Alphawave IP Group plc 21 September 2021

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2021

Over 490% bookings growth, 140% revenue growth and 50% adjusted EBITDA margins[1]

Multiple tier 1 strategic client wins and accelerated investment to drive future growth

Raising full year guidance based on strong global demand and execution

New framework agreement closed with one of the world's largest chip makers

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Alphawave IP Group plc (LSE: AWE, "Alphawave IP", the "Company"), a global leader in high-speed connectivity for the world's leading technology infrastructure, has published its interim results for the 6 months to 30 June 2021. In addition to the results, the Company is pleased to announce several business and technology execution highlights.

Interim Results Highlights

- US$196.1m of bookings[2] in H1 2021, over 490% growth compared to H1 2020 (over 460% excluding royalties), underpinning strong future growth
- H1 2021 revenues of US$27.6m, representing 140% growth compared to H1 2020 (US$11.5m)
- Adjusted EBITDA[1] of US$13.9m and margin of 50% (H1 2020: US$6.3m and 55%)
- Increased revenue diversification across customers, end markets and regions with 6 new customer wins spanning storage, networking, 5G wireless, AI and optical
- All definitive agreements from China Product Partnership ("CPP") executed with first revenues expected to be recognised in H2 2021
- Successful IPO on the London Stock Exchange, raising net proceeds of £347.1m (US$492.1m)

Outlook & Guidance

- Following a strong first half in 2021, we are increasing our FY2021 guidance based on our order book and visibility on new opportunities
- Continued and accelerated momentum in new contract wins with FY2021 bookings expected to exceed US$230m, reflecting exceptional H1 multi-year subscription deals and with multiple US wins expected in H2 2021
- FY2021 revenue expected to exceed US$75m, representing over 125% year-on-year growth and ahead of 100% year-on-year guidance at IPO
- FY2021 adjusted EBITDA margins expected to increase to over 55%

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[1] Adjusted EBITDA excludes IPO-related costs, foreign exchange adjustments, share-based payments and one-time legal fees associated with CPP. See note 4 (Alternative Performance Measures) on page 19

[2] Bookings comprise license fees, non-recurring engineering and support and maintenance from contracted and typically non-cancellable orders in addition to, where appropriate, company estimates of potential future royalties. See note 4 (Alternative Performance Measures) on page 19

Business and Technology Highlights

During the period, Alphawave IP -

- Closed a master license framework agreement with one of the world's largest chip makers in North America. This agreement will serve as the basis for strategic collaboration and licensing across numerous business units and projects with our most advanced technology beyond 5nm
- Closed 3 new design wins in 6nm and 5nm in Q2 2021 including repeat business with Tier-One customers in the US and South Korea, and new business with an AI leader in North America. Five of the top eight global semiconductor companies are now using Alphawave technology
- Expanded our technology leadership at 7nm, 6nm, and 5nm and delivered the world's first successful tapeout of 100G+ connectivity IP in 4nm technology
- Worked with two large North American customers in the FPGA[3] and Communications segments to successfully enable them to ship early production products to their end customers
- Accelerated expansion plan by hiring 60 additional people globally in H1 2021, bringing total headcount from 72 to 132, to meet higher than expected demand from end customers for existing and new connectivity IP products
- Alphawave named as "Number 1 player in the high-speed connectivity market" with the highest market share by IPNest, the world's only research firm purely focused on the Silicon IP market[4]

Financial Summary (US$m)

	H1 FY2021	H1 FY2020	Change
Bookings	196.1	33.1	492%
Bookings (ex. Royalties)	180.8	32.0	465%
Revenue[5]	27.6	11.5	140%
Adjusted EBITDA[6]	13.9	6.3	121%
Adjusted EBITDA Margin	*50%*	*55%*	
EBITDA[6]	5.2	6.2	(16%)
EBITDA Margin	*19%*	*54%*	
Adjusted Profit after Tax[6]	11.4	4.4	163%
Adjusted PAT margin	*41%*	*38%*	
Profit after Tax	2.7	4.3	(36%)
PAT margin	*10%*	*37%*	
Pre-tax Operating Cash Flow	6.4	2.8	124%
Cash and cash equivalents	519.1	8.0	

[3] Field Programmable Gate Array
[4] IPNest, "Interface IP Survey, 2021-2025 Forecast", June 2021
[5] On a native currency basis, revenues grew 133% from US$11.7m in H1 2020 to US$27.4m in H1 2021
[6] Adjusted EBITDA and Adjusted Profit After Tax excludes IPO-related non-recurring costs, foreign exchange adjustments, share-based payments & one-time legal fees associated with CPP. See note 4 (Alternative Performance Measures) on page 19

Commenting on the results, Tony Pialis, President and Chief Executive Officer of Alphawave IP said:

"The first half of 2021 was a breakout period for us, with exceptional growth in revenue and bookings which underpins our confidence in raising full year guidance. The strength of demand for our market-leading IP, combined with the platform provided by our successful IPO, will enable us to continue to expand our leadership position in the connectivity space and sustain our long-term growth trajectory. We are also proud to have enabled several of our early and most advanced customers to move to production with our 100G technology. We are excited about the next phase of our growth as we transition more customers into production in 2021 and beyond. As we look ahead to the rest of the year, we are very pleased at the traction we see across new and existing customers, and across all of the key markets that can benefit from our technology."

John Lofton Holt, Executive Chairman of Alphawave IP, added:

"Over the first six months of the year, I am proud of what we have delivered to our customers, our partners, and our investors. We are also pleased to welcome our new investors globally. We remain focused on delivering against our IPO targets and the strong bookings performance coupled with the increased traction with new customers underpins our increased expectations for the year. Lastly, I am particularly proud of our global team, who have continued to execute for our customers and investors in a completely virtual environment over the last 18 months."

Results Presentation and webcast

A presentation for investors and analysts will be held at 9am BST via webcast accessible via the Company's website (www.awaveip.com) and you will be able to participate by dialling:

Standard International Access:	+44 (0) 33 0551 0200
UK Toll Free:	0808 109 0700
US Toll Free:	+1 866 966 5335
Washington DC Local Number:	+1 202 204 1514

Please quote 'Alphawave' to gain access. Please connect to the call at least 10 minutes prior to the start time. A replay of the call will be made available later in the day.

The Company's 2021 Interim Report is also available to view on the Company's website (www.awaveip.com).

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About Alphawave IP Group plc (LSE: AWE)

Faced with the exponential growth of data, Alphawave IP's technology serves a critical need: enabling data to travel faster, more reliably and with higher performance at lower power. Alphawave IP is a global leader in high-speed connectivity for the world's technology infrastructure. Our IP solutions meet the needs of global tier-one customers in data centres, compute, networking, AI, 5G, autonomous vehicles and storage. Founded in Toronto, Canada in 2017 by an expert technical team with a proven track record in licensing semiconductor IP, our mission is to focus on the hardest-to-solve connectivity challenges. To find out more about Alphawave IP, visit awaveip.com

Alphawave IP's LEI Number: 213800ZXTO21EU4VMH37.

Cautionary statement regarding forward-looking statements

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "should", "may", "assume" and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

A. Operational and Strategic Highlights

Summary

Alphawave IP delivered strong half year results with bookings of US$196.1m, an increase of 492% from H1 2020, including US$147.8m of bookings for recurring revenue subscription licences from Verisilicon and CPP. In the period, we signed 11 contracts and won 6 new customers, ending the period with 17 customers in total and a total of 36 contracts since the company was founded in 2017.

Revenues grew organically by 140% to US$27.6m versus H1 2020 revenues of US$11.5m, driven by our growth in customers and contracts throughout 2020 and H1 2021. We maintained our gross margins at 95% and achieved strong profitability with an adjusted EBITDA of US$13.9m and adjusted EBITDA margin of 50%[7], prior to costs associated with our IPO and one-time legal fees associated with our China Product Partnership. We closed the period with a net cash position of US$519.1m, reflecting the equity raised from our IPO on the London Stock Exchange. In line with the use of proceeds communicated at our IPO, we are beginning to invest these proceeds to maintain our leadership position and capitalise on future growth opportunities.

To meet increased customer demand and to expand our competitive lead, we accelerated investment in our R&D capabilities and grew our total headcount from 72 at the end of 2020 to 132 as at end June 2021. In June 2021, the foremost market research provider for Silicon IP, IPNest, confirmed our market leadership position in Very High Speed SerDes, with an estimated 28% market share in 2020[8].

Successful Initial Public Offering on the London Stock Exchange

On 18 May 2021, we were admitted to listing on the London Stock Exchange, raising net proceeds of £347.1m (US$492.1m). Our IPO represented one of the largest semiconductor IPOs in history, the largest IPO of a North American company on the London Stock Exchange and the first UK Main Market semiconductor IPO since 2004. The silicon IP business model was born in the UK and the UK offers a platform to support our global growth and our R&D ambitions.

End market drivers and customer demand remains strong

The strong trends highlighted during our IPO in our core markets of servers, storage and network switches continue to provide compelling opportunities for growth. In Q1 2021, hyperscale data centre capital expenditure increased to US$38bn, up 31% from Q1 2020, with spending in the 12 months to Q1 2021 reaching US$149bn[9]. In 2020, over 64 ZetaBytes of data was created or replicated globally and this is expected to grow at a CAGR of 23% to 2025, with installed storage capacity growing by 19% over the same period[10].

We see this trend reflected in our customer base and our new design wins. Our customers, some of the largest technology companies in the world, are looking to sustain their competitive advantage by transitioning faster to lower design nodes with the majority of our design wins in H1 2021 at 6nm and 5nm manufacturing processes. We also continue to see hyperscale data centre providers reducing reliance on networking ASIC vendors and as we announced on 14 June 2021, we have secured a strategic design with another leading Tier-1 North American hyperscaler.

It has been an active period in the global macroeconomy of semiconductors over the last year and there have been a number of themes emerging around the shortage of semiconductor manufacturing capacity in the short term. This has only reinforced the importance of semiconductor technology on a global scale and we remain very confident in the outlook for our business and the opportunities we have to deliver sustainable growth over the medium and long term.

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[7] See note 4 (Alternative Performance Measures) on page 19
[8] IPNest, "Interface IP Survey, 2021-2025 Forecast", June 2021
[9] Synergy Research Group, 2 June 2021
[10] IDC, 24 March 2021

Platform for Global Growth

During the period, we diversified our customer, end market and regional exposure. We generated revenues from 16 customers, compared to 6 customers in H1 2020. Our H1 2020 revenues were heavily weighted to our core markets of data networking and cloud compute, and in H1 2021, we added significant sales in optical, solid state storage, 5G wireless and AI.

Of our 6 new customer wins in the period, which spanned storage, networking, 5G wireless, AI and optical, 5 of those customers are headquartered in North America. 67% of our revenues in the period were generated from US customers, 17% from China and 16% from Asia excluding China.

China imported US$378bn in semiconductors in 2020, produced 36% of the world's electronic devices and consumed one quarter of all semiconductor-enabled electronics. The Chinese government is investing over US$150bn in semiconductors between 2014 and 2030[11]. As the only non-US supplier of leading-edge connectivity IP, our approach to monetising our technology in China has been an important element of our strategy since inception of the company.

Our 3-year exclusive reseller agreement with Verisilicon, the leading custom silicon developer and IP licensor in the region with over 1,000 employees, enables us to benefit from Verisilicon's broad sales reach and leading design capabilities in the region.

Following over 2 years of negotiation, agreements to establish CPP, including a 5-year subscription license agreement, were executed in Q2 2021. CPP enables us to optimise our opportunity in China by leveraging our IP and investing early to create what we hope will become a leading networking semiconductor vendor serving the Chinese market. The successful execution of our Verisilicon and CPP subscription licence agreements, as anticipated, has weighted our bookings in the period to China, totalling US$147.8m of bookings. This does not include any revenues to come from future royalties, the potential value of our equity participation in CPP, renewal of the Verisilicon transaction or the US$105m extension option to provide CPP access to a broader suite of our technology.

Investing in People

During the period, we invested heavily in talent, increasing total headcount to 132 at the end of the period comprising 117 in R&D/Engineering, 5 in sales and marketing and 10 in general and administrative (from 65, 3 and 4 respectively as at 31 December 2020). This included a team hire starting in May 2021 of 24 engineers based in Toronto.

During the period, we established our group finance leadership team in the UK. We have also been actively seeking to establish an R&D centre in the UK and have engaged with advisors to identify teams and skills that can accelerate our business. The timing and extent of our UK expansion plans will largely be determined by our ability to hire the right teams that align with our R&D priorities, especially in the current remote work environment.

Since Alphawave IP was founded, we have implemented a global technology infrastructure that has enabled and supported a flexible work environment. The entire Alphawave IP team has leveraged this infrastructure extensively in the difficult environment of the COVID-19 crisis, delivering leading edge products and solving highly complex engineering challenges whilst working from home. We have delivered leading edge technology at 7nm, 6nm, 5nm and 4nm with a 100% remote workforce. We also completed our IPO entirely virtually – from our first advisor engagements, through all of the roadshows, and through listing day and beyond. Earlier in H1 2021, a very limited number of our R&D employees returned to our R&D centre in Toronto and we are putting in place safety measures to enable more employees to return to our office later in the year, or whenever the environment permits a return to work.

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[11] Semiconductor Industry Association, "Taking Stock of China's Semiconductor Industry", 31 July 2021

Trading Update and Current Outlook

Following a strong first half, we are increasing our guidance based on our strong bookings in H1 2021 and engagement with potential new customers and opportunities. We expect FY2021 bookings to exceed US$230m. This reflects the large, multi-year subscription licence deals with CPP and Verisilicon signed in H1 2021, coupled with expected strong momentum in the second half of the year, particularly in North America.

FY2021 revenues are expected to exceed US$75m, representing over 125% year-on-year growth and ahead of 100% year-on-year guidance provided at our IPO. Our H1 2021 revenues include no contribution from the Verisilicon and CPP transactions and we anticipate recognising first revenue from these in H2 2021. We expect FY2021 EBITDA margins to increase to over 55%, a material increase over H1 2021 and reflecting our highly profitable subscription licence deals.

As anticipated and utilising part of the primary proceeds from our IPO, we expect a cash outflow of up to US$42.5m in Q3 2021 representing the first tranche of our investment into CPP.

B. Financial Highlights

Contracted Order Book and Backlog

Alphawave IP generated bookings of US$196.1m in H1 2021, an increase of 492% from H1 2020, including US$147.8m of bookings from recurring revenue subscription licences from CPP and Verisilicon. Excluding estimates of potential future royalties, our H1 2021 bookings were US$180.8m (H1 2020: US$32.0m). Our H1 2021 bookings do not include the optional US$105m extension option for CPP nor any potential royalty contributions from CPP or Verisilicon. Excluding Verisilicon and CPP, 89% of our bookings during the period were from North America and 10% from APAC (ex. China).

Our total lifetime bookings, not including potential royalties from CPP and Verisilicon or the CPP extension option, reached US$307.9m. US$147.8m (48% of lifetime bookings) represents recurring revenue subscription licences. US$118.0m (38%) represents licence fees and related revenues (non-recurring engineering, support and maintenance and flexible spending accounts). US$42.1m (14%) represents management's estimate of potential future royalties from existing design wins.

Our backlog (contracted bookings not yet recognised as revenue) as at end-H1 2021 was US$232.8m, over 60% of which represents recurring revenue subscription licenses.

In H1 2021, we secured orders from 6 new customers and repeat business from 6 existing customers. We won 7 new license sales, of which 5 were Core IP and 2 were Product IP.

Revenues

Revenues for H1 2021 reached US$27.6m, 140% growth compared to US$11.5m in H1 2020 and reflect significant diversification in terms of customer, end markets and regions

- Customers - In H1 2021 we recognised revenues from 16 customers, compared to 6 customers in H1 2020. Our top 3 customers represented 43% of H1 2021 sales versus 73% in H1 2020 and the top 3 customers in each period were different, further reflecting our customer diversification.
- End Markets - In H1 2020, we generated revenues from customers in data networking, cloud compute and AI. In H1 2021, in addition to those markets, we added revenues from customers in optical, solid state storage and 5G wireless. In H1 2021, c. 70% of our revenues were from servers, storage and switches (including optical), with the remaining 30% from AI and 5G Wireless.

- Regions - Our revenues continue to be generated primarily by North American customers. In H1 2021, our revenues were 67% North America and 17% China and 16% APAC ex-China. In H1 2020, our revenues were 80% North America and 20% APAC ex-China.

Substantially all of our sales in both H1 2020 and H1 2021 were generated from license and license-related (non-recurring engineering and support and maintenance) activities. We did not recognise any royalty sales in H1 2021 and given the long design cycles from our customers, do not expect to recognise material royalties until FY2024 at the earliest. We also did not recognise any revenues in H1 2021 from our subscription licenses with CPP and Verisilicon and expect first revenues to be recognised in H2 2021.

Operating Expenses and Profitability

In H1 2021, we maintained our gross margins at 95%, with cost of sales reflecting sales commissions. Our Adjusted EBITDA[12] was US$13.9m (50% margin) compared to adjusted EBITDA of US$6.3m (55% margin) in H1 2020.

Reflecting the rapid scaling of the business to capture the growth opportunities ahead, in H1 2021, our operating expenses totalled US$22.3m, or $12.6m (excluding one-time IPO related expenses of $5.3m and $4.4m of non-cash items comprising depreciation, foreign exchange losses and share-based payments). This compares to $5.0m in H1 2020 ($4.6m excluding non-cash items).

Of the US$12.6m balance in H1 2021, US$9.6m (34.8% of sales) related to R&D / Engineering, US$2.4m (8.7% of sales) related to general and administrative expenses and US$0.6m (2.3% of sales) related to sales and marketing expenditure. In H1 2020, operating expenses totalled US$5.0m, US$0.4m of which reflected depreciation, foreign exchange gains and share-based payments, and US$3.8m (32.6% of sales) related to R&D / Engineering, US$0.7m (6.3% of sales) related to general and administrative and US$0.2m (1.5% of sales) related to sales and marketing.

This increase in our operating expenses was primarily due to the expected and accelerated increase in our headcount during the period to 132 heads at end H1 2021 together with software tool costs which scale with our R&D headcount, as well as additional ongoing costs required as part of a publicly listed company. The increase in share-based payments, from US$0.2m in H1 2020 to US$2.0m in H1 2021, was due to significantly higher exercise prices for share-based awards given to employees during the period. Our H1 2021 operating expenses also include one-time expenses of US$0.3m in respect of advisory fees associated with CPP.

In FY2020, as a private Canadian company with limited visibility on the duration, extent and impact of the COVID-19 pandemic on our business, we received US$1.1m in grants from the Canadian Government Canadian Emergency Wage Subsidy (“CEWS”) to support wages to employees. In early H1 2021 and prior to our IPO, we received a further US$55,000. Post-IPO, although entitled to further grants in Canada, we have elected not to receive them. No government assistance has been requested nor taken in the UK.

In H1 2021, US$1.1m represented depreciation on right of use assets, namely our premises and test equipment which we lease (H1 2020: US$0.3m). We saw a significant increase in test equipment leased due to the increase in the number of customer projects.

The total one-time costs associated with our IPO on the London Stock Exchange were US$28.3m, of which US$23.0m was set off against equity on our balance sheet and US$5.3m was expensed through our income statement.

Our profit after tax for the period, which is stated after share-based payments, exchange losses and one-time costs relating to our IPO, was US$2.7m, compared to US$4.3m in H1 2020. On an adjusted basis[13], our profit after tax for the period was US$11.4m, compared to US$4.4m in H1 2020, an increase of 163%.

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[12] See note 4 (Alternative Performance Measures) on page 19 for reconciliation of EBITDA to Adjusted EBITDA

[13] See note 4 (Alternative Performance Measures) on page 19 for reconciliation of Profit After Tax to Adjusted Profit after Tax

Balance Sheet, Liquidity and Cashflow

Our gross and net cash increased by US$505.1m between end-December 2020 and end-June 2021, primarily as a result of IPO proceeds received.

Between end-December 2020 and end-June 2021, our intangible assets increased from US$0.1 to US$0.7m. Our intangible assets comprise IP being developed by a third party vendor, represents instalments paid towards the development and is carried at cost. No amortisation is recorded as the intangible asset is not yet available for use. The increase in H1 2021 is due to six months' worth of further development in contrast to two months at the end of H2 2020 when the development commenced.

Our accrued revenue, where revenue recognition conditions are met under IFRS 15 but we have not billed or collected any amount increased to US$19.0m at end-June 2021 from US$10.3m at end-December 2020. This increase was due to the timing of invoicing milestones on specific projects and we expect invoices to be issued during H2 2021 representing a substantial portion of this accrued revenue.

Between end-December 2020 and end-June 2021, our trade payables increased from US$2.2m to $11.5m. This increase is primarily a result of advisory fees incurred as part of our IPO, but not paid until after the end of the period.

Our deferred income liability, where we have invoiced or received money for products or services where revenue recognition conditions are not met, decreased to US$5.9m at end-June 2021 from US$7.4m at end-December 2020.

Flexible Spending Accounts, which represent non-current deferred income, are contracts with customers who have committed to regular periodic payments to us over the term of the contract. These payments are not in respect of specific licenses or other deliverables, but can be used as credit against future deliverables. We have Flexible Spending Accounts with customers with whom we work on multiple projects and who prefer regular periodic billing rather than milestone-based billing. The revenue recognition conditions have not yet been met which enable us to recognise these billings as revenue.

Our pre-tax operating cashflow during the period was US$6.4m (which includes one-time payments of approximately US$1.5m relating to our IPO expenses), an increase of 124% compared to H1 2020. Increase in working capital was US$0.9m. US$8.7m represented an increase in accrued revenue, where we have recognised revenues under IFRS15 but have not invoiced or collected those amounts. US$4.6m represented an increase in deferred revenue and flexible spending accounts, where we have invoiced or received cash but conditions for revenue recognition have not been met.

Our capital expenditure during H1 2021 totalled US$0.6m (H1 2020: US$0.1m) as a result of computing equipment purchased for new hires and fit out costs for our new office space in Toronto.

Principal Risks and Uncertainties

The Company faces a number of risks and uncertainties that may have an impact on our operations and performance. These risks and uncertainties are regularly assessed by the Directors of the Group. The principal risks and uncertainties affecting the Group in respect of the second half of the year have not changed materially from those set out on pages 12 to 38 of the IPO Prospectus dated 13 May 2021. In summary, the principal risks and uncertainties are as follows

Risk	Description
Revenue recognition	Our contracts can be complex and the IP which we licence to customers can be delivered and integrated into our customers' designs over a period of months or years. How our bookings translate into recognised revenues may be unpredictable. Any changes to our revenue recognition policies or changes to our contracts which impact revenue recognition may have an adverse impact on our revenues and our reported profitability.
Competition and failure to maintain our technology leadership	We seek to maintain our competitive advantage by being first to market with new IP as data speeds increase and manufacturing sizes decrease. If these industry transitions do not materialise or are slower than anticipated, our competitors may be able to introduce competing IP which may diminish our competitive advantage and selling prices. Our ability to maintain our technology leadership is further dependent on our ability to attract R&D and engineering talent.
Customer Dependence	This cost and complexity of developing semiconductors targeted by our IP limits the number of our potential addressable customers. In any reporting period, a substantial part of our revenues may be attributable to a small number of customers.
Customer Demand	Demand for our IP is dependent on the continued global growth in generation, storage and consumption of data across our target markets as well as the increasing cost and complexity of designing and manufacturing semiconductors. We may be impacted by our customers' demand sensitivity to broader economic and social conditions. Our potential customers may seek to develop competitive IP internally or acquire IP or semiconductors from our competitors.
Risks associated with our China Product Partnership	CPP is central to our strategy to monetise our IP in China and we will be a significant minority shareholder. We may be limited in our ability to influence strategy, operational, commercial or financial matters, including protection of our IP. The Group and CPP may also face regulatory risk in terms of transfer of technology into China. There is a risk that the bookings from CPP do not translate into revenues and our equity investment diminishes in value. CPP is a new venture and if it does not effectively execute on its business plan, we may be negatively impacted.
Dependence on Licensing revenue	Our financial performance is highly dependent on licensing revenues and we do not anticipate a material contribution from royalty revenues for some years. If our customers delay or cancel their development projects, fail to take their products to production or those products are not successful, our royalty revenues may be delayed, diminished or not materialise.
Reliance on Key Personnel and ability to attract talent	We rely on the senior management team and our business may be negatively impacted if we cannot retain and motivate our key employees. Our ability to grow the business is also dependent on attracting talent, particularly in R&D and engineering, and if we are unable to do so, our business may be negatively impacted.
Managing Growth	We have a limited operating history and are growing rapidly. If we do not manage our growth successfully, fail to execute on our strategy, or fail to implement or maintain governance and control measures, our business may be adversely impacted.
External Environment and Events	Our business could be impacted by the actions of governments, political events or instability, or changes in public policy in the countries in which we operate.
IP Risk	We protect our IP through trade secrets, contractual provisions, confidentiality agreements, licenses and other methods. A failure to maintain and enforce our IP could impair our competitiveness and adversely impact our business. If other companies assert their IP rights against us, we may incur significant costs and divert management and technical resources in defending those claims. If we are unsuccessful in defending those claims, or we are obliged to indemnify our customer or partners in any such claims, it could adversely impact our business.

Reliance on third party manufacturing foundries	We rely on third party semiconductor foundries, both as customers and as manufacturing partners to our customers. If foundries delay the introduction of new process nodes or customers choose not to develop silicon on those process nodes, our ability to license new IP and our selling prices may be adversely impacted. We are not currently reliant on the foundries' capacity for high volume manufacturing for our revenues but may become more reliant as royalty revenues become more material to us.
Reliance on complex IT systems	We rely heavily on IT systems to support our business operations. The vast majority of our design tools, software and IT system components are off-the-shelf solutions and our business would be disrupted if these components became unavailable. If our IT systems were subject to disruption, for example, through malfunction or security breaches, we may be prevented from developing our IP and fulfilling our contracts with our customers.
Impact of COVID-19	We have seen no material impact to our business performance to date from COVID-19. However, as the duration, spread and severity of the pandemic continues to evolve, the impact on our business, customer demand and supply chain is difficult to predict. Given our significant headcount expansion, many of our employees have been onboarded remotely and have worked from home since joining the company, which may hinder our ability to create a collaborative and entrepreneurial culture.

Directors Responsibility Statement

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

- This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted for the use in the UK, and gives a true and fair view of the assets, liabilities, financial position and profit of the Company; and

- This Half-Year Report includes a fair review of the information required by:

  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period.

Details of all current Directors of Alphawave IP Group plc are maintained on www.awaveip.com.

By order of the Board

Tony Pialis
Chief Executive Officer
20 September 2021

Unaudited condensed consolidated statement of comprehensive income

Six months ended 30 June 21

Continuing operations	Note	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000
Revenue	5	**27,589**	**11,484**
Cost of Sales		(1,336)	(546)
Gross profit		**26,253**	**10,938**
R & D/Engineering		(10,749)	(4,038)
Sales & Marketing		(672)	(183)
General & Administration		(2,490)	(738)
Other items		(8,415)	(84)
Operating Profit		**3,927**	**5,895**
'Other items' charged in arriving at operating profit:			
Non-recurring IPO costs		(5,316)	-
Share-based payment		(1,958)	(245)
Exchange (loss)/gain		(1,141)	161
Other items		**(8,415)**	**(84)**
Finance income	9	102	97
Finance expense	9	(159)	(88)
Profit before tax		**3,870**	**5,904**
Income tax expense	11	(1,148)	(1,632)
Profit after tax		**2,722**	**4,272**
Other comprehensive income			
Exchange differences on the reorganisation		(11,035)	124
Other comprehensive income for the period, net of tax		**(11,035)**	**124**
Total comprehensive profit for the period		**(8,313)**	**4,396**

Profit per ordinary share attributable to the shareholders (expressed in cents per ordinary share):

Basic earnings per share	12	0.47	0.81
Diluted earnings per share	12	0.40	0.68

Condensed consolidated statement of financial position

As at 30 June 2021

	Note	Unaudited as at 30 June 2021 US$'000	Audited year ended 31 December 2020 US$'000
Assets			
Non-current assets			
Property, plant and equipment		840	412
Intangible assets	13	681	140
Right-of-use assets		6,675	6,915
Total non-current assets		**8,196**	**7,467**
Current assets			
Trade and other receivables		7,900	6,224
Accrued revenue	5	18,983	10,328
Taxes receivable		1,525	2,553
Cash and cash equivalents	14	519,137	14,039
Total current assets		**547,545**	**33,144**
Total assets		**555,741**	**40,611**
Liabilities			
Lease liabilities		2,152	1,672
Trade and other payables		11,531	2,207
Income tax payable		417	3,550
Deferred revenue	5	5,888	7,381
Short-term debt		17	27
Total current liabilities		**20,005**	**14,837**
Non-current liabilities			
Portion of long-term debt		-	27
Flexible spending account	5	8,415	2,335
Deferred income taxes		479	492
Lease liabilities		4,586	5,129
Total non-current liabilities		**13,480**	**7,983**
Total liabilities		**33,485**	**22,820**
Net assets		**522,256**	**17,791**
Share capital and reserves			
Share capital*	15	939,863	474,447
Preference shares		71	-
Share premium account		385,064	-
Share based payment reserve	16	1,652	331
Merger reserve		(811,660)	(472,566)
Currency translation reserve		(11,035)	-
Retained earnings		18,301	15,579
Total equity		**522,256**	**17,791**

**Adjusted 31 December 2020 share capital as if the reorganisation happened before this date to give comparative figures and in line with the note in "Basis of Preparation"*

Unaudited condensed consolidated statement of changes in equity

Six months ended 30 June 2021

US$'000	Note	Ordinary share capital	Pref. share capital	Share premium account	Share based payment reserve	Merger reserve	Currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2021		**474,447***	**-**	**-**	**331**	**(472,566)**	**-**	15,579	**17,791**
Adjusted for effect of reorganisation accounting to opening position		(474,447)				472,566			(1,881)
Profit for the period		-		-	-	-	-	2,722	2,722
Transactions relating to IPO									
Issue of shares, Primary	**15**	124,147	71	384,856	-	-	-	-	509,074
Issue of shares, Secondary	**15**	796,958	-	-	-	-	-	-	796,958
Issue of shares, other	**15**	313	-	969	-	-	-	-	1,282
Exercise of options	**15**	4,064	-	-	-	-	-	-	4,064
Reorganisation accounting		-	-	-	-	(797,279)	-	-	(797,279)
Effect of exercise price below nominal value	**15**	14,381	-	-	-	(14,381)	-	-	-
Net costs on issuance of shares relating to IPO		-	-	(761)	-	-	-	-	(761)
Exchange differences on the reorganisation	**15**	-	-	-	-	-	(11,035)	-	(11,035)
Recognition of share-based payments	**16**	-	-	-	1,958	-	-	-	1,958
Reduction in SBP reserve following exercise		-	-	-	(637)	-	-	-	(637)
Balance at 30 June 2021 (Unaudited)		**939,863**	**71**	**385,064**	**1,652**	**(811,660)**	**(11,035)**	**18,301**	**522,256**

** Share capital adjusted as if the reorganisation happened 1 January 2020 to give comparative figures and in line with the note in "Basis of Preparation"*

Six months ended 30 June 2020

US$'000	Note	Ordinary share capital*	Share based payment reserve	Merger reserve	Currency translation reserve	Retained Earnings	Total equity
Balance at 1 January 2020		**95,367**	**35**	**-**	**-**	**2,536**	**97,938**
Profit for the period		-	-	-	-	4,272	4,272
Transactions relating to share issuance							
Issue of shares		81,495	-	-	-	-	81,495
Reorganisation accounting		-	-	(176,285)	-	-	(176,285)
exchange differences		-	-	-	124	-	124
Recognition of share-based payments	**16**	-	245	-	-	-	245
Reduction in SBP reserve following exercise		-	(58)	-	-	-	(58)
Balance at 30 June 2020 (Unaudited)		**176,862**	**222**	**(176,285)**	**124**	**6,808**	**7,731**

** Share capital adjusted as if the reorganisation happened 1 January 2020 to give comparative figures and in line with the note in "Basis of Preparation"*

Unaudited condensed consolidated statement of cash flows

For the period ended 30 June 2021

	Note	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000
Cash flows from operating activities			
Cash generated from operating activities before tax	(a)	**6,368**	**2,843**
Income tax paid		(3,133)	(1,335)
Net cash generated from operating activities		**3,235**	**1,508**
Cash flows from investing activities			
Purchase of property, plant and equipment		(557)	(97)
Purchase of intangible asset		(541)	**-**
Net cash used in investing activities		**(1,098)**	**(97)**
Cash flows from financing activities			
Issuance of common shares	15	509,003	265
IPO share issuance costs	15	(23,061)	-
Exercise of options	15	4,064	-
Proceeds from IPO stabilisation	15	22,238	-
Decrease in bank indebtedness		(38)	104
Increase in long-term debt		-	56
Interest paid		(144)	-
Collection of notes receivable		428	-
Repayment of principal under lease liabilities		(951)	(292)
Net cash generated from financing activities		**511,539**	**133**
Net increase/(decrease) in cash and cash equivalents		**513,676**	**1,544**
Cash and cash equivalents at start of year		14,039	5,353
Effects of foreign exchange on cash and cash equivalents		(8,578)	1,128
Cash and cash equivalents at end of period	14	**519,137**	**8,025**

Note to the condensed consolidated statement of cashflows

a) Cash used in operations

	Note	Six months ended 30 June 2021 US$'000	Six months ended 30 June 2020 US$'000
Cash flows from operating activities			
Net income		2,722	4,272
Items not affecting cash:			
Income tax expense		1,148	1,632
Depreciation of property and equipment		144	53
Depreciation of right-of-use asset		1,134	263
Share based payment	16	1,958	245
Lease interest		144	24
		7,250	6,489
Changes in working capital:			
(Increase) in trade and other receivables		(665)	(4,069)
Decrease/(increase) in taxes receivable		1,029	(1,361)
Increase in accrued revenue	5	(8,656)	(2,360)
Increase in trade and other payables		2,823	939
Increase in deferred revenue & flexible spending account	5	4,587	3,205
		(882)	(3,646)
Cash generated from operating activities before tax		**6,368**	**2,843**

Notes to the interim statements

Six months ended 30 June 2021

1. General information

These consolidated interim financial statements represent the consolidated interim financial statements of Alphawave IP Group plc ('the Company' or 'Alphawave IP') and its subsidiaries (together 'the Group').

This report for the six months ended 30 June 2021 is the first half-yearly financial report presented by the Group.

The principal activities of the Company and its subsidiaries are described on page 3.

The Company is a public limited company whose shares are listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of its registered office 65 Gresham Street, London, EC2V 7NQ.

2. Basis of preparation

The consolidated interim financial statements of the Company have been prepared in accordance with UK-adopted international accounting standards ("IAS") 34 Interim Financial Reporting and should be read in conjunction with the Group's Historical Financial Information ("HFI"), which includes the consolidated financial statements as of and for the year ended 31 December 2020. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to give an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial information included in the HFI as of 31 December 2020 and for the six months ended 30 June 2020.

These condensed consolidated interim statements do not comprise of statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the six months ended 30 June 2020 are not the Group's statutory accounts for that financial period. The preparation of these consolidated interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements are disclosed in note 3.

The Company was incorporated on 9 December 2020 and admitted to listing on the London Stock Exchange on 18 May 2021. On 14 May 2021, a reorganisation of Alphawave IP's corporate structure was completed through which the Company became the sole owner of Alphawave IP Inc. Thereafter, pursuant to an agreement between the Company, Alphawave IP Inc. and each of the members of Alphawave IP Inc., the issued and outstanding Alphawave IP Inc. Common Shares were exchanged for 20 Ordinary shares of the Company with a nominal value of £1.

This has been accounted for as a common control transaction under IFRS 3.B1 (see note 15). Therefore, the condensed consolidated financial statements for the period ended 30 June 2021 comprises an aggregation of financial information of the Company and the consolidated financial information of Alphawave IP Inc.

These condensed financial statements were authorised for issue by the Company's Board of Directors on 20 September 2021.

Going concern

As of 30 June 2021, the Group had cash and cash equivalents of US$519.1m. Considering the Group's financial position as of 30 June 2021 and its principal risks and opportunities, a going concern analysis has been prepared for at least the twelve-month period from the date of signing the consolidated interim financial statements ("the going concern period") utilising realistic scenarios and applying a severe but plausible downside scenario. Even under the downside scenario, the analysis demonstrates the Group can continue to maintain sufficient liquidity headroom and continue to comply with all financial obligations. Therefore, the Directors believe the Group is adequately resourced to continue in operational existence for at least the twelve-month period from the date of signing the consolidated interim financial statements. Accordingly, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated interim financial statements.

Basis of organisation

The Group's management has performed its evaluation for reporting its reportable segments, if any, and concluded that the Group's business constitutes only one operating segment as all its products and services are of similar nature and focus on customers from the same industry. Its entire revenues, expenses, assets and liabilities pertain to the one business as a whole. This has been ratified by the chief operating decision makers ("CODM"), Tony Pialis (CEO) and Daniel Aharoni (CFO), who are deemed best placed to evaluate the entity's operating results to assess performance and to allocate resources.

Functional currency

For presentational purposes these consolidated interim financial statements are presented in US dollars. This has changed from the HFI which was presented in Canadian dollars. Each of the three trading entities in the group have different functional currencies, with Alphawave IP Inc. being accounted for in CAD, Alphawave IP Corp. in USD and the Company in GBP.

Accounting policies

The accounting policies that have been used in the preparation of these consolidated interim financial statements are the same as those applied in the HFI for the year ended 31 December 2020 as from those listed below this paragraph. New standards effective on or after 1 January 2021 have been reviewed and do not have a material effect on the Group's financial statements.

Share-based payments

The Group operates an equity-settled, share-based payment compensation plan, under which the entity receives services from employees as consideration for equity instruments, options and RSU's, of the Group. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense over the vesting period.

Where options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

If an option is cancelled this is accounted for as an acceleration of the vesting period and any amount unrecognised is recognised immediately.

Strategic, integration and other non-recurring items

The Group incurred costs from certain strategic, integration and other non-recurring items, e.g. IPO costs. Management has disclosed these separately to enable a greater understanding of the underlying results of the trading business so that the underlying run rate of the business can be established and compared on a like-for-like basis each year.

Change in Presentation of Income Statement

For the 6 month period ending 30 June 2021 the Company has presented its Income Statement by Function, which since our IPO in May 2021, is the most informative way to communicate its financial information and a method which, at a high level, highlights the most important operational drivers in the business. Prior to this reporting period and specifically for the last reporting period to 30 December 2020 the company presented its Income Statement costs by Nature. This was as a privately owned entity and was the most appropriate way of monitoring costs and performance at that time.

3. Significant accounting estimates and judgements

The preparation of consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated interim financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Beginning in March 2020 the Governments of Canada and Ontario, as well as foreign governments instituted emergency measures as a result of the COVID-19 virus. The Group has continued to operate with limited impact on its financial position and cash flows. Management believes that the Group's accounting estimates are fairly determined, however, the ongoing uncertainty due to the unpredictable nature of COVID-19 may affect some of the significant estimates in the next six months to December 2021.

The areas which require management to make significant estimates in determining carrying values include, but are not limited to:

(a) Revenue recognition

In the determination of allocation of revenues to work-in-process and deferred revenues, management must assess the stage of completion of custom IP license contracts based on hours completed compared to total estimated hours to complete. Such estimations are inherently uncertain due to unforeseen delays in technological research. Refer to note 5 for further information regarding the sensitivity in the estimation uncertainty.

(b) Share-based payments

Judgement is used in determining the fair value of the share options at the grant date, including determining comparable listed companies against which the future volatility of the share price is compared and expected dividend yield. Such judgments are inherently uncertain and changes in these affect the fair value determination. See note 16.

(c) Research and development costs

Judgement is exercised in determining whether costs incurred should be capitalised in line with IAS 38. The judgement includes whether it is technically feasible to complete the relevant assets on which costs are incurred so that it will be available for use or sale. See note 8.

4. Alternative Performance Measures ("APMs")

The Group uses certain financial measures that are not defined or recognised under IFRS. The Directors believe that these non-GAAP measures supplement GAAP measures to help in providing a further understanding of the results of the Group and are used as key performance indicators within the business to aid in evaluating its current business performance. The measures can also aid in comparability with other companies who use similar metrics. However, as the measures are not defined by IFRS, other companies may calculate them differently or may use such measures for different purposes to the Group.

Bookings

Bookings excluding royalties comprise license fees, flexible spending accounts, non-recurring engineering and support and maintenance from contracted and typically non-cancellable orders that will ultimately result in recognised revenue. Bookings including royalties include company estimates of potential future royalties which may result in recognised revenues.

Bookings are a measure of operating performance used by management to assess order intake in each period, whether we are successfully converting our pipeline into committed orders and therefore how effective we have been in executing our strategy. Bookings are a key performance indicator used to assess the Group's performance for internal reporting purposes.

Earnings before interest, taxation, depreciation and amortisation "EBITDA"

EBITDA provides a supplemental measure of earnings that facilitates review of operating performance on a period-to-period basis by excluding items that are not indicative of the Group's underlying operating performance and is a key profit measure used by the Board to assess the underlying financial performance of the Group. EBITDA is stated before the following items and for the following reasons:

- Interest is excluded from the calculation of EBITDA because the expense bears no relation to the Group's underlying operational performance.
- Charges for the depreciation of property and equipment, acquired intangibles and right of use assets are excluded from the calculation of EBITDA, as they are non-monetary items.
- Tax is excluded from the calculation of EBITDA because the expense bears no relation to the Group's underlying operational performance.

Operating profit to EBITDA reconciliation

(US$ Thousands)	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
Operating Profit	3,927	5,895
Add backs:		
Depreciation*	1,278	316
EBITDA	**5,205**	**6,211**

**US$1,278k of depreciation in H1 2021 split by function is US$1,143k R&D / Engineering, US$39k Sales & Marketing and US$96k General & Administration*

Two further measures are Adjusted EBITDA and Adjusted Profit after Tax, defined in the tables below. These further allow for a more accurate assessment of the underlying business performance by making exclusions of items which do not form part of the Group's normal underlying operations.

EBITDA to adjusted EBITDA reconciliation

(US$ Thousands)	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
EBITDA	5,205	6,211
Add backs:		
Non-recurring IPO costs	5,316	-
Share-based payment	1,958	245
Exchange gain or loss	1,141	(161)
CPP legal costs*	299	
Adjusted EBITDA	**13,919**	**6,295**

** One-off legal costs incurred as a result of our execution of the China Product Partnership. Whilst still included in operating expenses and not included in non-recurring IPO costs, this expense was deemed to be one-off and added back to Adjusted EBITDA.*

Profit after tax to adjusted profit after tax reconciliation

(US$ Thousands)	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
Profit after tax	2,722	4,272
Add backs:		
Share-based payment	1,958	245
Exchange Gain or Loss	1,141	(161)
Non-recurring IPO costs	5,316	-
CPP legal costs	299	
Adjusted profit after tax	**11,436**	**4,356**

Adjusted profit per ordinary share attributable to the shareholders (expressed in cents per ordinary share)

	Note	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
Adjusted basic earnings per share	12	1.95	0.82
Adjusted diluted earnings per share	12	1.68	0.70

5 Revenue

Revenue in the consolidated interim statement of income and comprehensive income is analysed as follows:

(US$ Thousands)	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue by Type:		
Products	25,559	10,441
Maintenance	2,030	1,043
	27,589	**11,484**

(US$ Thousands)	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue by Region:		
North America	18,499	9,187
China	4,766	-
APAC (ex-China)	4,324	2,297
	27,589	**11,484**

Sensitivity analysis

Revenue recognition for product revenue is determined using the input method on a percentage completion basis. The percentage of completion is calculated as a function of total hours estimated to fulfil the contract. The table below illustrates the sensitivity the percentage of completion estimate has on revenue recognition:

Revenue stream	**As reported**	**+10%**	**-10%**
Products	25,559	28,115	23,003

Please see the 'Financial Highlights' section on page 6 for further information on revenue, including the significant increase in revenue in H1 2021 compared to H1 2020.

Below is a reconciliation of the movement in accrued income during the period:

(US$ Thousands)	Six months ended 30 June 2021
At 1 January 2021	10,328
Revenue accrued in the period	17,289
Accrued revenue invoiced in the period	(8,966)
Foreign exchange difference	332
At 30 June 2021	**18,983**

Below is a reconciliation of the movement in deferred income during the period:

(US$ Thousands)	Six months ended 30 June 2021
At 1 January 2021	7,381
Revenue recognised in the period	(8,290)
Revenue deferred in the period	6,606
Foreign exchange difference	191
At 30 June 2021	**5,888**

This deferred revenue balance is all expected to be satisfied within 12 months of the balance sheet date.

The flexible spending account has increased to US$8.4m at the end of June 2021 from US$2.3m at the end of December 2020. This represents mainly non-current deferred income, and these are contracts with customers who have committed to regular periodic payments to us over the term of the contract. These payments are not in respect of specific licenses or other deliverables, but they can be used as credit against future deliverables.

6 Employee Costs excluding Directors and Key management personnel

(US$ Thousands)	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
Wages, salaries and benefits	6,256	2,867
Defined contribution pension costs	165	89
Social security costs	78	38
Share-based payments	1,560	245
Investment tax credit	(909)	(613)
Government grants	(55)	(482)
Total employee costs	**7,493**	**2,144**

The average number of employees during the period, analysed by category, was as follows:

	Six months ended 30 June 2021	**Six months ended 30 June 2020**
R&D / Engineering	91	48
General & Administration	6	2
Sales & Marketing	4	1
Total employees (average)	**101**	**51**

The number of employees at the end of each period, analysed by category, was as follows:

	Six months ended 30 June 2021	**Six months ended 30 June 2020**
R&D / Engineering	117	56
General & Administration	10	2
Sales & Marketing	5	3
Total employees (end of period)	**132**	**61**

7 Directors and Key management personnel compensation

(US$ thousands)	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
Directors and key management emoluments	712	110
Share-based payments	398	15
Pension costs	18	6
Total Directors and key managements remuneration	**1,128**	**131**

One director and key management personnel exercised options during the period. Details of that Directors' exercise of options are as follows:

(US$ thousands except no. of options)	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
Number of options exercised by Directors and key management*	4,000,000	1,199
Gains made on exercise of options by Directors and key management	5,636	5,384

** 30 June 2021 number of shares has been adjusted for the 20 for 1 split that happened immediately prior to the IPO in May 2021. June 2020 has not been adjusted.*

8 Research and Development

The Group incurred research and development costs that have been expensed in the statement of income and comprehensive income. The amounts expensed through salaries, subscriptions, subcontracting, depreciation of right-of-use asset, equipment rentals, and prototype which relate to research and development are as follows:

(US$ thousands)	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
Research and development	10,749	4,038

9 Finance income and expense

(US$ thousands)	**Six months ended 30 June 2021**	**Six months ended 30 June 2020**
Finance income		
Interest income from customer	102	97
	102	**97**
Finance expense		
Interest expense		
– Bank charges	14	5
Lease interest	145	83
	159	**88**
Net finance (expense)/income	**(57)**	**9**

10 Non-recurring IPO costs

In accordance with the Group's policy for non-recurring items, the following charges were included in this category for the period:

One-off costs relating to Project Aurora, the project name for the Group's initial public offering on the London Stock Exchange, that were not able to be offset against share premium under IAS 32 totalled US$5,316,269. Over half of these total fees related to LSE admission fees and legal costs associated with the IPO. Per IAS 32, costs that relate to the stock market listing or are otherwise not incremental and not directly attributable to issuing new shares should be recorded in the statement of comprehensive income.

11 Income tax credit/charge

Tax benefit/(expense) is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

During the six months ended 30 June 2021 and 2020, the Group recorded a consolidated tax expense of US$1.1m and US$1.6m, respectively, which represented effective tax rates in continuing operations of 29.7% and 27.6%, respectively. The effective tax rate in the current period is primarily driven by the Company's operations in Canada, the US and the UK.

12 Earnings per share

Basic earnings per share is calculated by dividing net income from operations by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding during the period to assume conversion of all potential dilutive share options and restricted share units to common shares.

(US$ thousands except shares)	Six months ended 30 June 2021	Six months ended 30 June 2020
Numerator:		
Net income from operations	2,722	4,272
Denominator:		
Weighted average number of common shares outstanding for basic EPS*	585,328,447	529,166,819
Adjustment for share options	93,760,220	97,089,120
Weighted average number of common shares outstanding for diluted EPS	**679,088,667**	**626,255,939**
Basic EPS (US$ cents)	**0.47**	**0.81**
Diluted EPS (US$ cents)	**0.40**	**0.68**

** 30 June 2020 number of shares has been adjusted for the 20 for 1 split that happened immediately prior to the IPO in May 2021, in order to give comparative figures. The EPS values have also been adjusted to reflect this.*

13 Intangible assets

(US$ thousands)	Six months ended 30 June 2021
At 1 January 2021	140
Additions	541
At 30 June 2021	**681**

The intangible asset is a license to use IP. This IP is being developed by a 3rd party vendor and amounts paid to date represent instalments to initiate the development which is carried at cost. No amortisation is recorded as the intangible asset is not yet available for use. The carrying amount was tested for impairment at 30 June 2021 which concluded that no adjustments are necessary.

14 Cash and cash equivalents

(US$ thousands)	As at 30 June 2021	As at 31 December 2020
Cash at bank and in hand	519,137	14,039

Please see the 'Financial Highlights' section on page 6 for further information on cash, including the significant increase in cash as at 30 June 2021 compared to as at 31 December 2020.

15 Share capital

On 14 May 2021, the Company acquired the entire issued share capital of Alphawave IP Inc. in return for 576,908,920 Ordinary Shares issued by the Company with a nominal value of £1. This was based on 20 shares in the Company for each share in Alphawave IP Inc.

In addition, the Company issued 87,835,796 shares with a nominal value of £1 as part of its listing on the London Stock Exchange at a price of US$5.79 (£4.10), resulting in gross proceeds to the Company of US$509.0m (£360.1m) accounted for as share capital of US$124.1m (£87.8m) and share premium of US$384.9m (£272.3m).

Net proceeds after bank syndication fees were US$492.1m (£347.1m) with further costs relating to the issuance of shares resulting in total costs of US$23.0m (£16.3m), chargeable to the share premium account. However, the Company received US$22.2m (£15.7m) as proceeds of a stock stabilisation programme which were set off against these IPO costs, resulting in the net proceeds of US$0.8m being posted to the share premium account.

As part of the transaction, all options held over Alphawave IP Inc. stock became, by way of an amendment to option agreements, options in Company shares, on the basis of 20 options in the Company for 1 option in Alphawave IP Inc., each with an exercise price of 1/20th of the original exercise price at the grant date.

On the IPO date, 13,049,861 options were exercised into ordinary shares in the Company. The options exercised all had prices below the £1 nominal value as a result of them maintaining their original exercise prices when they were granted as options in the shares of Alphawave IP Inc. This resulted in exercise proceeds of US$4.1m (£2.8m) with the shortfall in Share Capital of US$14.4m (£10.2M), being transferred from the merger reserve to the Share Capital account.

The reorganisation of the Company's corporate structure described above has been accounted for as a common control transaction and has been given effect from 1 January 2020. This has resulted in the opening share capital position being adjusted as if the reorganisation had happened on that date. In addition, a merger reserve has been established which reflects the difference between the share capital issued to acquire the shares in Alphawave IP Inc. and the share capital of Alphawave IP Inc. acquired at the transaction date of 14 May 2021.

The Currency Translation reserve arises out of the difference between the Net Asset position as at 30 June 2021 being translated into our presentational currency of USD at that date and the Equity balances being translated into our presentational currency at the date of the transaction.

	Shares	**US$'000**
Balance as at 31 December 2020 in Alphawave IP Inc.	27,927,252	
Exercise of options pre IPO	265,701	
Sub-total	28,192,953	
20 for 1 share exchange*	563,859,060	796,958
Shares issued to option holders on exercise	13,049,861	18,445
	576,908,920	815,403
Primary share issue at IPO	87,835,796	124,147
Further issue of shares	221,217	313
Balance as at 30 June 2021	**664,965,934**	**939,863**

** Reflects the 20 ordinary shares in the Company issued with a nominal value of £1 in exchange for 1 share in Alphawave IP Inc., immediately prior to the IPO on 14 May 2021 and as part of the reorganisation. See prospectus for more details of the IPO and Reorganisation.*

16 Share based payments

	As at 30 June 2021		As at 30 June 2020	
	Share options	**Weighted average exercise price (US$)**	**Shares options**	**Weighted average exercise price (US$)**
Outstanding at the beginning of the period	4,557,955	2.514	4,078,372	0.259
Exercised during the period	(918,194)	7.294	(108,916)	0.115
Forfeited during the period	-	-	-	-
Granted during the period	1,048,250	28.230	885,000	6.400
Share split during the period*	89,072,209	-	-	-
Outstanding at the end of the period	**93,760,220**	**0.371**	**4,854,456**	**1.481**
Exercisable at the end of the period	**48,421,600**	**0.111**	**2,197,699**	**1.050**

** 30 June 2021 number of shares has been adjusted for the 20 for 1 split that happened immediately prior to the IPO in May 2021. June 2020 has not been adjusted.*

Each share option in Alphawave IP Inc. became 20 share options in the Company by way of an amendment to the option agreements. Conditions largely remained the same with twenty five per cent of options granted vesting on the first anniversary date of issuance and the remaining options vesting equally over the following 36 months. Options expire within five years of their issue under the terms of the option agreements.

The following assumptions were used in the BSM to determine the fair value of the share-based compensation expense relating to stock options issued in the period:

	6 months ended 30 June 2021	**6 months ended 30 June 2020**
Risk free interest rate	0.91%	0.57%
Expected Volatility	29.72%	27.16%
Expected dividend yield	-	-
Expected life of stock option	5	5

The Group has determined the forfeiture rate to be nil and volatility was determined in reference to listed entities similar to the Group.

Share-based payment split by function

6 months to June 2021

(US$ thousands)	R&D / Engineering	Sales & Marketing	General & Administration	**Total**
Share-based payment charge	1,557	115	286	**1,958**

6 months to June 2020

(US$ thousands)	R&D / Engineering	Sales & Marketing	General & Administration	**Total**
Share-based payment charge	225	12	8	**245**

17 Government assistance

In 2020, the Group received Canadian Emergency Wage Subsidy ("CEWS") from the Government of Canada totalling US$1,063,014. CEWS was offered to qualifying companies in response to the COVID-19 virus to support wages paid to employees. Government assistance was applied to reduce salaries expensed during the year under IAS 20.

In early H1 2021, the Group received, US$55,000 CEWS (H1 2020 US$482,000) from the Government of Canada. These were prior to the IPO when Alphawave IP Inc. was a private Canadian company faced with uncertainty as to the longer-term impact on the business. Post IPO, whilst Alphawave IP Inc. is entitled to COVID-related grants, the board and management team has elected not to receive them. No Government assistance has been requested nor taken in the UK since the plc entity's incorporation and IPO.

18 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with Directors and key management personnel of the Group are disclosed in note 7. In addition, the Group entered into the following transactions and had the following outstanding balances with related parties who are not consolidated in these interim financial statements:

	As at		
(US$ thousands)	**30 June 2021**	**31 December 2020**	**30 June 2020**
Transactions:			
Revenue from a company on which a director is the chairman of the board	484	1,392	821
Revenue from a company on which a director is a board observer	1,730	3,548	1,612
Revenue from a company on which an immediate family member of a director has significant influence	737	1,720	-
Revenue from a company on which a director is a director	2,919	-	-
	5,870	**6,660**	**2,433**
Balances:			
Accounts receivable from a company on which a director is a board observer	1,961	804	-
Work-in-progress for a company on which a director is a board observer	1,368	471	188
Work-in-progress for a company on which an immediate family member of a director has significant influence	1,203	396	-
	4,532	**1,671**	**188**
Deferred revenue from a company on which a director is the chairman of the board	243	710	359
Deferred revenue from a company on which a director is a board observer	356	181	1,013
	599	**891**	**1,372**

Sales to related parties are made at market prices and in the ordinary course of business. Outstanding balances are unsecured and settlement occurs in cash. Any estimated credit losses on amounts owed by related parties would not be material and is therefore not disclosed. This assessment is undertaken at each key reporting period through examining the financial position of the related party and the market in which the related party operates.

19 Subsidiaries of the Group as at 30 June 2021

	Description and proportion of share capital held directly or indirectly by Alphawave IP Group plc	Country of incorporation or registration	Nature of business	Registered office address
Alphawave IP Inc.	Ordinary 100%	Canada	Developing and licensing high performance connectivity intellectual property for the semiconductor industry	70 University Avenue, Toronto, Ontario, M5J 2M4
Alphawave IP Corp.	Ordinary 100%	United States	Developing and licensing high performance connectivity intellectual property for the semiconductor industry	125 E Victoria Street, Ste. 1, Santa Barbara CA 93101 United States
Alphawave IP (BVI) Ltd	Ordinary 100%	British Virgin Islands	Dormant	
Alphawave Call. Inc.	Ordinary 100%	Canada	Dormant	
Alphawave Exchange Inc.	Ordinary 100%	Canada	Dormant	

20 Future Commitment

On 12th June 2021, Alphawave IP Inc., a wholly owned subsidiary of the Company, concluded a series of definitive agreements with Beijing Wise Road Asset Management Co., Ltd ("Wise Road"), a semiconductor-focused private equity fund based in the People's Republic of China ("PRC"). Under those agreements, Alphawave IP Inc. has agreed to invest up to US$170m into CPP alongside a US$230m investment from Wise Road. The first tranche of that investment, US$42.5m, is expected to be paid by the Company in Q4 2021. Alphawave IP Inc. has also entered into a 5 year subscription license agreement with CPP in which Alphawave IP Inc. agrees to license specified IP within its product portfolio.

21 Post balance sheet events

The Company has evaluated subsequent events after 30 June 2021, the date of issuance of the condensed consolidated interim financial statements, and has identified one recordable or disclosable events not otherwise reported in these Condensed Consolidated Financial Statements or notes thereto, which is disclosed below.

San Jose office lease

In September 2021, Alphawave IP Corp. signed a 5 year lease for offices in San Jose, California. Based in Silicon Valley and near many of our customers and potential customers, these offices will serve as our flagship demonstration lab. After improvement allowances, we anticipate spending approximately US$700,000 on one-time fit out costs and less than US$400,000 per year on rent and other operating expenses.

INDEPENDENT REVIEW REPORT TO ALPHAWAVE IP GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

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 IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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* issued by the Auditing Practices Board for use in the UK. 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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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.

Whilst the company has previously produced a half-yearly report containing a condensed set of financial statements, those financial statements have not previously been subject to a review by an independent auditor. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the six months ended 30 June 2020.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The latest financial information of the group, as contained in its Registration document for the purposes of listing on the London Stock Exchange, was prepared in accordance with UK-adopted international accounting standards and the next annual financial statements will be prepared on the same basis. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Robert Seale
for and on behalf of KPMG LLP
Chartered Accountants
KPMG LLP
15 Canada Square
Canary Wharf
E14 5GL

20 September 2021