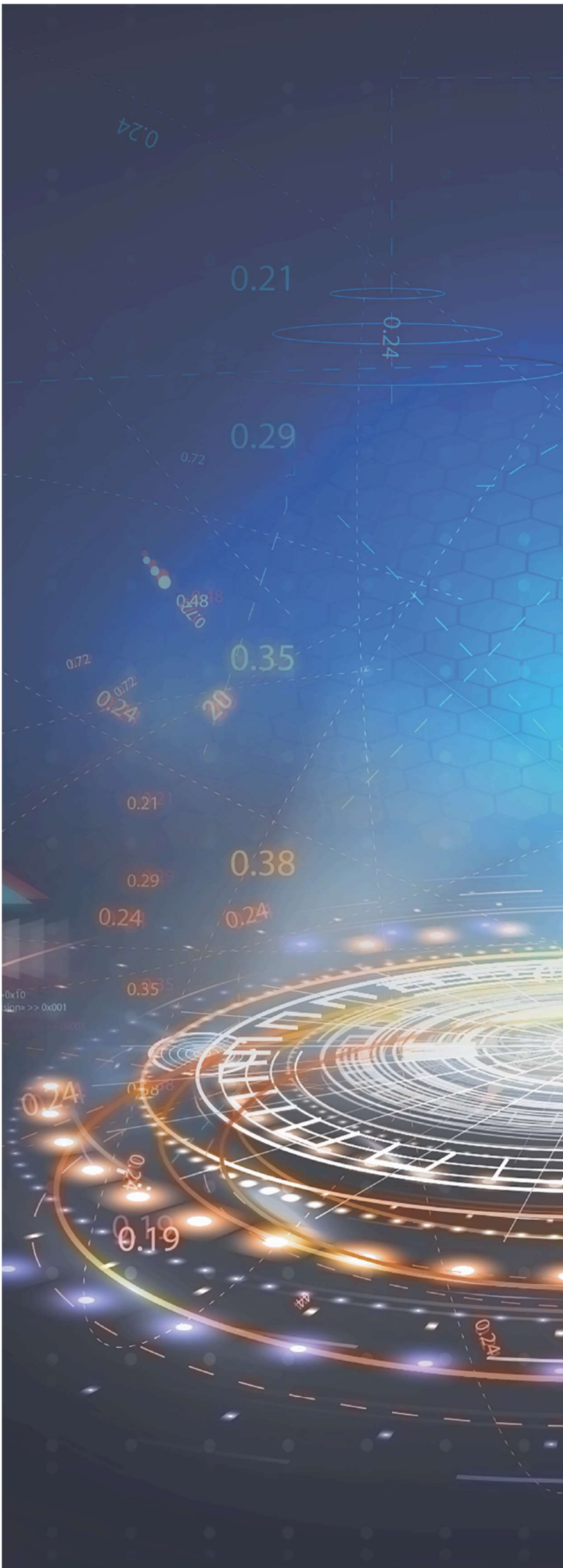




HYBRID SOFTWARE GROUP

INTERIM REPORT

Unaudited condensed consolidated interim
financial statements for the six months ended
30 June 2022

2022

CONTENTS

Interim management report.....	1
Unaudited condensed consolidated statement of comprehensive income.....	6
Unaudited condensed consolidated statement of financial position.....	7
Unaudited condensed consolidated statement of changes in equity	8
Unaudited condensed consolidated statement of cash flows	9
Notes to the unaudited condensed consolidated interim financial statements	10

INTERIM MANAGEMENT REPORT

STRATEGY AND BUSINESS MODEL

Hybrid Software Group PLC is a public limited-liability company registered in England and Wales with its shares traded on Euronext Brussels under stock code HYSG. It is headquartered near Cambridge, UK.

Hybrid Software Group PLC is a software company which develops enterprise software for industrial print manufacturing, with 300 employees worldwide and a pedigree stretching back more than 30 years. Industrial print manufacturing is when printing technology is used in broader manufacturing processes where it isn't the print itself that is being sold. The Company provides critical technology for manufacturing a diverse range of goods, from labels and packaging, to textiles, tiles, laminates, wall coverings, additive manufacturing and 3D printing applications.

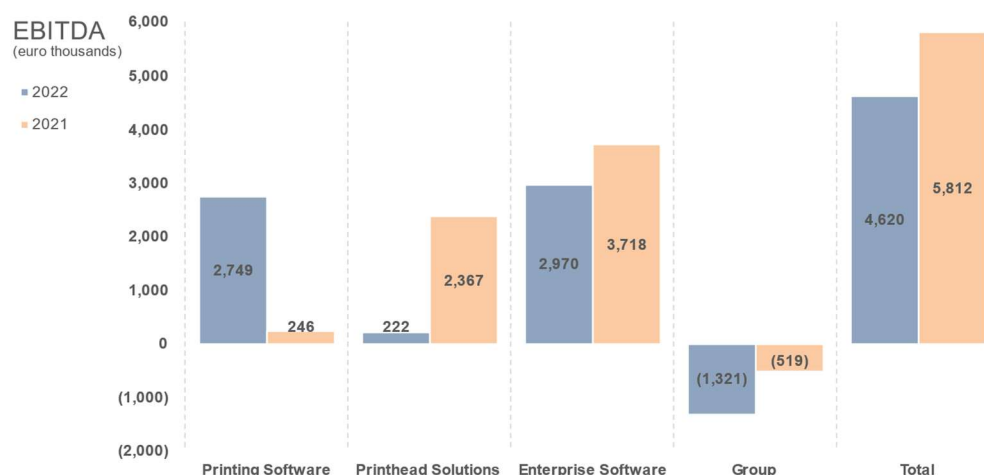
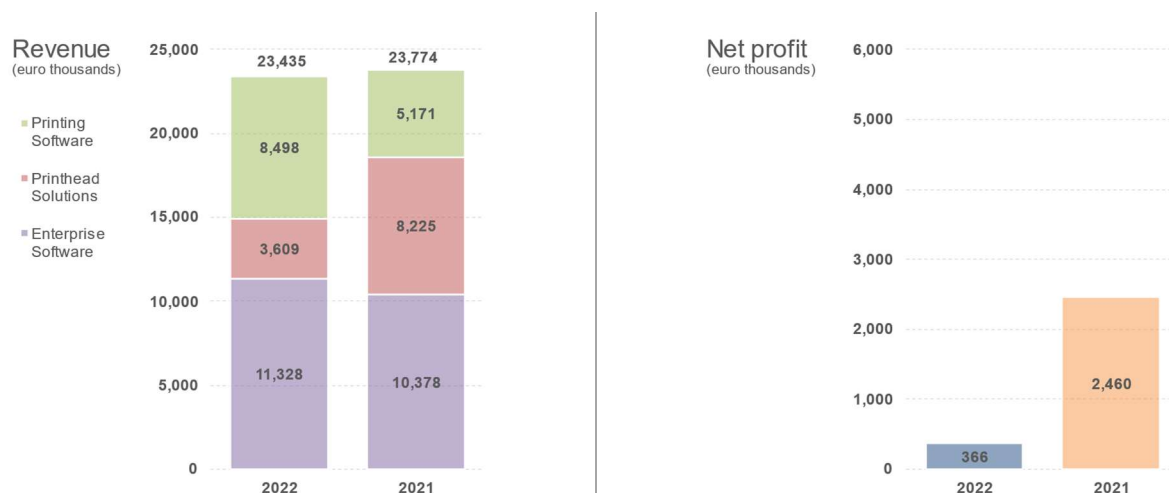
The Company is the only full stack supplier of all the critical core technologies needed for inkjet printing. Inkjet is being widely adopted for the digital conversion of industrial printing applications. Our principal customers are Original Equipment Manufacturers ("OEMs") of digital printing equipment and end users, primarily printers who print and convert labels and packaging materials and to whom we license software technology. Our printhead driver solutions are sold directly to manufacturers of printing devices. Consequently, the Company's 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, textiles and additive manufacturing.

The Group's solutions are hybrid because they meet the needs of analogue and digital production processes and because they integrate both software and printhead drive electronics. Many industrial print segments are transitioning from analogue to digital production for reasons of efficiency and sustainability, and the Company's products and solutions are a key enabler for the migration to digital production.

The Company's strategic focus is to provide all critical core technologies for industrial print manufacturing and be the go-to supplier of choice for OEMs for their turnkey solutions or for individual components to enable them to build their own solutions.

KEY FIGURES

From continuing operations for the 6 months ending 30 June (unaudited).



CEO's REVIEW



The first half of 2022 has been challenging for Hybrid Software Group as it has for most companies. Optimism for a post-COVID recovery was quickly replaced by lingering COVID outbreaks in various regions around the globe, supply chain disruptions, rising inflation, higher interest rates, and concern about the war in Ukraine. These issues are well known and are not unique to our business, so I will not belabour them here.

Our growth strategy remains on target, software revenues are rising, and even the most recent acquisitions, ColorLogic and iC3D, are ahead of plan and developing valuable new products. But 2022 has also been challenging for Hybrid Software Group, now comprising six operating units focused on a common mission: to supply all software and electronic components needed to drive an inkjet printing device.

Our software segments are performing well, although market conditions are challenging. Union strikes in Nordic paper mills have caused supply concerns throughout the industry, especially in labels and packaging, causing printers to stock up on paper and label substrates instead of investing in new software and printing devices. Labour shortages and higher payroll costs are also a challenge for many printers. Finally, rising interest rates make it more difficult for printers and packaging converters to obtain financing for new equipment and software. Nevertheless, we are seeing growth in software revenue in the first half of 2022 and expect this growth to strengthen as market conditions improve, although EBITDA has declined slightly due to increased salary costs in the Enterprise Software business, as we continued to add resources to the team to develop new products and realize significant growth in the period ahead.

Hybrid Software Group remains committed to innovation and profitable growth. Of course, we must control costs and be prudent in our spending, but the knowledge and experience of our engineering staff are critical assets that we need to protect, and our payroll increases to keep pace with the rising cost of living. But the nature of the software business is that profits follow the heavy initial investment in a successful software product, and with the launch of SmartDFE and its adoption by key inkjet OEMs, I am confident that the EBITDA of our software business will improve in the near future.

Unfortunately, unexpected issues sourcing a critical semiconductor chip caused a severe revenue shortfall in our Printhead Solutions segment and erased the gains from the Printing Software and Enterprise Software segments. This resulted in subpar financial results for the first half of 2022, a sharp contrast from the record results this segment delivered in 2021. The situation has already been rectified by redesigning a key circuit board ("PCC2") using a more powerful chip. Thanks to heroic efforts by our employees and valuable input from customers who tested the new design, I'm pleased to report that we are now shipping the new board in production quantities and did not lose any customers due to the quick redesign of this key component.

The half-year revenue impact was quite significant, as high as £4.1 million in delayed orders. We anticipate a quick recovery of this revenue but cannot promise that every order delayed in the first half-year will be filled in the second half, since OEMs of inkjet printing machines purchase components such as printheads from other vendors, and the entire industry is impacted by chip shortages. But the second half of the year will undoubtedly show a strong recovery in the Printhead Solutions segment.

I'd like to close this review by addressing our cash situation. Despite paying all cash for the acquisition of ColorLogic in late 2021, we began 2022 with a strong cash balance of over €9 million. Our purchase of iC3D in April 2022 was paid entirely from cash on hand, with no additional equity shares issued nor any debts raised to help fund the purchase. Our cash balance on June 30 was €3 million, mainly due to the investment in the PCC2 development and building additional inventory of printhead driver cards, but this will likely be the low point for cash on hand for the foreseeable future. Our cash balance has already improved to around €8.0 million at the time of writing, buoyed by strong collections, a favourable working capital adjustment for the purchase of iC3D, and a very fortunate sale of an old, unused asset (approximately 69,000 IPv4 internet addresses) which closed in July and will be accretive to our financial results as "Other Income" in the full year 2022 results (see note 19).

In summary, the first half of 2022 was challenging but Hybrid Software Group has not wavered from our growth strategy. We are very well positioned for a strong recovery in the second half of 2022 and beyond.

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 10 May 2022.

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
- Luc De Vos, 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://www.hybridsoftware.group/investors/shareholders-annual-general-meeting>.

INTERIM MANAGEMENT REPORT (CONTINUED)

CFO's REVIEW



The following information is unaudited.

Financial highlights

- Revenue for the period was €23.44 million (2021: €23.77 million)
- Gross profit for the period was €19.86 million or 84.7% of revenue (2021: €19.65 million or 82.6%)
- Pre-tax profit for the period was €0.25 million (2021: €1.98 million)
- EBITDA for the period was €4.62 million (2021: €5.81 million)
- Cash at 30 June 2022 was €3.01 million (at 31 December 2021: €9.23 million)

Revenue

Revenue for the period was €23.44 million, compared with €23.77 million for the same period in 2021, a decrease of 1.4%. At constant exchange rates (2022 restated at 2021 exchange rates), revenue would have been €22.81 million.

Printing Software segment revenue increased by 64.4% when compared to the prior period, of which 18.3% was due to the acquisition of ColorLogic. Additionally, during the period, a customer in the Printing Software segment exercised an option in their contract, which extended the term of the contract and resulted in €1.64 million of revenue being recognised in the period. There was no similar event in the prior period, resulting in a significant increase in revenue in that segment when compared to the prior period.

Revenue in the Printhead Solutions segment decreased by 56.1% when compared to the prior period. This decrease was due to shortages in certain electronic components, which resulted in the re-design of some products and has caused delayed order fulfilment.

Enterprise Software segment revenue increased by 9.2% when compared to the prior period.

For the Group as a whole, licence royalties accounted for 59.9% (2021: 44.1%) of revenue, maintenance and after-sale support accounted for 14.5% (2021: 14.5%), driver electronics accounted for 12.8% (2021: 31.3%), services accounted for 10.7% (2021: 7.6%), printer hardware and consumables accounted for 2.0% (2021: 1.5%) and other items accounted for 0.1% (2021: 1.0%).

Customer concentration and the reliance on a small number of customers for a high proportion of the Group's revenue has continued to improve year on year. The ten largest customers represented 30.1% (2021: 39.5%) of the Group's revenue, the five largest customers represented 24.8% (2021: 33.4%) of the Group's revenue and the single largest customer represented 8.4% (2021: 18.0%) of the Group's revenue. There was no customer (2021: 1) during the period that represented 10% or more of total revenue (2021: 1 customer in the Printhead Solutions segment, totalled €6.74 million).

Pre-tax result

The pre-tax result was a profit of €0.25 million for the period, compared with a profit of €1.98 million for the same period in 2021.

Gross profit for the period was 84.7% of revenue. For the same period in the prior year, it was 82.6% of revenue.

The increase in margin percentage is primarily due to the revenue shortfall in driver electronics versus software related revenue during the period.

Total operating expenses increased by €2.26 million, or 13.0% compared to the same period in the prior year, due to the acquisitions of ColorLogic and iC3D and higher payroll expenses to retain staff and investing in additional staff in the Enterprise Software segment.

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 for the period was €4.62 million (2021: €5.81 million) and is reconciled to net profit as follows:

In thousands of euros (unaudited)	2022	2021
IFRS reported net profit	366	2,460
Interest expense	199	243
Tax benefit	(118)	(483)
Depreciation	769	594
Amortisation	3,404	2,998
EBITDA	4,620	5,812

INTERIM MANAGEMENT REPORT (CONTINUED)

Cash

Cash balances were valued at €3.01 million on 30 June 2022 (31 December 2021: €9.23 million), however at the date of this report cash was valued at around €8.00 million, primarily due to an event that occurred after the 30 June 2022 (see note 19).

During the period, €3.66 million of cash was used to fund the acquisition of iC3D (see note 18) and inventory levels were increased by €1.25 million to mitigate electronic component supply issues.

Loan repayments of €0.22 million were made to Congra Software SARL, consisting of €0.10 million in principal repayments and €0.12 million of interest (see note 17).

The Group continues to generate sufficient cash to fund its day to day operational expenditure and capital expenditure on property, plant and equipment and has overdraft facilities available if required.

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 IFRS. 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:

In thousands of euros (unaudited)	For the six months ended 30 June	
	2022	2021
Reported operating profit	248	2,274
Add share-based remuneration expense	-	9
Deduct capitalised development expense	(2,152)	(1,493)
Add amortisation and impairment of capitalised development	870	632
Add amortisation of acquired intangible assets	2,493	2,362
Add other operating expenses	-	43
Deduct other income	(20)	-
Total adjustments to reported operating profit	1,191	1,553
Adjusted operating profit	1,439	3,827

Reported net profit is adjusted as follows:

In thousands of euros, except per share data in euro (unaudited)	For the six months ended 30 June	
	2022	2021
Reported profit after tax	366	2,460
Adjustments to operating result above	1,191	1,553
Tax effect of abovementioned adjustments	(599)	(495)
Total adjustments to reported net profit	592	1,058
Adjusted net profit	958	3,518

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties to the Group can be found on pages 26 to 32 of the Company's annual report for the year ended 31 December 2021.

For the remaining six months of this financial year, management's view of the principal risks are credit risk from trade receivables and the disruption to the supply of electronic components used in some of 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 most countries have eased lockdown measures the pressure on revenue should ease, however, if there are further lockdowns at the high levels previously experienced it could put further pressure on revenue.

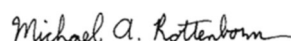
The Group does not have any operations in Ukraine and does not generate any revenue from either Russia or Ukraine, thus is not directly affected by the current situation. The political uncertainty from this situation is a concern for the board and it continues to monitor it closely. If the situation were to worsen and spread to other countries, there could be a negative impact on the demand for the Group's products and services, which could impact the Group's revenue and profitability.

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 unaudited 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,



Michael Rottenborn
Director

2030 Cambourne Business Park
Cambourne, CB23 6DW, UK
27 July 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
In thousands of euros (<i>unaudited</i>)	Note	2022	2021
Continuing operations			
Revenue	4	23,435	23,774
Cost of sales		(3,577)	(4,129)
Gross profit		19,858	19,645
Selling, general and administrative expenses		(13,700)	(13,287)
Research and development expenses		(5,930)	(4,041)
Other operating expenses		-	(43)
Other income		20	-
Operating profit		248	2,274
Finance income	5	4	398
Finance expenses	5	(203)	(243)
Net finance (expenses)/income		(199)	155
Foreign currency exchange gains/(losses)		199	(452)
Profit before tax		248	1,977
Tax benefit	9	118	483
Profit for the period		366	2,460
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		163	1,279
Other comprehensive income for the period, net of tax		163	1,279
Total comprehensive income attributable to equity holders		529	3,739
Earnings per share			
Basic earnings per share (euro)	16	0.01	0.08
Diluted earnings per share (euro)	16	0.01	0.08

The notes on pages 10 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	30 June 2022 (unaudited)	31 December 2021 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,844	1,662
Right-of-use assets	12	3,258	3,606
Other intangible assets	7	47,309	45,205
Goodwill	8	65,699	64,678
Financial assets		836	935
Deferred tax assets	9	2,135	2,236
Trade and other receivables due after more than one year	10	4,275	3,682
Total non-current assets		125,356	122,004
Current assets			
Inventories		3,558	2,308
Current tax assets		78	71
Trade and other receivables	10	14,049	10,915
Other current assets		442	297
Prepayments		1,842	1,684
Cash and cash equivalents		3,014	9,234
Total current assets		22,983	24,509
TOTAL ASSETS		148,339	146,513
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital	11	13,164	13,164
Share premium	11	1,979	1,979
Merger reserve	11	67,015	67,015
Treasury shares	11	(202)	(202)
Retained earnings		38,990	38,624
Foreign currency translation reserve		(10,466)	(10,629)
Total equity		110,480	109,951
Liabilities			
Deferred tax liabilities	9	9,940	9,646
Lease liabilities	12	2,806	3,060
Accrued liabilities		1,164	1,316
Other liabilities	13	6,757	7,407
Contract liabilities	4, 14	413	427
Total non-current liabilities		21,080	21,856
Current liabilities			
Current tax liabilities		652	821
Trade and other payables		3,055	1,931
Lease liabilities	12	777	761
Accrued liabilities		2,426	4,261
Other liabilities	13	3,646	3,767
Contract liabilities	4,14	6,223	3,165
Total current liabilities		16,779	14,706
Total liabilities		37,859	36,562
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		148,339	146,513

The notes on pages 10 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros (<i>unaudited</i>)	Note	Share capital	Share premium	Merger reserve	Treasury shares	Retained earnings	Foreign currency translation reserve	Total equity
Balance at 1 January 2021		4,734	1,979	-	(309)	33,891	(12,737)	27,558
Total comprehensive income								
Net profit for the period		-	-	-	-	2,460	-	2,460
Total other comprehensive income		-	-	-	-	-	1,279	1,279
Total comprehensive income		-	-	-	-	2,460	1,279	3,739
Transactions with owners								
Share-based payment transactions	15	-	-	-	107	(97)	-	10
Acquisition – newly issued shares		8,430	-	67,015	-	(70)	-	75,375
Total transactions with owners		8,430	-	67,015	107	(167)	-	75,385
Balance at 30 June 2021		13,164	1,979	67,015	(202)	36,184	(11,458)	106,682
Balance at 1 January 2022		13,164	1,979	67,015	(202)	38,624	(10,629)	109,951
Total comprehensive income								
Net profit for the period		-	-	-	-	366	-	366
Total other comprehensive income		-	-	-	-	-	163	163
Total comprehensive income		-	-	-	-	366	163	529
Balance at 30 June 2022		13,164	1,979	67,015	(202)	38,990	(10,466)	110,480

The notes on pages 10 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros (unaudited)	Note	For the six months ended 30 June	
		2022	2021
Cash flows from operating activities			
Net profit for the period		366	2,460
<i>Adjustments to reconcile net profit to net cash:</i>			
- Depreciation of property, plant, equipment and right-of-use assets	6,12	769	594
- Amortisation and impairment of other intangible assets	7	3,404	2,998
- Share-based remuneration expenses	15	-	9
- Net finance expense, net of loan forgiveness	5	199	243
- Net foreign currency exchange losses/(gains)		(199)	452
- Tax benefit		(118)	(483)
- Change in fair value of contingent consideration		(3)	-
- Other items		72	132
Total adjustments to net profit		4,124	3,945
<i>Change in operating assets and liabilities:</i>			
- Financial assets		99	(15)
- Inventories		(1,250)	(338)
- Trade and other receivables		(3,727)	(4,152)
- Other current assets		(145)	(153)
- Prepayments		(158)	(576)
- Trade and other payables		1,124	2,489
- Accrued liabilities		(1,987)	297
- Contract liabilities		3,044	3,589
Total change in operating assets and liabilities		(3,000)	1,141
Cash generated from operating activities		1,490	7,546
Interest received		4	-
Interest paid		(203)	(243)
Taxes paid		(358)	(122)
Net cash flow from operating activities		933	7,181
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	6	(547)	(370)
Capitalisation of development expenses	7	(2,152)	(1,493)
Deferred consideration received		500	2,000
Acquisition, net of cash acquired	18	(3,664)	2,142
Net cash flow from investing activities		(5,863)	2,279
Cash flows from financing activities			
Repayment against loans and borrowings	17	(100)	(1,675)
Contingent consideration paid		(715)	(492)
Principal payments on lease liabilities	12	(480)	(311)
Net cash flow used in financing activities		(1,295)	(2,478)
Net (decrease)/increase in cash		(6,225)	6,982
Cash and cash equivalents at 1 January		9,234	6,855
Effect of exchange rate fluctuations on cash held at 1 January		5	(225)
Cash and cash equivalents at 30 June		3,014	13,612

The notes on pages 10 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Hybrid Software Group PLC (formerly Global Graphics PLC) (the “Company”) and its subsidiaries (together the “Group”) is a leading developer of integrated software platforms on which our partners create solutions for digital printing, digital document and PDF applications. It is also a leading supplier of drive electronics for 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 unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (“IFRS”). 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 2021.

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 2021.

There are no new or amended interpretations or standards effective for the financial year commencing 1 January 2022 that have had a material impact on the Group.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Company’s board of directors on 27 July 2022.

Basis of measurement

These unaudited 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 4 of the Company’s annual report for the year ended 31 December 2021.

Functional and presentation currency

These unaudited 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 unaudited 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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 2021.

Going concern

On the date these unaudited condensed consolidated interim financial statements were approved, based on their review of cash flow projections prepared by management for the years ending 31 December 2022 and 2023, 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 €3.01 million as at 30 June 2022 (31 December 2021: €9.23 million), and the only committed, interest bearing debt is to the Company’s major shareholder.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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").

Due to the acquisition of HYBRID Software Group S.à r.l. during the year ended 31 December 2021, the names of the reportable segments have been changed.

The Group's segments are:

- Printing Software (previously named Software), for digital printing and colour management software;
- Printhead Solutions, for electronics and software developed for industrial inkjet printing;
- Enterprise Software, for enterprise workflow software used primarily for the production of labels & packaging (includes iC3D, see Note 18 'Acquisitions'); and
- Group (previously named Unallocated), for group related expenses that are not allocated to another segment.

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

The following tables provide information on revenue, profit, interest, depreciation and amortisation, tax and EBITDA as reported to the CODM for each of the Group's operating segments for the 6 months ended 30 June 2021 and 30 June 2022. 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. Group amounts relate to expenses incurred by the Group's parent company (Hybrid Software Group PLC) and exchange gains and losses that are not attributable to a particular operating segment.

Segment EBITDA is calculated by adding back interest, depreciation, amortisation and tax to segment operating profit/(loss) after tax.

Six months ended 30 June 2022:

In thousands of euros (unaudited)	Printing Software	Printhead Solutions	Enterprise Software	Group	Total
Revenue from external customers	8,498	3,609	11,328	-	23,435
Inter-segment revenue	124	-	71	-	195
Segment revenue	8,622	3,609	11,399	-	23,630
Segment operating profit/(loss) after tax	1,546	(111)	2,146	(1,321)	2,260
Included in the operating profit/(loss) are:					
Interest income	(4)	-	-	-	(4)
Interest expense	39	14	150	-	203
Depreciation and amortisation	1,049	265	366	-	1,680
Tax benefit	119	54	308	-	481
Segment EBITDA	2,749	222	2,970	(1,321)	4,620

Six months ended 30 June 2021:

In thousands of euros (unaudited)	Printing Software	Printhead Solutions	Enterprise Software	Group	Total
Revenue from external customers	5,171	8,225	10,378	-	23,774
Inter-segment revenue	479	-	47	-	526
Segment revenue	5,650	8,225	10,425	-	24,300
Segment operating profit/(loss) after tax	(685)	2,237	3,263	(519)	4,296
Included in the operating profit/(loss) are:					
Interest income	-	-	-	-	-
Interest expense	33	13	197	-	243
Depreciation and amortisation	855	117	258	-	1,230
Tax benefit	43	-	-	-	43
Segment EBITDA	246	2,367	3,718	(519)	5,812

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS (CONTINUED)

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

In thousands of euros (unaudited)	2022	2021
Segment total operating profit after tax	2,260	4,296
Amortisation of acquired intangible assets	(2,493)	(2,362)
Tax effect of above-mentioned items	599	526
Consolidated profit after tax	366	2,460

4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. 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 (see Note 3 'Operating Segments').

For the six months ending 30 June:

In thousands of euros (unaudited)	Printing Software		Printhead Solutions		Enterprise Software		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue type								
Licence royalties	6,731	3,831	393	469	6,910	6,177	14,034	10,477
Maintenance and after-sale support	1,112	839	34	40	2,247	2,572	3,393	3,451
Services	151	151	180	154	2,171	1,501	2,502	1,806
Printer hardware and consumables	468	321	-	-	-	39	468	360
Driver electronics	-	-	3,002	7,446	-	-	3,002	7,446
Other items	36	29	-	116	-	89	36	234
Total sales	8,498	5,171	3,609	8,225	11,328	10,378	23,435	23,774
Primary geographical markets								
United Kingdom	950	212	329	159	623	619	1,902	990
Europe, excluding United Kingdom	1,417	1,577	942	1,317	5,452	4,950	7,811	7,844
North America	5,444	2,659	1,192	1,405	4,592	4,332	11,228	8,396
Asia	687	723	1,146	5,344	661	477	2,494	6,544
Total sales	8,498	5,171	3,609	8,225	11,328	10,378	23,435	23,774
Timing of revenue recognition								
Recognised at a point in time	7,235	4,181	3,395	8,031	2,831	7,806	13,461	20,018
Recognised over time	1,263	990	214	194	8,497	2,572	9,974	3,756
Total sales	8,498	5,171	3,609	8,225	11,328	10,378	23,435	23,774

Revenue recognised over time is for performance obligations that are performed over time and include maintenance and after-sale support, some services and some licence royalties that are not perpetual licences. All other revenue is recognised at a point in time.

The ten largest customers represented 30.1% (2021: 39.5%) of the Group's revenue, the five largest customers represented 24.8% (2021: 33.4%) of the Group's revenue and the single largest customer represented 8.4% (2021: 18.0%) of the Group's revenue. There was no customer (2021: 1) during the year that represented 10% or more of total revenue (2021: 1 customer in the Printhead Solutions segment, totalled €6.74 million).

During the period a customer in the Printing Software segment exercised an option in their contract, which extended the term of the contract and resulted in €1.64 million of revenue being recognised in the period. There was no similar event in the prior period, resulting in a significant increase in revenue in that segment when compared to the prior period.

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 2022.

In thousands of euros (unaudited)	0 to 12 months	12 to 24 months	after 24 months	Total
After-sale support services	5,647	205	208	6,060
Product and consultancy	576	-	-	576
Total	6,223	205	208	6,636

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. FINANCE INCOME AND FINANCE EXPENSES

In thousands of euros (<i>unaudited</i>)	For the six months ended 30 June	
	2022	2021
Interest income	2	-
Finance income on net investment in leases	2	-
Total interest income	4	-
Forgiveness of government-backed COVID support loans in the United States	-	398
Total finance income	4	398
Interest expense	(2)	(17)
Interest expenses on loan from related undertaking (see note 17)	(124)	(160)
Lease liability interest (see note 12)	(77)	(66)
Total finance expenses	(203)	(243)
Net finance (expenses)/income	(199)	155

Net finance income, net of loan forgiveness of €nil (2021:€155,000) has been disclosed within cash generated from operating activities in the consolidated statement of cash flows.

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment*	Motor vehicles	Total
Cost					
At 31 December 2020	719	1,715	968	-	3,402
Additions	224	280	379	371	1,254
Additions – business combinations	26	36	118	187	367
Disposals	-	(170)	(27)	(75)	(272)
Effect of movement in exchange rates	56	122	77	-	255
At 31 December 2021 (<i>audited</i>)	1,025	1,983	1,515	483	5,006
Additions	25	140	126	256	547
Additions – business combinations (see note 18)	-	-	16	-	16
Disposals	-	(6)	(131)	-	(137)
Effect of movement in exchange rates	(22)	(29)	(39)	-	(90)
At 30 June 2022 (<i>unaudited</i>)	1,028	2,088	1,487	739	5,342
Accumulated depreciation					
At 31 December 2020	652	1,325	851	-	2,828
Charge for the year	61	235	191	83	570
Disposals	-	(169)	(27)	(65)	(261)
Effect of movement in exchange rates	49	92	66	-	207
At 31 December 2021 (<i>audited</i>)	762	1,483	1,081	18	3,344
Charge for the period	41	145	103	69	358
Disposals	-	(6)	(131)	-	(137)
Effect of movement in exchange rates	(18)	(27)	(22)	-	(67)
At 30 June 2022 (<i>unaudited</i>)	785	1,595	1,031	87	3,498
Net book value					
At 31 December 2021 (<i>audited</i>)	263	500	434	465	1,662
At 30 June 2022 (<i>unaudited</i>)	243	493	456	652	1,844

* Office equipment, office furniture and other items columns have been combined in the year ended 31 December 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer relationships	Patents	Trade-marks	Know-how	Driver electronics	Total
Cost							
At 31 December 2020	40,314	13,710	2,689	575	764	3,055	61,107
Additions – purchased	77	-	-	-	-	-	77
Additions – internally developed	2,963	-	-	-	-	433	3,396
Additions – business combinations	36,701	6,758	-	-	210	-	43,669
Effect of movement in exchange rates	3,034	1,008	190	42	58	224	4,556
At 31 December 2021 (audited)	83,089	21,476	2,879	617	1,032	3,712	112,805
Additions – internally developed	1,771	-	-	-	-	381	2,152
Additions – business combinations (see note 18)	2,442	294	-	-	377	-	3,113
Effect of movement in exchange rates	(687)	(307)	(70)	(15)	30	(100)	(1,149)
At 30 June 2022 (unaudited)	86,615	21,463	2,809	602	1,439	3,993	116,921
At 31 December 2020	37,633	13,530	2,537	575	764	2,494	57,533
Charge for the year	4,289	807	10	-	35	648	5,789
Effect of movement in exchange rates	2,796	996	188	42	58	198	4,278
At 31 December 2021 (audited)	44,718	15,333	2,735	617	857	3,340	67,600
Charge for the period	2,674	447	5	-	182	96	3,404
Effect of movement in exchange rates	(912)	(331)	(67)	(15)	17	(84)	(1,392)
At 30 June 2022 (unaudited)	46,480	15,449	2,673	602	1,056	3,352	69,612
Net book value							
At 31 December 2021 (audited)	38,371	6,143	144	-	175	372	45,205
At 30 June 2022 (unaudited)	40,135	6,014	136	-	383	641	47,309

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. OTHER INTANGIBLE ASSETS (CONTINUED)

Intangible assets that are subject to amortisation are reviewed annually for indicators of impairment or whenever events or changes in accounting estimates indicate that the carrying amount may not be recoverable. If an indicator of impairment is identified, a full impairment review is performed with the calculations being based on the discounted cash flows over the remaining period of amortisation of the capitalised development expense and use the same discount rate and exchange rates that were used for the impairment review of Goodwill (see Note 8 'Goodwill'). These intangible assets are also allocated to a CGU containing goodwill and are tested annually for impairment as part of the goodwill impairment review (see Note 8 'Goodwill').

There was no significant change during the period to the calculations and assumptions used at 31 December 2021 to identify any requirement to impair any of these intangible assets. It was concluded that there were no indicators of impairment and no impairment was required for the six months ended 30 June 2022 (2020: €nil).

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 2022 (unaudited)	31 December 2021 (audited)
Cloudflow	10.5 to 11.5 years	18,038	18,555
ColorLogic	2.5 to 9.3 years	2,794	2,909
EDL	1.6 years	499	483
Harlequin RIP	1.8 years	1,424	1,304
iC3D	10 to 12 years	2,578	-
Other software	0.7 to 1.3 years	179	166
Packz	10.5 to 11.5 years	13,036	13,412
Xitron	1.5 to 2.3 years	1,587	1,542
Total software technology		40,135	38,371
Customer relationships	2.3 to 10.5 years	6,014	6,143
Patents	12.4 years	136	144
Know-how	0.5 to 1.5 years	383	175
Driver electronics	1.7 to 4.75 years	641	372

8. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 31 December 2020	15,978
Additions – business combinations	53,576
Effect of movement in exchange rates	1,175
At 31 December 2021 (audited)	70,729
Additions – business combinations (see note 18)	1,079
Effect of movement in exchange rates	(204)
At 30 June 2022 (unaudited)	71,604
Accumulated amortisation or impairment	
At 31 December 2020	5,638
Effect of movement in exchange rates	413
At 31 December 2021 (audited)	6,051
Effect of movement in exchange rates	(146)
At 30 June 2022 (unaudited)	5,905
Net book value	
At 31 December 2021 (audited)	64,678
At 30 June 2022 (unaudited)	65,699

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. GOODWILL (CONTINUED)

The Group is required to test annually, or more frequently if facts and circumstances justify a review, if 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 2022 against the forecast used for the impairment review at 31 December 2021, it was concluded that there were no indicators of impairment and no impairment was required for the six months ended 30 June 2022 (2021: €nil).

Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. The CGUs identified were Global Graphics Software, Meteor Inkjet, Xitron, HYBRID Software and ColorLogic. The goodwill recognised as a result of the acquisition of iC3D (see Note 18 'Acquisition') has been included within the HYBRID Software CGU.

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

In thousands of euros	30 June 2022 (unaudited)	31 December 2021 (audited)
Global Graphics Software	6,898	7,052
Meteor Inkjet	2,253	2,310
Xitron	1,893	1,740
HYBRID Software	53,453	52,374
ColorLogic	1,202	1,202
Total goodwill	65,699	64,678

9. TAX

Corporation tax

Analysis of the tax benefit in the period:

In thousands of euros (unaudited)	For the six months ended 30 June	
	2022	2021
Current tax		
Expense during the period	(349)	(12)
Total current tax expense	(349)	(12)
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	(132)	(31)
Arising from the amortisation of acquired intangibles	599	526
Total deferred tax benefit	467	495
Total tax benefit	118	483

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	30 June 2022 (unaudited)	31 December 2021 (audited)
Deferred tax assets		
Capital allowances	1,504	1,529
Unused tax losses	1,227	1,227
Total recognised deferred tax assets before set-off	2,731	2,756
Set-off of tax	(596)	(520)
Net deferred tax assets	2,135	2,236
Deferred tax liabilities		
Capitalised development expenses	697	571
As a result of intangible assets arising from business combinations	9,839	9,595
Total recognised deferred tax liabilities	10,536	10,166
Set-off of tax	(596)	(520)
Net deferred tax liabilities	9,940	9,646

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. On 24 May 2021 the UK tax rate increase from 19% to 25% from 1 April 2023 was substantively enacted. This will have a consequential effect on the group's future tax charge, but no estimates of the potential effect have been made.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. TAX (CONTINUED)

Deferred tax (continued)

The deferred tax asset at 30 June 2022 has been calculated based on the rates expected to be in force at the time of utilisation. The deferred tax liability at 30 June 2022 has been recognised as a result of acquisitions in different tax jurisdictions at the rates prevailing in those jurisdictions. The rates range from 17% to 30%.

10. TRADE AND OTHER RECEIVABLES

In thousands of euros	30 June 2022 (unaudited)	31 December 2021 (audited)
Trade receivables	9,463	7,050
Accrued revenue	9,045	7,181
Deferred consideration receivable	-	500
Allowance for doubtful debts	(184)	(134)
Total trade and other receivables	18,324	14,597

In thousands of euros	30 June 2022 (unaudited)	31 December 2021 (audited)
Current	14,049	10,915
Non-current	4,275	3,682
Total trade and other receivables	18,324	14,597

Under some licensing arrangements, the Group recognises revenue at the commencement of the contract and payments become due during the term of the agreement.

11. CAPITAL AND RESERVES

Ordinary shares of €0.40 allotted, called up and fully paid:

In thousands of euros, except number of shares	For the six months ended 30 June 2022 (unaudited)		For the year ended 31 December 2021 (audited)	
	Number	Value	Number	Value
At the start of the period	32,909,737	13,164	11,835,707	4,734
Issued in business combination	-	-	21,074,030	8,430
At the end of the period	32,909,737	13,164	32,909,737	13,164

Share premium:

In thousands of euros	30 June 2022 (unaudited)	31 December 2021 (audited)
At the end of the period	1,979	1,979

Merger reserve:

In thousands of euros	30 June 2022 (unaudited)	31 December 2021 (audited)
At the end of the period	67,015	67,015

Treasury shares:

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 2022 (unaudited)		For the year ended 31 December 2021 (audited)	
	Number	Value	Number	Value
At the start of the period	73,996	202	112,996	309
Disbursement of shares to employees	-	-	(39,000)	(107)
At the end of the period	73,996	202	73,996	202

12. LEASES

Group as lessee

The Group leases office facilities and motor vehicles. The office leases typically run for a period of 6 years with an option to renew the lease at the end of the term and motor vehicle leases typically run for 3 years. Lease payments are agreed at the inception of the lease and at any subsequent renewal.

Right-of-use assets

In thousands of euros	Land and buildings	Motor vehicles	Total
Balance at 31 December 2020	1,279	-	1,279
Additions	90	114	204
Additions – business combinations	1,303	119	1,422
Remeasurements	1,438	-	1,438
Depreciation charge for the year	(718)	(106)	(824)
Effect of movement in exchange rates	77	10	87
Balance at 31 December 2021 (audited)	3,469	137	3,606
Remeasurements	59	-	59
Depreciation charge for the period	(364)	(47)	(411)
Effect of movement in exchange rates	3	1	4
Balance at 30 June 2022 (unaudited)	3,167	91	3,258

These right-of-use assets are depreciated on a straight-line basis over the remaining term of the rental agreement. As at the date of these financial statements, the remaining terms range from 2 months to 7.5 years. Remeasurements are the result of an extension to the term of an existing lease.

Lease liabilities

In thousands of euros	30 June 2022 (unaudited)	31 December 2021 (audited)
Current	777	761
Non-current	2,806	3,060
Total lease liabilities	3,583	3,821

It is expected that as a lease matures it will either be extended or replaced by a new lease on similar terms. There are no variable lease payments, all lease payments are for fixed amounts agreed at the outset of the lease.

Amounts recognised in the Consolidated Statement of Comprehensive Income:

In thousands of euros (unaudited)	For the six months ended 30 June	
	2022	2021
Interest on lease liabilities	77	66
Expenses relating to short-term leases	43	23
Total amount recognised in profit or loss	120	89

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. The Group has elected to apply the recognition exemption under paragraph 5 of IFRS 16 and recognise the associated payments in profit or loss. The short-term leases are leases for office space with a duration of 12 months or less.

Cash out flow for leases:

In thousands of euros (unaudited)	For the six months ended 30 June	
	2022	2021
Lease liability interest	77	66
Principal payments	480	311
Total cash outflow for leases	557	377

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. LEASES (CONTINUED)

Group as lessor – finance leases

The Group has cancellable leases, as intermediate lessor, of motor vehicles. The terms of these leases vary. The following amounts are recognised in the Consolidated Statement of Comprehensive Income:

	For the six months ended 30 June	
In thousands of euros (unaudited)	2022	2021
Income received from subleasing right-of-use assets	24	-
Finance income on net investment in leases	(2)	-
Total amount recognised in profit or loss	22	-

	30 June 2022 (unaudited)	31 December 2021 (audited)
In thousands of euros		
Current	51	25
Non-current	73	22
Total finance lease receivable	124	47

13. OTHER LIABILITIES

Financial liabilities measured at fair value.

	30 June 2022 (unaudited)	31 December 2021 (audited)
In thousands of euros		
Contingent consideration	700	1,434
Deferred consideration	1,187	1,157
Other liabilities	216	183
Unsecured loan from related party	8,300	8,400
Total other liabilities	10,403	11,174

	30 June 2022 (unaudited)	31 December 2021 (audited)
In thousands of euros		
Current	3,646	3,767
Non-current	6,757	7,407
Total other liabilities	10,403	11,174

Contingent consideration is the balance of the amount that is expected to be paid for the 2016 acquisition of TTP Meteor Ltd (now Meteor Inkjet Ltd).

Deferred consideration primarily relates to the 2021 acquisition of ColorLogic GmbH.

An unsecured loan has been granted by Congra Software S.à r.l. ("Congra") to HYBRID Software Group S.à r.l.. During the year, payments totalling €224,000 have been made to Congra in respect of the loan. €100,000 has been paid as a repayment against the principal and €124,000 has been paid for interest. Interest is calculated and payable at a fixed rate of 3% per annum on the outstanding balance and, as per the loan agreement, capital repayments of €2,800,000 are payable per annum. The balance of the loan outstanding at 30 June 2022 was €8,300,000.

14. CONTRACT LIABILITIES

	30 June 2022 (unaudited)	31 December 2021 (audited)
In thousands of euros		
Customer advances	576	1,617
Deferred revenue	6,060	1,975
Total contract liabilities	6,636	3,592

	30 June 2022 (unaudited)	31 December 2021 (audited)
In thousands of euros		
Current	6,223	3,165
Non-current	413	427
Total contract liabilities	6,636	3,592

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. Movements in the balance are driven by individual contracts and are not expected to necessarily be consistent year on year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. SHARE BASED PAYMENTS

Share option plan (unaudited)

No new options have been granted since 31 December 2021 and there are no share options outstanding as at 30 June 2022.

Free shares (unaudited)

No free shares have been awarded since 31 December 2021.

Share-based payment expense (unaudited)

For the six months ended 30 June 2022, the Group has recognised €nil (2021: €9,000) of share-based payment expense in these financial statements in relation to free shares previously issued.

16. 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. At the period end, those share options where the exercise price is less than the average market price of the Company's ordinary shares were the only dilutive potential ordinary shares.

In thousands of euros unless otherwise stated (unaudited)	As at 30 June	
	2022	2021
Weighted average number of shares (basic), in thousands of shares	32,836	31,524
Add the effect of dilutive potential ordinary shares, in thousands of shares	-	-
Weighted average number of shares (diluted), in thousands of shares	32,836	31,524
Profit attributable to ordinary shareholders	366	2,460
Basic earnings per share, in euros	0.01	0.08
Diluted earnings per share, in euros	0.01	0.08

17. RELATED PARTY TRANSACTIONS

The controlling party is Congra Software S.à r.l. ("Congra"), which owns the majority of the voting rights of the Company. Congra is controlled by Powergraph BV ("Powergraph") and Powergraph BV is controlled by the Group's chairman, Guido Van der Schueren. Congra and Powergraph do not produce consolidated financial statements that are publicly available.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Remuneration of key management personnel

A service agreement between HYBRID Software Development NV and Powergraph BV provides an arrangement for the remuneration of Guido Van der Schueren.

Michael Rottenborn and Graeme Huttley have employment contracts with Global Graphics Software that entitles them to salary, bonus and other benefits in addition to the board fees.

Congra

An unsecured loan has been granted by Congra to HYBRID Software Group S.à r.l. ("HYBRID"). During the period, payments totalling €224,000 have been made to Congra in respect of the loan. €100,000 has been paid as a repayment against the principal and €124,000 has been paid for interest. Interest is calculated and payable at a fixed rate of 3% per annum on the outstanding balance and, as per the loan agreement, capital repayments of €2,800,000 are payable per annum. The balance of the loan outstanding at 30 June 2022 was €8,300,000.

Additionally, Congra recharges some minor expenses to HYBRID and HYBRID was liable for some additional consideration that was payable in respect of a transfer of intangible assets prior to joining the Group. The minor expenses totalled €8,000 and the additional consideration was €nil. At 30 June 2022, €nil was owed to Congra in respect of these items.

Powergraph

In accordance with the aforementioned service agreement for Guido Van der Schueren, a total of €216,000 was paid during the period by HYBRID to Powergraph and €270,000 was payable to Powergraph as at 30 June 2022.

Other related parties

Powergraph and Congra have interests in other businesses. During the year, HYBRID Software NV made sales of €34,000 to those entities and at 30 June 2022 €62,000 was owed to HYBRID Software NV by them, all of which is considered as recoverable in full.

18. ACQUISITION

Acquisition of iC3D

On 12 March 2022, the Group acquired the trade and assets of Creative Edge Software LLC ("iC3D") from Creative Edge Software LLC ("Creative").

3D and additive manufacturing applications are one of the Group's fastest-growing market segments for printhead drive electronics and software, but visualisation of packaging designs in 3D was a gap in our technology portfolio. The acquisition of iC3D strengthens our 3D offering and closes the loop between the design of high-end labels and packaging and industrial print manufacturing. We already have an integration of iC3D in our PACKZ and CLOUDFLOW software with a substantial installed base of users that have licensed the iC3D option and we look forward to broader integration of iC3D in our Digital Front Ends (DFEs) and other software products.

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

The acquisition date fair value of the consideration was made up of:

In thousands of euros	
Cash, paid on closing	3,664
Working capital adjustment, cash receivable	(234)
Total consideration	3,430

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	Book value	Fair value adjustment	Total
Property, plant and equipment (see note 6)	16	-	16
Other intangible assets (see note 7)	-	3,113	3,113
Deferred tax liabilities	-	(778)	(778)
Total identifiable net assets acquired	16	2,335	2,351

The intangible assets recognised have been valued as follows:

Intangible asset	Valuation method
Technology	The average of the present value of cashflows from operating activities in relation to owned technology over a 10 year period (using a post-tax discount rate of 15.40%, a forecasted profit level, an assumption that revenue will grow during the valuation period and there will be a churn of recurring revenue over the forecast period).
Customer relationships	The present value of cashflows from operating activities in relation to customer relationships existing at acquisition date for the remaining terms of the agreements, using a post-tax discount rate of 15.40% and a forecasted profit level.

Goodwill was recognised as a result of the acquisition as follows:

In thousands of euros	
Total consideration payable	3,430
Fair value of identifiable net assets	(2,351)
Total Goodwill (see note 8)	1,079

The goodwill represents the ability to develop new technology, opportunities expected from access to potential new customers, any value of intangible assets into perpetuity over their limited useful lives and the assembled workforce that does not meet separate recognition criteria. None of the goodwill recognised is expected to be deductible for tax purposes.

19. SUBSEQUENT EVENTS

On 25 July 2022 the Group completed the sale of a range of IPv4 addresses that were no longer in use. The pre-tax proceeds after commissions were €3.27 million, which has been received in full as of the date of this interim report and will be recognised as Other Income in the 31 December 2022 consolidated statement of comprehensive income.

COUNTRY OF INCORPORATION: England and Wales

LEGAL FORM: Public limited company

COMPANY NUMBER: 10872426

DIRECTORS

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SHARES ISIN: GB00BYN5BY03

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LAWYERS: Mills & Reeve LLP, Botanic House, 100 Hills Road, Cambridge, CB2 1AR

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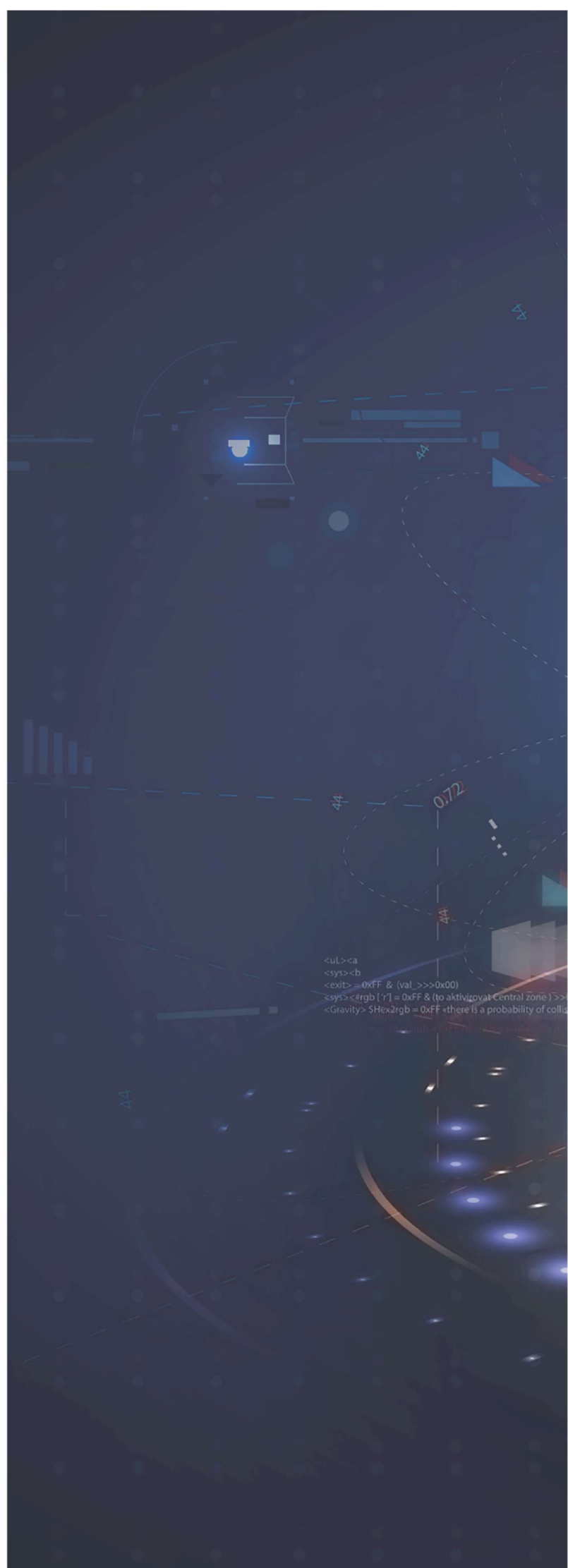
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