INTERIM REPORT 2014

Quixant

CHAIRMAN'S STATEMENT

I am pleased to report on the Company's performance for the six months ended 30 June 2014. Over the half, pre-tax profits were US$2.2 million (H1 2013: US$1.8 million) from turnover of US$12.3 million (H1 2013: US$9.5 million) and gross profit of US$5.6 million (H1 2013: US$4.5 million); which are in line with management expectations.

The Company paid a maiden full year dividend of 1p per share for FY2013 on 16 May 2014.

Since Quixant's admission to the market in May 2013, the Company has enjoyed strong support from the investor community. It is pleasing that in April 2014, market demand for the shares led to the release of 17,857,143 existing ordinary shares by Directors and other founding shareholders in an oversubscribed placing with new and existing institutional investors. This has broadened Quixant's investor base and materially increased the free float. The founding Directors and their families maintain a substantial stake in the business, holding 51% of the issued share capital.

The announcement in late July 2014 of winning a significant piece of business from a new Tier 1 customer, Novomatic Group, reinforces the Board's belief that the largest gaming machine manufacturers in the industry are gradually adopting a strategy to outsource the design and manufacture of the computer gaming platform, which is a crucial component in their machines. This significant business win helps to underpin current growth expectations for 2015.

There has been considerable consolidation taking place in the gaming industry over recent months with several of the major players undergoing M&A activity. We believe this consolidation will have a positive impact on our business as manufacturers review their strategy and seek cost efficiencies.

The Company has continued to invest in building the resources and infrastructure necessary to win and support business with large customers and to deliver continued growth into 2015 and beyond.

Quixant continues to occupy a small but growing share of the existing market. In addition, the market continues to develop, with new territories approving or considering approving new or extended regulated gaming markets.

I would like to congratulate our team for their efforts and to thank shareholders for their continued support of the Company.

Michael Peagram
Chairman

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Introduction

In the first half of 2014, we have continued to make strong progress in securing new business, strengthening and developing existing business relationships, building the Company's resources and infrastructure, and further growing the strength of the Quixant brand.

Broadened customer base

The Company has successfully leveraged the benefits of its AIM listing to raise its profile amongst the major players in the industry, most recently evidenced by the business relationship formed with Novomatic Group. This was the culmination of over 18 months of intense cooperation between Quixant and Novomatic. They are one of the most highly respected manufacturers in the industry and the Board was delighted that Quixant was featured in an article in Novomatic's own magazine in which they commented "In Quixant we have found such a congenial and reliable technology partner who is able to complement the in-house know-how and capacities – which can make the difference in global competition." Shipments under this project are scheduled to commence early next year, helping underpin current growth expectations for 2015.

The Novomatic business win is further evidence of the transition that Tier 1 customers are undergoing, with a trend towards outsourcing aspects of machine design which do not give them a competitive advantage, including the computer gaming platform. During the first half of 2014 progress was made securing a design-in on a project with another Tier 1 customer.

In February, Quixant signed a new contract out to 2019 to supply Ainsworth Game Technology with a new series of gaming platforms to power its machines. This new agreement underpins the robust relationship with Ainsworth, which has been a Quixant customer since 2007.

Building for the future

The Board has been active in continuing to strengthen the Company's personnel, systems and infrastructure to support expected future business opportunities and growth. With the commencement of major business with a Tier 1 customer and several other large prospects in the pipeline, vital investment has been made in the first half of 2014 to ensure the correct people are recruited and adequately trained to contribute significantly to the business. Across the Company headcount has grown from 63 at the end of December 2013 to 69 at June 2014, a majority of which was in the R&D team responsible for designing and validating Quixant's products.

The move into the new Quixant USA facilities was completed in May 2014. The new office provides increased office space, facilities for support and training of North American customers and, importantly, warehousing space to hold stock for US customers; a requirement in many cases to win business in this market.

New products

At the ICE exhibition in London in February 2014 Quixant previewed its latest gaming platform, the QX-50, to a selected group of customers behind closed doors. The QX-50 is based on AMD's latest "Bald Eagle" APU technology and enables game developers to deliver 4K "Ultra HD" game content, which offer four times the detail of traditional "Full HD" games. Quixant's unique position as an AMD Fusion Partner Elite Member provided us with advanced information and samples of AMD's "Bald Eagle" APU technology enabling us to have a completed product before AMD had formally launched their products to market. This meant that Quixant was able to formally

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launch the QX-50 at the G2E Asia exhibition in Macau on the very same day as AMD launched its "Bald Eagle" APU. This competitive advantage was evident at ICE where interest around the 4K gaming theme was prevalent.

During the first half of 2014, Quixant brought a new low cost product to market: the QXi-307. Based on technology developed for the Italian QXi-306 platform, the QXi-307 enables customers to access Quixant's technology and a high level of performance at a new low price point. Interest in the QXi-307 has already been high, and we have already achieved design-ins with two customers adopting this new platform.

Financial review

Pre-tax profits for the six months ended 30 June 2014 were US$2.2 million (H1 2013: US$1.8 million) and turnover for the period was US$12.3 million (H1 2013: US$9.5 million). Our operating expenses for the six months ended 30 June 2014 were US$3.5 million (H1 2013: US$2.7 million), higher than prior due to share based payments, direct costs of functioning as a listed company and investment in people to enable scalability of the business going forward. EBITDA for the period to 30 June 2014 was US$2.5 million (H1 2013: US$2.0 million). Fully diluted earnings per share for the period was US$0.028 (H1 2013: US$0.024).

Operations generated cash in the six months to 30 June 2014 of US$2.3 million (H1 2013: US$1.4 million). Investments were made into repaying the mortgage on the business premises in Cambridge, fit out of the new office in the US and increased stock holding of products to satisfy customer demand leading into the second half, leaving the Company with a healthy cash balance of US$6.5 million at 30 June 2014 (31 December 2013: US$7.0 million) following the payment of Quixant's maiden dividend for full year 2013 totalling US$1.1 million in May 2014. Net cash was US$5.1 million at 30 June 2014 (31 December 2013: US$4.9 million).

Outlook

The Company is well positioned to meet the full year expectations. The strong order book and healthy pipeline of business also gives us confidence leading into 2015 and beyond.

Nick Jarmany
Chief Executive

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014 AND 2013 AND YEAR ENDED 31 DECEMBER 2013

	Note	**30 June 2014 Unaudited $000**	30 June 2013 Unaudited $000	31 December 2013 Audited $000
Revenue		**12,346**	9,508	24,235
Cost of sales		**(6,705)**	(4,996)	(13,042)
Gross profit		**5,641**	4,512	11,193
Operating expenses		**(3,464)**	(2,680)	(5,158)
Operating profit		**2,177**	1,832	6,035
Financial expenses		**(18)**	(32)	(61)
Other income		**14**	46	–
Profit before tax		**2,173**	1,846	5,974
Taxation	2	**(289)**	(433)	(1,224)
Profit for the period		**1,884**	1,413	4,750
Basic earnings per share	4	**$0.02915**	$0.02452	$0.0777
Fully diluted earnings per share	4	**$0.02832**	$0.02435	$0.0762

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2014 and 2013 and year ended 31 December 2013

	$000	$000	$000
Profit for the period	**1,884**	1,413	4,750
Foreign currency translation differences	**(44)**	(22)	(29)
Total comprehensive income for the period	**1,840**	1,391	4,721

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014 AND 2013 AND AT 31 DECEMBER 2013

	Note	**30 June 2014 Unaudited $000**	30 June 2013 Unaudited $000	31 December 2013 Audited $000
Non-current assets				
Property, plant and equipment		**4,966**	3,734	4,554
Intangible assets – research and development		**1,592**	919	1,253
Total non-current assets		**6,558**	4,653	5,807
Current assets				
Inventories		**5,462**	3,089	2,631
Trade and other receivables		**5,209**	3,962	5,939
Cash and cash equivalents		**6,459**	7,448	7,021
Total current assets		**17,130**	14,499	15,591
Total assets		**23,688**	19,152	21,398
Current liabilities				
Other financial liabilities		**(95)**	(92)	(173)
Trade and other payables		**(4,344)**	(3,405)	(2,677)
Corporation tax payable		**(1,277)**	(1,249)	(805)
Total current liabilities		**(5,716)**	(4,746)	(3,655)
Non-current liabilities				
Other financial liabilities		**(1,314)**	(2,112)	(1,986)
Deferred tax liability		**(349)**	(241)	(281)
Total non-current liabilities		**(1,663)**	(2,353)	(2,267)
Total liabilities		**(7,379)**	(7,099)	(5,922)
Net assets		**16,309**	12,053	15,476
Equity				
Share capital	3	**104**	104	104
Share based payments reserve		**195**	20	113
Share premium		**5,181**	5,181	5,181
Retained earnings		**10,830**	6,698	10,035
Translation reserve		**(1)**	50	43
Total equity		**16,309**	12,053	15,476

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014, 31 DECEMBER 2013 AND 30 JUNE 2014

	Share Capital $000	Share Based Payments $000	Share Premium $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
At 1 January 2013	27	–	505	5,285	72	5,889
Profit for the six months	–	–	–	1,413	–	1,413
Share bonus issue	63	–	(63)	–	–	–
Issue of new shares	14	–	5,873	–	–	5,887
Share issue expenses	–	–	(1,134)	–	–	(1,134)
Share based payments	–	20	–	–	–	20
Total other comprehensive income	–	–	–	–	(22)	(22)
At 30 June 2013	104	20	5,181	6,698	50	12,053
Profit for the six months	–	–	–	3,337	–	3,337
Share based payments	–	93	–	–	–	93
Total other comprehensive income	–	–	–	–	(7)	(7)
At 31 December 2013	104	113	5,181	10,035	43	15,476
Profit for the six months	–	–	–	1,884	–	1,884
Share based payments	–	82	–	–	–	82
Dividend paid	–	–	–	(1,089)	–	(1,089)
Total other comprehensive income	–	–	–	–	(44)	(44)
At 30 June 2014	**104**	**195**	**5,181**	**10,830**	**(1)**	**16,309**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014 AND 2013 AND YEAR ENDED 31 DECEMBER 2013

	30 June 2014 Unaudited $000	30 June 2013 Unaudited $000	31 December 2013 Audited $000
Cash flows from operating activities			
Profit for the year	**1,884**	1,413	4,750
Adjustments for:			
Depreciation	**136**	98	227
Amortisation	**173**	28	120
Financial expenses	**18**	32	61
Taxation	**289**	433	1,224
Share based payments expense	**82**	20	113
	2,582	2,024	6,495
Decrease/(increase) in trade and other receivables	**730**	408	(1,568)
(Increase) in inventories	**(2,831)**	(670)	(212)
Increase/(decrease) in trade and other payables	**1,623**	(292)	(984)
	2,104	1,470	3,731
Interest paid	**(18)**	(32)	(61)
Tax refunded/(paid)	**251**	6	(1,190)
Net cash from operating activities	**2,337**	1,444	2,480
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(548)**	(32)	(1,024)
Development expenditure	**(512)**	(445)	(871)
Net cash from investing activities	**(1,060)**	(477)	(1,895)
Cash flows from financing activities			
Repayment of borrowings	**(750)**	(75)	(120)
Net cash received on issue of new shares	**–**	4,753	4,753
Dividends paid	**(1,089)**	–	–
Net cash from financing activities	**(1,839)**	4,678	4,633
Net (decrease)/increase in cash and cash equivalents	**(562)**	5,645	5,218
Cash and cash equivalents at 1 January	**7,021**	1,803	1,803
Cash and cash equivalents at period end	**6,459**	7,448	7,021

General Information and Reporting entity

Quixant plc ("Quixant" or the "Company") is a public limited company incorporated and domiciled in England and Wales, whose shares are publically traded on the Alternative Investment Market (AIM) of the London Stock Exchange. The address of the company's registered office is Aisle Barn, 100 High Street, Balsham, Cambridge, CB21 4EP. Quixant develops and supplies specialist computer systems. This condensed consolidated interim financial information for The Quixant Group comprises the Company, its branch in Taiwan and its subsidiaries (the "Group").

The condensed consolidated interim financial information is neither audited nor reviewed and the results of operations for the six months ended 30 June 2014 are not necessarily indicative of the operating results for future operating periods.

The financial information shown for the year ended 31 December 2013 in the interim financial information does not constitute statutory financial statements as defined in Section 435 of the Companies Act 2006 and has been extracted from the Company's annual report and accounts. The auditor's report on the annual report and accounts was unqualified.

1. Principal Accounting Policies

Statement of compliance

This 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 an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2013. This condensed interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards. The reporting currency adopted by the Quixant Group is US$ as this is the trading currency of the Group.

This condensed consolidated interim financial report was approved by the Board of Directors on 12 September 2014.

Judgements and estimates

Preparing the interim financial report 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 expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

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Segmental analysis

The Quixant Group has determined that it only has one operating and reportable segment. The Quixant Group assesses the performance of that segment based on a measure of revenue, and profit/(loss) before interest and taxation. All significant assets and liabilities are located within the UK, USA and Taiwan.

The segmental information is therefore presented in the income statement and statement of financial position and has not been reproduced here. A single customer accounted for 55 per cent, 67 per cent, and 72 per cent of reported revenues in the six month period to 30 June 2014, the six month period to 30 June 2013 and year to 31 December 2013 respectively.

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 2013.

2. Taxation

	6 months ended 30 June 2014 Unaudited $000	6 months ended 30 June 2013 Unaudited $000	12 months ended 31 December 2013 Audited $000
Analysis of charge in periods			
Current tax			
UK Corporation tax	**367**	330	1,061
Foreign Tax	**(8)**	–	20
Deferred tax	**68**	103	143
Prior periods			
Corporation tax	**(138)**	–	–
Tax expense	**289**	433	1,224

The credit in respect of corporation tax relating to prior periods of $138,000 (2013: $nil) arises from a revised estimate of the recharge of expenses by Quixant USA Inc to Quixant UK Limited, primarily relating to 2012, with the effect of reducing previously unrelieved losses arising in the USA.

3. Share capital

	Number	**6 months ended 30 June 2014 Unaudited $000**	6 months ended 30 June 2013 Unaudited $000	12 months ended 31 December 2013 Audited $000
Allocated, called up and fully paid				
At end of period	*64,634,782*	**104**	104	104

The Company paid a full year dividend of 1p per share for the year ended 31 December 2013 on 16 May 2014.

4. Earnings per ordinary share

	6 months ended 30 June 2014 Unaudited $000	6 months ended 30 June 2013 Unaudited $000	12 months ended 31 December 2013 Audited $000
Earnings			
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**1,884**	1,413	4,750
Number of shares			
Weighted average number of ordinary shares for the purpose of basic EPS	**64,634,782**	57,616,526	61,154,496
Effect of dilutive potential ordinary shares: – Share options	**1,895,200**	418,829	1,163,082
Weighted number of ordinary shares for the purpose of diluted EPS	**66,529,982**	58,035,355	62,317,578

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

5. Related party transactions

There were no related party transactions other than transactions with Key Management Personnel, who are the directors. In addition the group has implemented a share based incentive scheme for the benefit of employees.

6. Subsequent events

There are no significant events which have taken place after 30 June 2014.

Quixant plc
Aisle Barn
100 High Street
Balsham
Cambridge
CB21 4EP UK

Telephone: +44 1223 892696
Fax: +44 1223 892401
Email: info@quixant.com

Registered Number: 04316977

Registered in England and Wales