as at 1 January	107	1,097
Issued in the period	-	100
Interest costs (net of payments)	-	-
Amortisation of finance costs	1	78
Maturity or conversion of convertible notes in the period	(110)	(1,153)
Effect of foreign exchange	2	(15)
Amortised cost at end of period	-	107
Embedded derivative as at 1 January	126	320
Issued in the period	-	4
Fair value adjustment	7	2,235
Maturity or conversion of convertible notes in the period	(135)	(2,439)
Effect of foreign exchange	2	6
Embedded derivative at end of period	-	126
Convertible notes	-	233
Disclosed as:		
Current liabilities	-	233
Non-current liabilities	-	-
Convertible notes	-	233

During the half year, all remaining convertible notes were converted into 499,377 fully paid ordinary shares and accordingly at 30 June 2021 there were no convertible notes on issue.

Fair Value

The conversion rights attached to the convertible notes represent an embedded derivative and is the only financial liability measured at fair value. This financial liability as at 31 December 2020 is \$126. Derivative financial instruments are valued using internal models. The fair values are determined using option pricing models (Black Scholes), which use various inputs including current market prices for underlying instruments, time to expiry, current rates of return and volatility of underlying instruments. Prices are sourced from quoted market prices. Such instruments are classified within Level 3 valuation technique.

For all other financial assets and liabilities the fair value is not materially different to book value.

Notes to the Condensed Consolidated Financial Statements

7. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in these financial statements.

David Deacon is a director of the company. During the half year:

- Net advances of \$3 were made by the Company being the deferral of salary.

At 30 June 2021, \$187 remains owing to David Deacon (31 December 2020 \$174). The amount due is represented by deferred wages and expenses is unsecured interest free and is not subject to specific repayment terms.

Paul Barnes is a director of the company. During the half year:

- \$42 payments of accrued wages were made.

At 30 June 2021, \$238 (31 December 2020 \$275) is owing to Paul Barnes. The amount due is represented by deferred wages and expenses is unsecured, not subject to specific repayment terms and interest free.

Peter Stephens is a director of the company. During the half year:

- Interest of \$26 (30 June 2020 \$36) was accrued for the half year
- \$233 loan repayments were made

At 30 June 2021, \$680 (31 December 2020 \$876) is owing to Peter Stephens. The loan amount and the amount represented by deferred wages and expenses are unsecured, not subject to specific repayment terms and interest free.

8. Subsequent Events

On 22 July 2021 the Company announced the first carrier agreement with Samsung Electronics Co Limited ("Samsung"). This is a \$8,500 contract to supply Etherstack network elements to Samsung for provision to a telecommunications carrier client of Samsung's and the Company has commenced the planning and delivery stages of this contract.

The key terms of the contract are:

- Total revenues for Etherstack comprising licence fees, project deployment revenues and support revenues are \$8,500 which includes \$1,200 revenue previously announced on 18th February 2021.
- The term of the contract is 5 years, with the majority of the licence revenues expected to be recognised across the Company's 2021, 2022 and 2023 financial years. Initial support revenues included in the deal are expected to commence in 2022 and be earned over 3 years from the date of delivery of the solution to Samsung's customer.

Directors Declaration

In the opinion of the Directors:

- (a) The financial statements and notes set out on pages 11 to 18:
 - (i) comply with Accounting Standard IAS 34 Interim Financial Reporting
 - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the six months ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



David Deacon
Director

16 August 2021

Corporate Information

Company Registration No. 7951056

ARBN 156 640 532

Directors

Peter Stephens (Non-Executive Chairman)
David Deacon (Executive Director and Chief Executive Officer)
Paul Barnes FCCA (Non-Executive Director)
Scott W. Minehane (Non-Executive Director)

Company Secretaries

Paul Barnes FCCA (United Kingdom)
David Carter (Australia)

United Kingdom Registered Office

30-31 Friar Street
Reading Berkshire RG1 1DX
United Kingdom

Australian Registered Office

93 A Shepherd Street
Chippendale, NSW, 2008
Australia

Auditor

Grant Thornton UK LLP
Statutory Auditor
London, United Kingdom

Stock Exchange Listing

Australian Securities Exchange
(Code: ESK)

Share Registrars

Computershare Investor Services Pty Limited

452 Johnston Street
Abbotsford, VIC, 3067
Australia

Computershare Investor Services plc

The Pavilions, Bridgwater Road
Bristol BS99 6ZY
United Kingdom

Website

www.etherstack.com