



Interim Report 2009

website: www.maticasystem.com

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DIRECTORS AND ADVISERS

DIRECTORS

Sandro Camilleri, Chief Executive Officer
Gary Holland, Executive Chairman
Veraje Anjargolian, Executive Vice President
Christopher Henry Bruce Honeyborne, Non-Executive Director
Lukas Franz Metzler, Non-Executive Director

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Unaudited Interim Results for the Six Months ended 30 June 2009

Matica, the international supplier of card personalization and card mailing systems, announces its unaudited interim results for the six months ended 30 June 2009.

HIGHLIGHTS

- Revenues for the six months to 30 June 2009 decreased by 43% to €4.3 million (H1 2008: €7.5 million)
- Pre tax loss of €0.9 million (H1 2008: pre tax profit of €0.5 million)
- Significant new contract wins in Middle East totaling €0.5 million
- Successful acquisition of 100% of Matica Americas; this investment has provided the Company with a platform to establish closer relationships with our end users, customers and dealers in America
- Veraje Anjargolian appointed as Executive Director and Chief Operating Officer

Chief Executive Officer’s Statement

Since 2008, when our Company recorded a strong growth in both revenues and profits, trading conditions for the first half of 2009 have deteriorated significantly due to the global financial crisis which first impacted the Group in late 2008.

As a result, we have seen a general slowdown in all regions of the world in which we operate, as banks, financial institutions and retailers have reduced the amount of equipment they are purchasing and the amount they are investing further in new technologies. This has contributed to the Company’s revenue decreasing by 43% in comparison to the same period in 2008.

To combat the difficult trading conditions currently being experienced, we have cut our operating costs by 12% compared with the same period last year. At the same time, the Company has decided to continue to stock raw materials. This is to ensure that there will be finished products ready for shipping once the market conditions improve.

Since the end of May, we have seen signs of economic improvement around the world and this has translated into improvements in Matica’s business and the level of incoming orders has started to pick up: this enhancement can be seen in the significant new contract won in Middle East, that enabled the Company to total €0,5 million. This, coupled with the benefit of the operational cuts, may see an improved performance in the second half of the year.

In the first half of 2009, the Company continued to invest considerable resources in its research and development facilities. As a result, the Company is in the process of launching important new modules and machines which will complete our product range and strengthen our recovery in the coming months.

On 26 March 2009, Matica announced that it had acquired the 50% equity stake in Matica Americas LLC (“Matica Americas”) which it did not previously own. Following the completion of the acquisition, Matica Americas became Matica’s 100% owned operating subsidiary for the America market. This is an important step in our commercial strategy since the US market represents the largest market for the card industry worldwide. We believe that this investment will accelerate the Company’s growth in the region as the US economy recovers.

Matica’s ambition is to be a leader in the card personalization and card mailing systems industry. We believe that Matica is now the second largest embossing machine manufacturer in the world. This is an important achievement and one that will help us continue to build our distribution network worldwide.

During the period under review, Matica has also strengthened its management team by appointing a number of well regarded individuals in the card sector. These people will play key roles across the Group’s businesses to help the Company grow further.

While demand for our products in the first 6 months of the year has been heavily impacted by the financial crisis and the slowdown in the worldwide economy, the long term prospects for the market for using plastic cards for ID, security, banking and loyalty programs remains encouraging. The sector dynamics remain compelling and this has been particularly driven by the continued growth in the use of ID cards associated with concerns over security and safety worldwide.

We continue to target the financial services and EMV (Europay Mastercard Visa) sector as there is an increasing trend for companies in the sector to decentralize their card manufacturing requirements, enabling cards to be produced locally and therefore more rapidly and securely. In addition, we are focusing our products on the government sector that is growing due to concerns over security and safety. Matica’s machines provide a complete service and enable those leading producers to issue credit and debit cards, loyalty and membership cards as well as the packaging for delivery.

The Company provides a complete range of products, from ID Printers to High-Speed Systems, and is one of only two suppliers worldwide who are able to do so. The operations of Digicard (acquired in 2006) have been fully integrated with our Italian facilities, which has broadened our product offering. We are dedicated to continuously improving our technology through research and development to provide our customers with the best in class machinery in order to further strengthen our competitive edge.

Our business model is to work with dealers and distributors around the world and we have a long established network of trusted and accredited distributors which we will continue to grow in order to increase our worldwide commercial presence.

Financial Review

For the six months ended 30 June 2009, the Group experienced a 43% decrease in revenues to €4.3 million (H1 2008: €7.5 million) and a negative EBITDA of €0.4 million (H1 2008: positive EBITDA of €1.1 million).

The Group reduced the overall cost base of the business, with group operating costs decreasing by 12% to €2.4 million (2008: €2.8 million).

The loss before tax was €0.9 million compared to a profit before tax of €0.5 million in the same period in 2008. The loss after tax was €1 million (H1 2008, profit €0.3 million). Both basic and diluted loss per share is €0.098 (H1 2008, earning per share of €0.028). Cash and cash equivalents decreased by 67% from €1.4 million to €0.5 million.

The Company, on 31st March 2009, entered into a loan facility with Banca Intermobiliare (the “Bank”) for a 5 year loan facility of €1,750,000 (the “Loan”). Under the terms of the facility agreement the Company invested €1,000,000 in an AAA BEI Europe Bank bond. The Company’s first repayment for the Loan is due in September 2010 with interest payable quarterly from that date at a rate of 2% above Euribor.

Corporate matters

We have continued to strengthen our high quality industry team as we continue to expand globally. In January 2009 we appointed Veraje Anjargolian as an Executive Director and in June he was appointed as our Chief Operating Officer. Veraje brings to Matica extensive experience of the card industry and a proven track record in developing rapidly growing businesses with Zebra Card Technology.

Outlook

We will continue to focus on markets where there is rapid growth such as emerging markets and seek to expand our global presence through distributors and direct selling to end-users. Market conditions, since May 2009, have been improving and we are confident that we will benefit from the better general economical climate and increasing concerns over security. In addition the Company will keep its options open regarding future funding in order to grow the Company further.

Sandro Camilleri

Chief Executive Officer

UNAUDITED CONSOLIDATED INCOME STATEMENT

	6 months to 30 June 2009	6 months to 30 June 2008	12 months to 31 December 2008
	€'000	€'000	€'000
Revenue	4,258	7,530	14,610
Raw materials and consumables used	(2,142)	(3,654)	(6,923)
Gross profit	2,116	3,876	7,687
Other operating income	11	32	132
Staff costs	(1,578)	(1,402)	(2,870)
Other operating expenses	(929)	(1,400)	(2,645)
Depreciation and amortisation	(357)	(538)	(995)
Profit / (loss) from operations	(737)	568	1,309
Loss from joint venture	(112)	-	(129)
Finance costs	(65)	(70)	(123)
Investment revenues	12	12	22
Profit / (loss) before tax	(902)	510	1,079
Income tax	(72)	(223)	(652)
Profit/(loss) for the period	(974)	287	427
Earning / (Loss) per Share			
Basic	(€0.098)	€0,029	€0,042
Fully Diluted	(€0.098)	€0,028	€0,039

UNAUDITED CONSOLIDATED BALANCE SHEET

	6 months to 30 June 2009	6 months to 30 June 2008	12 months to 31 December 2008
	€'000	€'000	€'000
Non - current assets			
Goodwill	5,530	5,018	5,018
Intangible fixed assets	4,243	3,876	4,127
Property plant and equipment	307	389	333
Deferred tax receivables	78	226	153
Investments	1,002	25	35
Total non-current assets	<u>11,160</u>	<u>9,524</u>	<u>9,666</u>
Current assets			
Inventory	2,880	2,404	3,239
Trade and other receivables	2,733	3,554	2,233
Cash and cash equivalents	453	1,383	1,387
Total current assets	<u>6,066</u>	<u>7,341</u>	<u>6,859</u>
Current liabilities			
Financial Liabilities - Borrowings	1,158	867	649
Trade and other payables	3,664	4,718	4,448
Corporation tax liabilities	15	214	-
Total current liabilities	<u>4,837</u>	<u>5,799</u>	<u>5,097</u>
Net current assets/(liabilities)	1,229	1,542	1,762
Non-current liabilities			
Financial liabilities - borrowings	3,160	1,726	1,726
Deferred tax liabilities	512	238	501
Other non current liabilities	520	-	-
Total non-current liabilities	<u>4,192</u>	<u>1,964</u>	<u>2,227</u>
Net assets	<u>8,197</u>	<u>9,112</u>	<u>9,201</u>
Equity			
Share capital	744	744	744
Share premium account	3,362	3,362	3,362
Merger reserve	6,586	6,586	6,586
Other reserves	166	212	198
Retained losses	(2,663)	(1,718)	(1,689)
Capital and reserves attributable to:			
Equity holders of the Company	8,195	9,112	9,201
Minority interest	2	-	-
	<u>8,197</u>	<u>9,112</u>	<u>9,201</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	6 months to 30 June 2009 €'000	6 months to 30 June 2008 €'000	12 months to 31 December 2008 €'000
Income from operations	(737)	544	1,309
<i>Adjustments for:</i>			
Depreciation and writedowns	60	65	128
Amortisation	296	473	867
Gain on disposal of property, plant and equipment	(1)	-	(1)
Share based payments	43	34	69
(Increase)/Decrease in trade and other receivables	(500)	(1,563)	(217)
Decrease / (Increase) in inventory	359	55	(780)
(Decrease) / Increase in trade and other payables	(862)	83	(145)
Taxes repaid / (paid)	29	-	(349)
Net cash inflow / (outflow) from operating activities	(1,313)	(309)	881
Investing activities			
Additions to tangible fixed assets	(6)	(39)	(57)
Additions to intangible fixed assets	(408)	(276)	(908)
Acquisition of subsidiary net of cash acquired	(20)	-	-
Investment in joint venture	-	-	(164)
Investment in bond security for loan finance	(1,002)	-	-
Disposal of tangible fixed assets	2	-	12
Interest received	12	36	22
Net cash used in investment activities	(1,422)	(279)	(1,095)
Financing activities			
Minority investment in subsidiary	2	-	-
Increase / (Decrease) in short term financings	494	695	(707)
Increase in long term financings	1,750	-	1,500
Repayment of long term financings	(301)	(96)	(412)
Interest paid	(65)	(70)	(123)
Net cash from financing	1,880	529	258
Net increase in cash and cash equivalents	(855)	(59)	44
Effect of foreign exchange rate changes	(79)	(14)	(113)
Cash and cash equivalents at beginning of the year	1,387	1,456	1,456
Cash and cash equivalents at the end of the year	453	1,383	(1,387)

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium	Merger reserve	Other reserves	Retained earnings	Minority Interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31 December 2007	744	3,362	6,586	192	(2,079)	-	8,805
<i>Changes in equity for the period to 30 June 2008</i>							
Profit for the period	-	-	-	-	287	-	287
Exchange rate translation adjustment	-	-	-	(14)	-	-	(14)
Total recognized income and expense for the period	-	-	-	(14)	287	-	273
Cost of share based payments	-	-	-	34	-	-	34
Balance at 30 June 2008	744	3,362	6,586	212	(1,792)	-	9,112
Balance at 31 December 2008	744	3,362	6,586	198	(1,689)	-	9,201
<i>Changes in equity for the period to 30 June 2009</i>							
Loss for the period	-	-	-	-	(974)	-	(974)
Exchange rate translation adjustment	-	-	-	(75)	-	-	(75)
Total recognized income and expense for the period	-	-	-	(75)	(974)	-	(1,049)
Cost of share based payments	-	-	-	43	-	-	43
Minority investment in subsidiary	-	-	-	-	-	2	2
Balance at 30 June 2009	744	3,362	6,586	166	(2,663)	2	8,197

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

Except as detailed below, the financial information for the six months has been prepared on the basis of the accounting policies set out in the full annual accounts of the Group for the year ended 31 December 2008, accordingly, the interim financial information in this report has been prepared using accounting policies consistent with International Financial Reporting Standards. As is currently permissible under the rules of the AIM market, this report does not comply with the full requirements of IAS 34: “Interim Financial Reporting”.

2 Segmental analysis

The Group currently operates in one business segment namely the design manufacture and marketing of card personalization systems and card mailing systems for customers around the world in a range of industries. This is the primary reporting segment for the Group, and as a result no additional segment information is required to be provided. The Group’s secondary segment is geographic. The segment results by geographic region are shown below:

	6 months to 30 June 2009	6 months to 30 June 2008	12 months to 31 December 2008
	€'000	€'000	€'000
<i>Sales revenue by destination</i>			
Europe	1,799	3,413	6,830
Middle East and Africa	1,721	2,797	4,510
Asia Pacific	399	500	996
Americas	339	820	2,274
	4,258	7,530	14,610
<i>Operating (loss)/profit by location</i>			
Europe	(767)	554	1,323
Asia	(1)	(10)	(14)
Americas	(81)	-	-
	(849)	544	1,309

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued*
3 Earnings per share

	6 months to 30 June 2009	6 months to 30 June 2008	12 months to 31 December 2008
Basic earnings per share	(€0.098)	€0.029	€0.042
Diluted earnings per share	(€0.098)	€0.028	€0.039
<i>Earnings</i>	€'000	€'000	€'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders	(974)	287	427
<i>Number of shares</i>	Number	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share:	10,062,816	10,062,816	10,062,816
Potential dilutive effect of share option schemes	-	54,361	907,856
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share:	10,062,816	10,117,177	10,970,672

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to outstanding share options.

As the group had negative earnings for the six months to 30 June 2009 the number of shares used for the calculation of diluted earnings per share is the same as that used for basic earnings per share.

4 Taxation

	6 months to 30 June 2009	6 months to 30 June 2008	12 months to 31 December 2008
	€'000	€'000	€'000
Current tax	19	214	352
Deferred tax	53	9	300
Total tax expense for the period	72	223	652

The taxation charge for the six months to 30 June 2009 is at a rate which is anticipated will be applicable for the whole year.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued***5 Matica Americas**

As from 31 March 2009, Matica Plc acquired full control of Matica Americas LLC (“Matica Americas”). In consideration Matica has agreed to pay to the US partner, who was joint owner of Matica Americas, up to US\$ 800.000 over the next 10 years.

In respect of the 6 months to 30 June 2009 Matica has fully consolidated the results of Matica Americas with effect from 31 March 2009. For the 3 months to 31 March 2009 Matica Americas has been treated as a joint venture investment and Matica’s share of the loss for the period has been shown as a separate line on the Income Statement.

6 Results

The results for the half years ended 30 June 2009 and 30 June 2008 are neither audited nor reviewed and do not constitute statutory accounts within the meaning of section 240 of the Companies Acts 1985 as amended. The results for the year ended 31 December 2008 have been extracted from the statutory accounts for that period, which have been delivered to the Registrar of Companies and on which the Auditors gave an unqualified report.