Global Graphics PLC

Unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020

Company registration number: 10872426

CONTENTS

INTERIM MANAGEMENT REPORT

STRATEGY AND BUSINESS MODEL

Through its operating subsidiaries, Global Graphics PLC is a leading developer of integrated software and hardware solutions for graphics and industrial inkjet printing. Its principal customers are Original Equipment Manufacturers ("OEMs") throughout the world.

It is at the forefront of technology developments used for printing and displaying an increasingly diverse range of goods, from food labelling and packaging, to textiles and wall coverings, to automotive dashboard displays. Its strategic focus is to acquire the technology and skills to offer OEMs a more integrated solution for their production digital presses, in particular, to increase market share in the fast-growing inkjet market, and to expand the geographical reach of its solutions.

Global Graphics PLC is headquartered in Cambridge UK. Its operating subsidiaries are:

- Global Graphics Software: developers of software for digital printing, used by press manufacturers (OEMs);
- Meteor Inkjet: specialists in industrial printhead driver solutions, used by inkjet press manufacturers (OEMs); and
- Xitron: a reseller and provider of production digital front ends ("DFEs") and workflow solutions.

Our business model is to license software technology directly to OEMs of digital presses, to developers of applications that create, manipulate and manage electronic documents, and to system integrators. Meteor's printhead driver solutions can drive all available inkjet heads currently on the market and are sold direct to the manufacturer of the printing device. Consequently, Global Graphics' printing technology lies at the heart of industry leading brands of digital pre-press systems, high-speed digital production presses, professional colour proofing devices, wide-format colour printers, and industrial inkjet systems for ceramic tiles, packaging, product decoration and textiles.

BUSINESS REVIEW

CEO's review

Global Graphics PLC published our 2019 annual report in early March and made only a minor mention of coronavirus. Although the warning signs were starting to appear in some regions by then, it was simply unfathomable that global travel and commerce would shut down so quickly, or that COVID-19 would have such a material impact on our business and so many others.

The world has changed dramatically since then. Global Graphics already had the infrastructure in place to support our global workforce, so transitioning to virtual offices was straightforward for the company and most of our staff. We are also fortunate that our businesses are somewhat self-hedging, serving many different industry segments and widely distributed geographically.

This served us well during the onset of the global pandemic. By the time the software sales at Global Graphics Software and Xitron started to fall, we were already seeing a strong recovery by Meteor Inkjet in China's industrial applications, offsetting the drop that occurred in this segment last year. Like many companies, we implemented necessary cost controls, including salary reductions that were shared by the entire company. The end result was a strong performance across the board, with significant year-over-year increases in both revenue and profit, as well as an uptick in both the hardware and software business to close out the second quarter.

There were several other significant events in the first half of 2020. In April, Global Graphics Software was awarded the coveted Queen's Award for Enterprise, one of just 220 UK companies to receive the award. This recognized the success of our ScreenPro Advanced Inkjet Screening.

In addition, we were able to successfully conclude the sale of URW Type Foundry to Monotype, despite the impact of the pandemic on both URW and Monotype. Specific terms of the sale are provided below, and the proceeds from the sale of URW will allow Global Graphics PLC to focus on our primary markets of software and hardware for inkjet printing while providing further security against the effects of COVID-19.

It is important to note that despite the signs of recovery, there is still a great deal of uncertainty around COVID-19 and its impact on our business. Nearly all significant industry events for 2020 have been cancelled or turned into online "virtual" conferences, and nobody knows when or how the pandemic will end. Although cost controls remain in place throughout most of Global Graphics, our commitment to innovation is as strong as ever, with new product development continuing as planned. But there's no doubt that the remainder of 2020 will be a challenging environment for Global Graphics and for our OEM customers.

Disposal

In May 2020, the Group sold its entire Fonts segment following a strategic decision to focus on the industrial printing market and focus on the Group's core competencies of printing software and device electronics. As a result, URW Type Foundry GmbH ("URW") is no longer part of the Group.

Consideration of €7.5 million plus/minus an adjustment for retained cash and working capital at closing is payable in cash in instalments. €5.0 million was received during the period, €2.0 million is payable 12 months after closing and €0.5 million is payable 24 months after closing. It is expected that the retained cash and working capital adjustment will be received before 31 December 2020.

Outcome of the Annual General Meeting

All of the proposed resolutions were passed by the shareholders at the Company's Annual General Meeting ("AGM") on 25 June 2020.

At the AGM, the Company's board of directors was appointed as follows:

- Guido Van der Schueren, Chairman
- Michael Rottenborn, Chief Executive Officer
- Graeme Huttley, Chief Financial Officer
- Clare Findlay, Non-Executive Director

Under the Company's articles of association, all directors must retire at every AGM, but are entitled to stand for re-election at that AGM. More information about the resolutions passed at the AGM can be found in the investor's section of the Company's website at https://investor.globalgraphics.com/investors/shareholders-annual-general-meeting.

CFO's review

The following information relates to continuing operations. Comparative information has been re-presented due to discontinued operations (see note 5 to the financial statements).

Financial highlights

- Revenue for the period was €11.90 million (2019: €9.59 million)
- Gross profit for the period was €9.50 million or 79.8% of revenue (2019: €8.05 million, 83.9% of revenue)
- Pre-tax profit for the period was €1.91 million (2019: €0.48 million)
- EBITDA for the period was €3.91 million (2019: €1.91 million)
- Cash at 30 June 2020 was €5.37 million (at 31 December 2019: €5.00 million)

Revenue

Revenue for the period was €11.90 million, compared with €9.59 million for the same period in 2019, an increase of 24.2%. On a constant exchange rate basis, i.e. at 2019 exchange rates, revenue during the period would have been approximately €11.75 million.

Royalties and software license fees accounted for 53.4% (2019: 56.5%) of revenue, driver electronics accounted for 34.4% (2019: 31.0%), maintenance and support accounted for 8.4% (2019: 7.8%), hardware and consumables accounted for 2.2% (2019: 2.5%), engineering/design services accounted for 1.2% (2019: 2.0%), and consultancy and other items accounted for 0.4% (2019: 0.2%).

During the period a customer in the Software segment exercised an option in their contract, which extended the term of the contract and resulted in €2.30 million of revenue being recognised in the period. A similar event with a different customer occurred in the same period in 2019 which resulted in €2.0 million of revenue being recognised in that period.

The Printhead Solutions segment saw a recovery in 2 of its top 3 customers during the period. Revenue from the 2 customers improved by 75% over the same period in 2019.

Gross profit

Gross profit for the period was 79.8% of sales. For the same period in the prior year it was 83.9% of sales.

The reduction in margin percentage is due to the higher mix of hardware related sales from the Printhead Solutions segment during the period.

Pre-tax result

The pre-tax result for continuing operations was a profit of €1.91 million for the period, compared with a profit of €0.48 million for the same period in 2019.

The increase in profitability of €1.43 million is due to:

- the increase in revenue of €2.32 million;
- a higher cost of sales of €0.87 million;
- an increase in selling, general and administrative expenses of €0.35 million;
- an increase in research and development expenses of €0.32 million; and
- an increase in foreign exchange gains of €0.65 million.

The foreign exchange gains are primarily due to the revaluation of currency balances held at the balance sheet date and the change in exchange rates during the period.

EBITDA

EBITDA is reported as an alternative measure of profit and is calculated by adding back interest, tax, depreciation and amortisation to net profit.

EBITDA from continuing operations for the period was €3.91 million (2019: €1.91 million) and is reconciled to net profit as follows:

In thousands of euros *(unaudited)*	**2020**	2019
Profit from continuing operations	2,080	537
Net interest expense	108	41
Tax benefit	(174)	(60)
Depreciation	403	371
Amortisation	1,494	1,023
EBITDA from continuing operations	**3,911**	**1,912**

Cash

Cash balances were valued at €5.37 million on 30 June 2020 (31 December 2019: €5.00 million).

The Group continues to generate sufficient cash to fund its day to day operational expenditure and capital expenditure on property, plant and equipment.

Adjusted financial results

Management believes that evaluating the Group's ongoing results may not be as useful if it is limited to reviewing only IFRS financial measures, particularly because management uses adjusted financial information to evaluate its ongoing operations and for internal planning and forecasting purposes.

Management does not suggest that investors should consider these adjusted financial results in isolation from, or as a substitute for, financial information prepared in accordance with IFRSs. The Group presents adjusted financial results in reporting its financial results to provide investors with an additional tool to evaluate the Group's results in a manner that focuses on what the Group believes to be its underlying business operations. The Group's management believes that the inclusion of adjusted financial results provides consistency and comparability with past reports and comparability to similar companies in the Group's industry, many of which present the same or similar adjusted financial information to investors. As a result, investors are encouraged to review the related IFRS financial measures and the reconciliation of these adjusted results.

Reported operating profit is adjusted as follows:

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2020**	**2019**
Reported operating profit from continuing operations	1,301	453
Add share-based remuneration expense	66	74
Deduct capitalised development expense	(649)	(592)
Add amortisation and impairment of capitalised development	748	687
Add amortisation of acquired intangibles	739	336
Add other operating expenses	5	76
Total adjustments to reported operating profit from continuing operations	909	581
Adjusted operating profit from continuing operations	**2,210**	**1,034**

Reported net profit is adjusted as follows:

	For the six months ended 30 June	
In thousands of euros, except per share data in euro *(unaudited)*	**2020**	**2019**
Reported profit after tax from continuing operations	2,080	537
Adjustments to operating result above	909	581
Tax effect of abovementioned adjustments	(188)	(82)
Total adjustments to reported net profit	721	499
Adjusted net profit from continuing operations	**2,801**	**1,036**

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties to the Group can be found on pages 8 to 10 of the Company's annual report for the year ended 31 December 2019.

For the remaining six months of this financial year, the principal risks are credit risk from trade receivables and the disruption to the supply of electronic components used in the Group's products.

The coronavirus pandemic has impacted some of the Group's revenue during the period, but not to the extent that many other companies in our industry have been impacted. As many countries have eased lockdown measures the pressure on revenue should ease, however, if there are further lockdowns at the levels previously experienced it could put further pressure on revenue. The Group has not seen any impact on its supply chain due to the pandemic and most staff have been able to continue working remotely due to the investments in IT infrastructure and contingency planning that the Group has made during previous years.

It is unlikely that Brexit will have an effect, either positive or negative, on the Group, but there is a level of uncertainty until it is clear what the outcome of negotiations between the United Kingdom and the European Union will be.

RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the appointed directors listed on page 2 of this report confirm that to the best of their knowledge that:

- the condensed consolidated interim financial statements, prepared in accordance with IAS 34 Interim Financial Reporting and applicable law, give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation taken as a whole; and
- the interim management report contains a fair review of the important events and major transactions between affiliated parties which have occurred during the first six months of the current financial year and of their impact on the summary of the financial statements as well as a description of the principal risks and uncertainties for the remaining six months of the current financial year.

By order of the board,

2030 Cambourne Business Park
Cambourne, CB23 6DW, UK
3 August 2020

Michael Rottenborn
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros *(unaudited)*	Note	For the six months ended 30 June 2020	2019 Re-presented *
Continuing operations			
Revenue	4	**11,903**	9,585
Cost of sales		**(2,404)**	(1,537)
Gross profit		**9,499**	8,048
Selling, general and administrative expenses		**(4,767)**	(4,414)
Research and development expenses		**(3,427)**	(3,105)
Other operating expenses		**(5)**	(76)
Other income		**1**	-
Operating profit		**1,301**	453
Finance income	6	**2**	5
Finance expenses	6	**(108)**	(46)
Net finance expenses		**(106)**	(41)
Foreign currency exchange gains	6	**713**	65
Profit before tax		**1,908**	477
Tax	11	**174**	60
Profit from continuing operations		**2,082**	537
Discontinued operation			
Profit from discontinued operation, net of tax	5	**4,125**	143
Profit for the period		**6,207**	680
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(1,277)**	50
Other comprehensive income for the period, net of tax		**(1,277)**	50
Total comprehensive income attributable to equity holders		**4,930**	730
Earnings per share			
Basic earnings per share (euro)	17	**0.53**	0.06
Diluted earnings per share (euro)	17	**0.53**	0.06
Earnings per share – Continuing operations			
Basic earnings per share (euro)		**0.18**	0.05
Diluted earnings per share (euro)		**0.18**	0.05

* Comparative information has been re-presented due to a discontinued operation (see note 5)

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	30 June 2020 *(unaudited)*	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	7	**614**	844
Right-of-use assets	8	**1,437**	1,838
Other intangible assets	9	**3,618**	4,827
Goodwill	10	**10,609**	12,659
Financial assets		**24**	45
Deferred tax assets	11	**925**	975
Trade receivables due after more than one year		**5,345**	3,701
Total non-current assets		**22,572**	24,889
Current assets			
Inventories		**996**	1,240
Current tax assets		**77**	76
Trade and other receivables		**6,930**	3,775
Other current assets		**137**	92
Prepayments		**1,062**	1,264
Cash and cash equivalents		**5,370**	4,995
Total current assets		**14,572**	11,442
TOTAL ASSETS		**37,144**	36,331
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	**4,734**	4,734
Share premium		**1,979**	1,979
Treasury shares	12	**(309)**	(309)
Retained earnings		**34,243**	27,970
Foreign currency translation reserve		**(12,191)**	(10,914)
Total equity		**28,456**	23,460
Liabilities			
Deferred tax liabilities	11	**807**	1,072
Lease liabilities	13	**1,495**	1,882
Other liabilities	14	**2,179**	4,416
Total non-current liabilities		**4,481**	7,370
Current liabilities			
Current tax liabilities		**40**	605
Trade and other payables		**560**	581
Other current liabilities		**1,727**	2,045
Contract liabilities	4,15	**1,880**	2,270
Total current liabilities		**4,207**	5,501
Total liabilities		**8,688**	12,871
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**37,144**	36,331

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros *(unaudited)*	Note	Share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation adjustment	Total equity
Balance at 1 January 2019		**4,734**	**1,979**	**(631)**	**27,688**	**(11,830)**	**21,940**
Total comprehensive income							
Net profit for the period		-	-	-	680	-	680
Total other comprehensive income		-	-	-	-	50	50
Total comprehensive income		**-**	**-**	**-**	**680**	**50**	**730**
Transactions with owners							
Share-based payment transactions	12,16	-	-	322	(248)	-	74
Total transactions with owners		**-**	**-**	**322**	**(248)**	**-**	**74**
Balance at 30 June 2019		**4,734**	**1,979**	**(309)**	**28,120**	**(11,780)**	**22,744**
Balance at 1 January 2020		**4,734**	**1,979**	**(309)**	**27,970**	**(10,914)**	**23,460**
Total comprehensive income							
Net profit for the period		-	-	-	6,207	-	6,207
Total other comprehensive income		-	-	-	-	(1,277)	(1,277)
Total comprehensive income		**-**	**-**	**-**	**6,207**	**(1,277)**	**4,930**
Transactions with owners							
Share-based payment transactions	16	-	-	-	66	-	66
Total transactions with owners		**-**	**-**	**-**	**66**	**-**	**66**
Balance at 30 June 2020		**4,734**	**1,979**	**(309)**	**34,243**	**(12,191)**	**28,456**

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros *(unaudited)*	Note	For the six months ended 30 June 2020	2019
Cash flows from operating activities			
Net profit for the period		**6,207**	680
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant, equipment and right-of-use assets	7,8	**432**	407
- Amortisation and impairment of other intangible assets	9	**1,681**	1,268
- Share-based remuneration expenses	16	**66**	74
- Gain on sale of discontinued operation, net of tax	5	**(5,360)**	-
- Net interest expense		**108**	45
- Net foreign currency exchange gains		**(773)**	(134)
- Tax (benefit)/expense		**(204)**	98
- Other items		**(78)**	227
Total adjustments to net profit		**(4,128)**	1,985
Change in operating assets and liabilities:			
- Financial assets		**(21)**	-
- Inventories		**244**	106
- Trade and other receivables		**(1,942)**	29
- Other current assets		**(45)**	(9)
- Prepayments		**202**	(375)
- Trade and other payables		**(21)**	183
- Other current liabilities		**(318)**	(1,042)
- Contract liabilities		**(390)**	227
Total change in operating assets and liabilities		**(2,291)**	(881)
Cash (used)/generated from operating activities		**(212)**	1,764
Interest received		**2**	5
Interest paid		**(110)**	(50)
Taxes paid		**(483)**	(320)
Net cash flow from operating activities		**(803)**	1,419
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	7	**(70)**	(498)
Capitalisation of development expenses	9	**(649)**	(592)
Disposal of discontinued operation, net of cash disposed of	5	**4,406**	-
Net cash flow used in investing activities		**3,687**	(1,090)
Cash flows from financing activities			
Proceeds from loans and borrowings		**433**	-
Repayment against loans and borrowings	18	**(2,000)**	-
Contingent consideration paid		**(529)**	(932)
Principal payments on lease liabilities	13	**(237)**	(202)
Net cash flow used in financing activities		**(2,333)**	(1,134)
Net increase/(decrease) in cash		**551**	(805)
Cash and cash equivalents at 1 January		**4,995**	5,650
Effect of exchange rate fluctuations on cash held at 1 January		**(176)**	19
Cash and cash equivalents at 30 June		**5,370**	4,864

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Global Graphics PLC (the "Company") and its subsidiaries (together the "Group") is a leading developer of integrated software and hardware solutions for graphics and industrial inkjet printing.

The Company is a public limited company, registered in England and Wales, domiciled in the United Kingdom and is quoted on Euronext in Brussels. The Company's registered office address is 2030, Cambourne Business Park, Cambourne, Cambridge, CB23 6DW.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. 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 an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

The accounting policies and methods of computation adopted are consistent with those as described in the Company's consolidated financial statements for the year ended 31 December 2019.

There are no new or amended interpretations or standards effective for the financial year commencing 1 January 2020 that have had a material impact on the Group.

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Company's board of directors on 3 August 2020.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except, if applicable, for the revaluation of derivative instruments at fair value through profit or loss.

Non-current assets are stated at the lower of amortized cost and fair value less disposal costs when applicable. The methods used to measure fair value are discussed in note 5 of the Company's annual report for the year ended 31 December 2019.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in euros, which is the Company's functional and presentation currency.

All information which is presented in the following notes has been rounded to the nearest thousand, unless otherwise specified.

Use of accounting estimates

The preparation of the condensed consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

Going concern

On the date these condensed consolidated interim financial statements were approved, based on their review of cash flow projections prepared by management for the years ending 31 December 2020 and 2021, the members of the Company's board of directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern, primarily because of the cash position of €5.37 million as at 30 June 2020 (31 December 2019: €5.00 million) and the absence of any interest bearing debt.

3. OPERATING SEGMENTS

Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive Officer ("CEO") that are used for deciding how to allocate resources and also in assessing both operating and financial performance of each segment. The Group's CEO is considered as the Group's chief operating decision maker ("CODM").

The Group's segments are:

- Software, for digital printing software;
- Printhead Solutions, for electronics and software developed for industrial inkjet printing; and
- Fonts, for digital typeface design and technology (now discontinued, see note 5).

Measurement of the operating segments' profit is assessed against revenue forecasts and expense budgets, excluding non-operating IFRS items such as share-based payments, capitalisation and amortisation of internally generated intangible assets and amortisation of intangible assets acquired through acquisition.

The following tables provide information on revenue, profit, interest, depreciation and amortisation and tax as reported to the CODM for each of the Group's operating segments for the 6 months ended 30 June 2019 and 30 June 2020. The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM or are required to be disclosed by IFRS 8. Assets and liabilities by segment are not regularly reported to the CODM.

Inter-segment revenues are included in cost of sales for the reciprocal segment and are eliminated on consolidation. Unallocated amounts relate to expenses and exchange gains and losses that are not directly attributable to a specific operating segment.

Six months ended 30 June 2020:

In thousands of euros *(unaudited)*	**Software**	**Printhead Solutions**	**Fonts (Discontinued) ***	**Unallocated**	**Total**
Revenue from external customers	7,458	4,459	615	-	12,532
Inter-segment revenue	14	-	-	-	14
Segment revenue	**7,444**	**4,459**	**615**	**-**	**12,518**
Segment operating profit/(loss) after tax	**2,854**	**406**	**(1,104)**	**(465)**	**1,691**
Included in the operating profit/(loss) are:					
Interest income	1	1	-	-	2
Interest expense	(41)	(2)	(2)	(65)	(110)
Depreciation and amortisation	(313)	(90)	(29)	-	(432)
Tax expense	(14)	-	(24)	-	(38)

Six months ended 30 June 2019:

In thousands of euros *(unaudited)*	**Software**	**Printhead Solutions**	**Fonts (Discontinued) ***	**Unallocated**	**Total**
Revenue from external customers	6,300	3,285	1,711	-	11,296
Inter-segment revenue	24	-	-	-	24
Segment revenue	**6,324**	**3,285**	**1,711**	**-**	**11,320**
Segment operating profit/(loss) after tax	**1,636**	**(84)**	**305**	**(571)**	**1,286**
Included in the operating profit/(loss) are:					
Interest income	4	1	-	-	5
Interest expense	(42)	(4)	(4)	-	(50)
Depreciation and amortisation	(285)	(93)	(36)	-	(414)
Tax expense	(21)	-	(227)	-	(248)

Reconciliation of reportable segments' measure of profit to consolidated profit after tax:

In thousands of euros *(unaudited)*	**2020**	2019
Segment total operating profit after tax	1,691	1,286
Share-based payments expense	(66)	(74)
Capitalisation and amortisation of internally generated intangible assets	(99)	(95)
Amortisation of acquired intangible assets - continuing operations	(739)	(336)
Amortisation of acquired intangible assets - discontinued operations *	(183)	(231)
Disposal of subsidiary *	5,360	-
Other items	-	(20)
Tax effect of above-mentioned items	243	150
Consolidated profit after tax	**6,207**	**680**

* See note 5

4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements (also see note 5 for an operation that was discontinued during the reporting period). The Group's revenue is derived from contracts with customers.

An analysis of external sales by revenue type and primary geographical market is shown below. The table also provides a reconciliation of disaggregated revenue with the Group's reportable segments.

For the six months ending 30 June:

	Software		Printhead Solutions		Fonts (Discontinued)		Total	
In thousands of euros *(unaudited)*	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue type								
Royalties and software licences	**6,038**	5,121	**319**	296	**547**	1,156	**6,904**	6,573
Maintenance and after-sale support services	**960**	736	**45**	14	**15**	16	**1,020**	766
Engineering/design services	**145**	194	**-**	-	**53**	539	**198**	733
Printer hardware and consumables	**256**	242	**-**	-	**-**	-	**256**	242
Driver electronics	**-**	-	**4,095**	2,975	**-**	-	**4,095**	2,975
Other items	**45**	7	**-**	-	**-**	-	**45**	7
Total sales	**7,444**	6,300	**4,459**	3,285	**615**	1,711	**12,518**	11,296
Primary geographical markets								
United Kingdom	**227**	229	**52**	70	**19**	269	**298**	568
Europe, excluding United Kingdom	**1,401**	1,496	**820**	605	**207**	752	**2,428**	2,853
North America	**2,649**	2,077	**526**	546	**317**	593	**3,492**	3,216
Asia	**3,167**	2,498	**3,061**	2,064	**72**	97	**6,300**	4,659
Total sales	**7,444**	6,300	**4,459**	3,285	**615**	1,711	**12,518**	11,296

During the period a customer in the Software segment exercised an option in their contract, which extended the term of the contract and resulted in €2.30 million of revenue being recognised in the period. A similar event with a different customer occurred in the same period in 2019 which resulted in €2.0 million of revenue being recognised in that period.

The Printhead Solutions segment saw a recovery in 2 of its top 3 customers during the period. Revenue from the 2 customers improved by 75% over the same period in 2019.

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 30 June 2020.

In thousands of euros *(unaudited)*	**0 to 12 months**	**12 to 24 months**	**after 24 months**	**Total**
After-sale support services	911	164	265	1,340
Product and consultancy	540	-	-	540
Total	**1,451**	**164**	**265**	**1,880**

The Group applies the practical expedient in paragraph 63 of IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component for contracts where payments are due within one year.

5. DISCONTINUED OPERATION

In May 2020, the Group sold its entire Fonts segment following a strategic decision to focus on the industrial printing market and focus on the Group's core competencies of printing software and device electronics.

Consideration of €7.5 million plus/minus an adjustment for retained cash and working capital at closing is payable in cash in instalments. €5.0 million was received during the period, €2.0 million is payable 12 months after closing and €0.5 million is payable 24 months after closing. It is expected that the retained cash and working capital adjustment will be received before 31 December 2020.

The Fonts segment was not previously classified as held-for-sale or as a discontinued operation. The comparative condensed consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations.

The information presented is provisional and may be subject to change when the Group completes its full year audit and financial statements.

5. DISCONTINUED OPERATION (CONTINUED)

Results of discontinued operation

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2020**	2019
Revenue	**615**	1,711
Elimination of inter-segment revenue	**-**	-
External revenue	**615**	1,711
External expenses	**(1,697)**	(1,179)
Amortisation	**(183)**	(231)
Results from operating activities	**(1,265)**	301
Tax	**30**	(158)
Results from operating activities, net of tax	**(1,235)**	143
Gain on sale of discontinued operation	**5,360**	-
Profit from discontinued operation for the period, net of tax	**4,125**	143
Earnings per share		
Basic earnings per share (euro)	**0.35**	0.01
Diluted earnings per share (euro)	**0.35**	0.01

All of the profit for the period from the discontinued operation and continuing operations was attributable entirely to the owners of the Company.

Cash flows from (used in) discontinued operation

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2020**	2019
Net cash (used)/from operating activities	**(705)**	827
Net cash from/(used) in investing activities	**4,406**	(3)
Net cash flow for the period	**3,701**	**824**

Effect of disposal on the financial position of the Group

In thousands of euros *(unaudited)*	
Property, plant and equipment	**(70)**
Right-of-use assets	**(150)**
Other intangible assets	**(146)**
Financial assets	**(21)**
Trade and other receivables	**(377)**
Other current assets	**(49)**
Prepayments	**(42)**
Cash and cash equivalents	**(594)**
Trade and other payables	**225**
Contract liabilities	**92**
Deferred tax liabilities	**43**
Lease liabilities	**150**
Net assets and liabilities	**(939)**
Consideration received in cash	**5,000**
Cash and cash equivalents disposed of	**(594)**
Net cash inflow	**4,406**

6. FINANCE INCOME AND FINANCE EXPENSES

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2020**	2019
Interest income	2	5
Interest expense	(65)	-
Lease liability interest	(43)	(46)
Net finance expenses	**(106)**	**(41)**
Foreign currency exchange gains on transactions and revaluations	713	65
Foreign currency exchange gains	**713**	**65**

7. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	**Leasehold improvements**	**Computer equipment**	**Office equipment**	**Office furniture**	**Other items**	**Total**
Cost						
At 1 January 2019	716	1,149	70	253	546	2,734
Additions	-	459	20	26	76	581
Additions – business combinations	5	16	9	1	3	34
Disposals	-	(2)	-	-	-	(2)
Effect of movement in exchange rates	44	84	5	11	37	181
At 31 December 2019	**765**	**1,706**	**104**	**291**	**662**	**3,528**
At 1 January 2020	765	1,706	104	291	662	3,528
Additions	2	52	1	-	13	68
Disposals	-	(23)	-	(84)	-	(107)
Effect of movement in exchange rates	(56)	(113)	(7)	(15)	(48)	(239)
At 30 June 2020 *(unaudited)*	**711**	**1,622**	**98**	**192**	**627**	**3,250**
Accumulated depreciation						
At 1 January 2019	572	923	21	163	485	2,164
Charge for the year	41	220	30	20	70	381
Disposals	-	(1)	-	-	-	(1)
Effect of movement in exchange rates	37	59	2	10	32	140
At 31 December 2019	**650**	**1,201**	**53**	**193**	**587**	**2,684**
At 1 January 2020	650	1,201	53	193	587	2,684
Charge for the period	22	112	14	15	18	181
Disposals	-	(19)	-	(18)	-	(37)
Effect of movement in exchange rates	(49)	(82)	(4)	(13)	(44)	(192)
At 30 June 2020 *(unaudited)*	**623**	**1,212**	**63**	**177**	**561**	**2,636**
Net book value						
At 31 December 2019	115	505	51	98	75	844
At 30 June 2020 *(unaudited)*	**88**	**410**	**35**	**15**	**66**	**614**

8. RIGHT-OF-USE ASSETS

In thousands of euros *(unaudited)*	**Property**
Additions	-
Depreciation charge for the period	251
Balance at 30 June 2020	1,437

9. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer contracts	Patents	Trade-marks	Know-how	Font library	Driver electronics	Total
Cost								
At 1 January 2019	35,807	13,535	2,700	577	908	2,465	3,296	59,288
Additions – internally developed	1,306	-	-	-	-	-	-	1,306
Additions – business combinations	2,321	258	-	-	300	-	-	2,879
Effect of movement in exchange rates	2,244	833	166	36	9	-	-	3,288
At 31 December 2019	**41,678**	**14,626**	**2,866**	**613**	**1,217**	**2,465**	**3,296**	**66,761**
At 1 January 2020	41,678	14,626	2,866	613	1,217	2,465	3,296	66,761
Additions – internally developed	649	-	-	-	-	-	-	649
Disposals	(211)	-	-	-	(388)	(2,465)	-	(3,064)
Effect of movement in exchange rates	(2,893)	(1,045)	(210)	(45)	(11)	-	-	(4,204)
At 30 June 2020 *(unaudited)*	**39,223**	**13,581**	**2,656**	**568**	**818**	**-**	**3,296**	**60,142**
Accumulated amortisation and impairment								
At 1 January 2019	35,389	13,535	2,526	577	908	1,674	1,373	55,982
Charge for the year	1,539	9	13	-	10	462	659	2,692
Effect of movement in exchange rates	2,22	833	156	36	9	-	-	3,260
At 31 December 2019	**39,154**	**14,377**	**2,695**	**613**	**927**	**2,136**	**2,032**	**61,934**
At 1 January 2020	39,154	14,377	2,695	613	927	2,136	2,032	61,934
Charge for the period	991	26	6	-	145	183	330	1,681
Disposals	(211)	-	-	-	(388)	(2,319)	-	(2,918)
Effect of movement in exchange rates	(2,873)	(1,045)	(199)	(45)	(11)	-	-	(4,173)
At 30 June 2020 *(unaudited)*	**37,061**	**13,358**	**2,502**	**568**	**673**	**-**	**2,362**	**56,524**
Net book value								
At 31 December 2019	2,524	249	171	-	290	329	1,264	4,827
At 30 June 2020 *(unaudited)*	**2,162**	**223**	**154**	**-**	**145**	**-**	**934**	**3,618**

The amortisation of patents is included in cost of sales and the amortisation charge for software technology which has been capitalised in accordance with IAS 38 is included in research and development expenses. The amortisation charges related to intangible assets acquired through business combinations are included in selling, general and administrative expenses.

Intangible assets that are subject to amortisation (i.e. those arising from the capitalisation of development costs in accordance with criteria set in IAS 38, Intangible Assets) are reviewed annually for impairment or whenever events or changes in accounting estimates indicate that the carrying amount may not be recoverable.

There was no significant change during the period to the calculations and assumptions used at 31 December 2019 to identify any requirement to impair any of these intangible assets. It was concluded that no impairment was required for the six months ended 30 June 2020 (2019: €nil).

9. OTHER INTANGIBLE ASSETS (CONTINUED)

For individual intangible assets material to the financial statements, the following table shows the remaining amortisation periods and the carrying amounts:

In thousands of euros	Remaining amortisation period	30 June 2020 *(unaudited)*	31 December 2019
Harlequin RIP	2.5 years	139	153
EDL	Fully amortised	-	99
gDoc applications	Fully amortised	-	4
CGB Screening	2.25 years	29	36
Xitron	4.3 years	1,994	2,232
Total software technology		**2,162**	**2,524**
Font Library	Discontinued operation (see note 5)	**-**	**329**
Driver Electronics	1.40 years	**934**	**1,264**

10. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 1 January 2019	16,152
Additions – business combinations	1,773
Effect of movement in exchange rates	745
At 31 December 2019	**18,670**
At 1 January 2020	18,670
Effect of discontinued operations (see note 5)	(1,555)
Effect of movement in exchange rates	(934)
At 30 June 2020 *(unaudited)*	**16,181**
Accumulated amortisation or impairment	
At 1 January 2019	5,662
Effect of movement in exchange rates	349
At 31 December 2019	**6,011**
At 1 January 2020	6,011
Effect of movement in exchange rates	(439)
At 30 June 2020 *(unaudited)*	**5,572**
Net book value	
At 31 December 2019	12,659
At 30 June 2020 *(unaudited)*	**10,609**

The Group is required to test annually, or more frequently if facts and circumstances warrant a review, whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment during the year.

Having reviewed the revenue and operating result for the six months ended 30 June 2020 against the forecast used for the impairment review at 31 December 2019, management concluded that no impairment review was necessary for this interim reporting period.

Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. The CGUs identified were Software, Fonts, Printhead Solutions and Xitron.

The table below shows the allocation of goodwill to the CGUs.

In thousands of euros	30 June 2020 *(unaudited)*	31 December 2019
Software	**6,514**	7,009
Fonts	**-**	1,555
Printhead Solutions	**2,322**	2,322
Xitron	**1,773**	1,773
Total goodwill	**10,609**	**12,659**

11. TAX

Corporation tax

Analysis of the tax benefit in the period:

In thousands of euros *(unaudited)*	For the six months ended 30 June **2020**	 2019
Current tax		
Expense arising from other items	(14)	(21)
Total current tax expense	**(14)**	**(21)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	21	18
Arising from the amortisation of acquired intangibles	167	63
Total deferred tax benefit	**188**	**81**
Total tax benefit on continuing operations	**174**	**60**

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	**30 June 2020** *(unaudited)*	31 December 2019
Capital allowances	949	1,004
Other items	-	19
Capitalised development expenses	(24)	(48)
Total recognised deferred tax assets	**925**	**975**
Deferred tax liabilities		
As a result of business combinations	807	1,072
Total recognised deferred tax liabilities	**807**	**1,072**

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The deferred tax asset at 30 June 2020 has been calculated based on the rate 17%. The deferred tax liability at 30 June 2020 has been recognised from the acquisition of TTP Meteor Limited ("Meteor"), Cambridge Grey Bit Limited ("CGB") and Xitron, LLC ("Xitron"). For Meteor and CGB it has been calculated based on the enacted tax rate of 17% and for Xitron is has been calculated on the expected combined United States federal and Michigan state tax rate of 27%.

12. SHARE CAPITAL AND TREASURY SHARES

Ordinary shares issued:

In thousands of euros	**30 June 2020** *(unaudited)*	31 December 2019
Allotted, called up and fully paid		
11,835,707 (31 December 2019: 11,835,707) ordinary shares of €0.40 each	**4,734**	4,734

The Company's investment in its own shares in treasury is as follows:

In thousands of euros, except number of shares	**For the six months ended 30 June 2020** *(unaudited)* **Number**	 **Value**	For the year ended 31 December 2019 **Number**	 **Value**
At the start of the period	112,996	309	222,473	631
Disbursement of shares to employees	-	-	(109,477)	(322)
At the end of the period	**112,996**	**309**	**112,996**	**309**

13. LEASE LIABILITIES

In thousands of euros	30 June 2020 *(unaudited)*	31 December 2019
Lease liabilities	1,495	1,882
Total lease liabilities	**1,495**	**1,882**

Agreements for the rental of office space are recognised as right-of-use assets (see note 8), with a corresponding lease liability.

Cash out flow for leases:

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2020**	2019
Lease liability interest	45	50
Principal payments	237	202
Total cash outflow for leases	**282**	**252**

Maturity analysis of contractual undiscounted cash flows:

In thousands of euros *(unaudited)*	
Less than one year	13
One to five years	172
More than five years	1,560
Total undiscounted lease liabilities at 30 June 2020	**1,745**

Lease liabilities are classified as non-current liabilities in the statement of financial position. It is expected that as a lease matures it will either be extended or replaced by a new lease on similar terms, typically for a period of 5 years or more.

14. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	30 June 2020 *(unaudited)*	31 December 2019
Contingent consideration	1,751	2,416
Shareholder loan	-	2,000
Other loans	428	-
Total other liabilities	**2,179**	**4,416**

Other loans are government-backed loans that have been granted to Group companies located in the United States as a result of the coronavirus pandemic. It is anticipated that the use of the funds will meet the criteria for forgiveness of the loans in full.

15. CONTRACT LIABILITIES

In thousands of euros	30 June 2020 *(unaudited)*	31 December 2019
Customer advances	540	724
Deferred revenue	1,340	1,546
Total contract liabilities	**1,880**	**2,270**

The contract liabilities primarily relate to consideration received in advance of the provision of services. Customer advances relate to consideration received in advance of the provision of engineering and consultancy services and delivery of product. Deferred revenue relates to the consideration received for support and maintenance performance obligations that will be recognised as revenue over a period of time.

16. SHARE BASED PAYMENTS

Share option plan *(unaudited)*

No new options have been granted since 31 December 2019 and there are no share options outstanding as at 30 June 2020.

Free shares *(unaudited)*

No free shares have been awarded since 31 December 2019.

Share-based payment expense *(unaudited)*

For the six months ended 30 June 2020, the Group has recognised €65,626 (2019: €73,580) of share-based payment expense in these financial statements.

17. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding those held in treasury.

For diluted earnings per share, the weighted average number of ordinary shares in issue during the year, excluding those held in treasury, is adjusted to assume conversion of all dilutive potential ordinary shares.

	As at 30 June	
In thousands of euros unless otherwise stated *(unaudited)*	**2020**	2019
Weighted average number of shares (basic), in thousands of shares	11,723	11,690
Add the effect of dilutive potential ordinary shares, in thousands of shares	-	-
Weighted average number of shares (diluted), in thousands of shares	11,723	11,690
Profit attributable to ordinary shareholders	6,207	680
Basic earnings per share, in euros	**0.53**	**0.06**
Diluted earnings per share, in euros	**0.53**	**0.06**

18. RELATED PARTY TRANSACTIONS

The controlling party is Congra Software Sarl ("Congra"), which owns 50.09% of the voting rights of the Company.

Key personnel

All directors continue to receive board fees. Michael Rottenborn and Graeme Huttley are the only directors with an employment contract that entitles them to salary, bonus and other benefits in addition to the board fees.

Congra

During the period the Group recognised revenue from Congra of €49,746 (2019: €182,581) and spent €2,346 (2019: €23,081) with Congra. Interest of €36,822 was charged by Congra for the unsecured loan granted during 2019.

Payments totalling €2.0 million were paid to Congra to clear the outstanding balance of the unsecured loan. Accrued interest of €65,178 was also paid during the period.

At the date of these financial statements the Group was owed €13,021 by Congra Software.

19. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in these interim financial statements for the period ended 30 June 2020.