




Interim Report 2008

website: www.maticasystem.com

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- A large, stylized logo is positioned in the background. It features a large, light pink letter 'O' at the top, and a large, light blue letter 'M' below it. The 'M' is composed of two overlapping 'M' shapes, one slightly offset to the right and down from the other, creating a sense of depth or a double 'M' effect.

DIRECTORS AND ADVISERS

DIRECTORS

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

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REGISTERED OFFICE

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18 September 2008

Unaudited Interim Results for the Six Months ended 30 June 2008

Matica, the international supplier of card personalization and card mailing systems, announces its interim results for the six months ended 30 June 2008.

HIGHLIGHTS

- Revenues for the six months to June 2008 increase by 11% to € 7.6 million (2007: € 6.8 million).
- Pre tax profit € 0.5 million (2007: loss of € 0.2 million).
- EBITDA up 385% to € 1.1 million.
- Significant new contract wins worth over € 1 million from Spain, Poland and Ukraine.
- Increased global presence through strengthening our international distribution network and successfully extending our global customer base.
- Established a Joint Venture in US 'Matica Americas'.
- Gary Holland appointed as Chairman of the Board and Veraje Anjargolian appointed as Non-Executive Director. Steve Blake appointed as CEO of Matica Americas.
- Matica is now the second largest card issuing machine manufacturer in the world, providing a complete range of products.



Chief Executive Officer's Statement

I am very pleased to present our interim results for the six months ended 30 June 2008. Following a period of consolidation in 2007, the Company has made substantial operational progress, expanding its presence in new markets, increasing its direct and indirect sales channels and capitalising on the investments made in developing its extensive product range. As a result, the Company recorded strong revenue and profit growth for the period.

At the time of the admission to AIM in April 2007, Matica set out its ambition to become 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 to continue to build our distribution network worldwide. During 2008, the Company has made significant progress most recently through the establishment of a US joint venture which is expected to accelerate Matica's access to this substantial marketplace. Matica has also significantly strengthened the management team through the appointment of some of the industries most well regarded figures to key roles across the business.

Overall, the market for using plastic cards for ID, security, banking and loyalty programs remains encouraging. Demand is to some extent being impacted by a general slow down in the worldwide economy but the sector dynamics remain compelling. The market is being driven by the continued growth in the use of credit and debit cards, together with concerns over security and safety worldwide.

The Company provides a complete range of products and is only one of two suppliers worldwide to do so. This was achieved following the successful acquisition of Digicard and Fractalos in 2007, both of which significantly strengthened our product offering, technical know-how and brought together a first class engineering team. Our technically advanced and industry leading machines are acquired by a broad range of sectors including financial services, card manufacturing producers, large multinational corporations, retailers and SMEs. Our clients needs are continuously evolving and we are therefore dedicated to improve our technology through research and development to provide our customers with the best in class machinery in order to maintain our competitive edge.

Matica has successfully secured a number of key contracts with financial services companies and card production companies worldwide. We continue to target the financial services sector as there is an increasing trend for these companies to decentralise their card manufacturing requirements, enabling cards to be produced locally and therefore more rapidly and securely. Our new client wins with financial services companies include Eurobank, and a major retail bank headquartered in Latin America. We also secured contracts with both Gemalto and Oberthur, the worldwide leaders in security printing and card personalization with our mid range systems. These 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.

We have a long established network of trusted and accredited distributors which we will continue to grow in order to increase our worldwide presence. In May and June, we were pleased to announce contracts together worth over €1 million in Spain and Poland to supply several hundred machines.

Since the period end, we established Matica Americas as a 50:50 JV with a US partner. This is a significant milestone for the Company in the worlds largest card personalisation market where demand remains robust. The new operation which opened in July 2008 will provide complete sales, parts, supplies and customer support to its end-user customers and distributors. Importantly, Matica Americas provides the Company with a central location as it expands its presence in the US, Canada and Latin America. Since July the Company has announced its first three distribution partners in the US which are CanCard, Data Technology Systems and Identisys Inc.



Financial Review

For the six months ended 30 June 2008, the Company recorded an 11% increase in revenues to € 7.6 million (2007: € 6.8 million). Reflecting our success in reducing the overall cost base of the business, group operating costs decreased by 22 % to € 1.9 million (2007: € 2.4 million) which led to a pre-tax profit of € 0.5 million (2007: Loss before tax € 0.1 million). The Company believes it is able to maintain the current level of profit margin following the actions taking over the last year to significantly streamline our operations.

The Company recorded a 385% increase in earning before interests, taxes, depreciation and amortization (EBITDA) to € 1.1 million (2007: € 0.2 million).

It is the Board's intention to pay dividends at the appropriate time in the future, however the Board do not intend, at this stage in the company's development, to recommend payment of a dividend. Surplus funds will be used to further grow the business.

Corporate matters

We have built up an unrivalled industry team which will bring invaluable experience and knowledge as we continue to expand globally. In January 2008, we appointed Gary Holland as Chairman of the Board, and since the period end, we appointed Veraje Anjargolian as a Non-Executive Director, and Steve Blake as CEO of Matica Americas. Veraje brings to Matica extensive experience of the card industry and a proven track record in developing rapidly growing businesses with Zebra Card Technology. Similarly, Steve has over 25 years of experience in the card and transaction industry having worked with leading card personalisation companies including Datacard, Identisys, Laminex and Fargo Electronics.

Outlook

Matica has made substantial progress during the period and is well-positioned to exploit the demand for card personalisation machines. 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 are improving and we are confident we will benefit from the growth in personalised cards and increased concerns over security. We have a strong order book for the remainder of the current financial year and beyond. Consequently the Board remains optimistic about the Company's trading outlook going forward.

Sandro Camilleri
Chief Executive Officer



UNAUDITED CONSOLIDATED INCOME STATEMENT

	6 months to 30 June 2008 €'000	6 months to 30 June 2007 €'000	12 months to 31 December 2007 €'000
Revenue	7,530	6,833	12,975
Raw materials and consumables used	(3,654)	(3,317)	(6,735)
Gross profit	3,876	3,516	6,240
Other operating income	83	18	36
Staff costs	(1,004)	(903)	(2,005)
Other operating expenses	(1,873)	(2,408)	(4,364)
Depreciation and amortisation	(538)	(247)	(1,159)
Profit / (loss) from operations	544	(24)	(1,252)
Finance costs	(95)	(127)	(178)
Investment revenues	61	22	51
Profit / (loss) before tax	510	(129)	(1,379)
Income tax	(223)	(116)	(410)
Profit/(loss) for the period	287	(245)	(1,789)
Profit / (loss) attributable to:			
Equity holders of the Company	287	(245)	(1,789)
	287	(245)	(1,789)
Earning / (Loss) per Share			
Basic	€0.029	(€0.032)	(€0.203)
Fully Diluted	€0.028	(€0.032)	(€0.203)



UNAUDITED CONSOLIDATED BALANCE SHEET

	6 months to 30 June 2008	Restated 6 months to 30 June 2007	12 months to 31 December 2007
	€'000	€'000	€'000
Non - current assets			
Goodwill	5,018	5,018	5,018
Intangible fixed assets	3,876	4,204	4,073
Property plant and equipment	389	448	415
Deferred tax receivables	226	179	256
Total non-current assets	<u>9,509</u>	<u>9,849</u>	<u>9,762</u>
Current assets			
Inventory	2,404	2,277	2,459
Trade and other receivables	3,579	5,331	2,016
Cash and cash equivalents	1,383	2,007	1,456
Total current assets	<u>7,366</u>	<u>9,615</u>	<u>5,931</u>
Current liabilities			
Financial Liabilities - Borrowings	2,017	1,514	1,322
Trade and other payables	4,718	6,480	4,593
Corporation tax liabilities	214	333	-
Total current liabilities	<u>6,949</u>	<u>8,327</u>	<u>5,915</u>
Net current assets/(liabilities)	417	1,288	16
Non-current liabilities			
Financial liabilities - borrowings	576	768	672
Deferred tax liabilities	238	-	301
Total non-current liabilities	<u>814</u>	<u>768</u>	<u>973</u>
Net assets	<u>9,112</u>	<u>10,369</u>	<u>8,805</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	212	408	192
Retained losses	(1,792)	(731)	(2,079)
	<u>9,112</u>	<u>10,369</u>	<u>8,805</u>



UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	6 months to 30 June 2008 €'000	6 months to 30 June 2007 €'000	12 months to 31 December 2007 €'000
Income from operations	544	(24)	(1,252)
<i>Adjustments for:</i>			
Depreciation and writedowns	65	128	200
Amortization	473	119	959
Share based payment	34	30	31
(Increase) / decrease in trade receivables and other receivables	(1,563)	(166)	3,148
Decrease / (increase) in inventory	55	(339)	(521)
Increase / (decrease) in trade and other payables	83	(769)	(2,616)
Cash used in operations	(309)	(1,021)	(51)
Taxes paid	-	-	(451)
Net cash outflow from operating activities	(309)	(1,021)	(502)
Investing activities			
Additions to tangible fixed assets	(39)	(29)	(76)
Additions to intangible fixed assets	(276)	(282)	(1,393)
Disposal of tangible fixed assets	-	32	21
Disposal of intangible fixed assets	-	-	414
Interest received	36	22	51
Net cash used in investment activities	(279)	(257)	(983)
Financing activities			
Proceeds from share issues	-	2,043	2,043
Increase / (Decrease) in short term financings	695	235	(152)
Increase in long term financings	-	768	960
Repayment of long term financings	(96)	-	(93)
Interest paid	(70)	(127)	(178)
Net cash from financing	529	2,919	2,580
Net (decrease)/ increase in cash and cash equivalents	(59)	1,641	1,095
Effect of foreign exchange rate changes	(14)	-	(5)
Cash and cash equivalents at beginning of the year	1,456	366	366
Cash and cash equivalents at the end of the year	1,383	2,007	1,456



UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium	Merger reserve	Other reserves	Retained earnings	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31 December 2006	3,478	3,513	-	120	(244)	6,867
<i>Changes in equity for the period to 30 June 2007</i>						
Loss for the period	-	-	-	-	(245)	(245)
Exchange rate translation adjustment	-	-	-	16	-	16
Total recognized income and expense for the period	-	-	-	16	(245)	(229)
Cost of share based payments	-	-	-	30	-	30
Transfer to other reserves	-	-	-	242	(242)	-
Reclassification of share capital and reserves on acquisition by Matica plc	(3,389)	(3,513)	119	-	-	(6,783)
Acquisition of Matica Swiss	405	-	6,467	-	-	6,872
Acquisition of Matica Asia	98	1,561	-	-	-	1,659
IPO Share issue	152	1,801	-	-	-	1,953
Balance at 30 June 2007	744	3,362	6,586	408	(731)	10,369
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 recognised 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



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 2007. 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 2008	6 months to 30 June 2007	12 months to 31 December 2007
	€'000	€'000	€'000
<i>Sales revenue by destination</i>			
Europe	3,413	1,903	7,954
Middle East and Africa	2,797	4,056	3,264
Asia Pacific	500	463	1,066
Americas	820	411	691
	7,530	6,833	12,975
<i>Operating (loss)/profit by location</i>			
Europe	554	(2)	(1,216)
Asia	(10)	(22)	(36)
	544	(24)	(1,252)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued*

3 Earning per share

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
Basic earnings per share	€0.029	(€0.032)	(€0.203)
Diluted earnings per share	€0.028	(€0.032)	(€0.203)
Earnings	€'000	€'000	€'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders	287	(245)	(1,789)
Number of shares	Number	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share:	10,062,816	7,588,107	8,825,461
Potential dilutive effect of share option schemes	54,361	-	-
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share:	10,117,177	7,588,107	8,825,461

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 year to 31 December 2007 the number of shares used for the calculation of diluted earnings per share is the same as that used for basic earnings per share.

The weighted average number of shares for the 6 months to 30 June 2007 excludes those held by Matica Plc shareholders prior to the reverse acquisition, but instead includes the shares issued to the shareholders of Matica Swiss in consideration for the ordinary share capital of that company.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued***4 Taxation**

	6 months to 30 June 2008 €'000	6 months to 30 June 2007 €'000	12 months to 31 December 2007 €'000
Current tax	214	299	381
Deferred tax	9	(184)	29
Total tax expense for the period	223	116	410

The taxation charge for the six months to 30 June 2008 is at a rate which is anticipated will be applicable for the whole year.

5 Share Options

On 25 June 2008 the options granted in April 2007 to the executive directors and key management of the Group were cancelled and new options were awarded over a total of 1,249,372 shares, exercisable in equal tranches after 1 year, 2 years and 3 years at a price of €0.512 (£0.405) per share, dependent on the group achieving certain earnings per share targets for the years 2008, 2009 and 2010.

A share-based payment charge of €34,000 has been recognised in the profit and loss account for the six months in respect of these options and the options granted to the non-executive directors in 2007.

6 Matica Americas

On 16 July 2008 Matica announced the establishment of Matica Americas LLC. Matica Americas has been formed as a 50-50 joint venture between Matica and a U.S. partner. The new operation, opened in July, will provide a complete sales, services, parts, supplies and customer support, from its new Eden Prairie, Minnesota location.

Under the terms of the joint venture agreement, both Matica and the US partner are committed to capital contributions to the joint venture of up to \$1,500,000 which is payable in monthly installments over three years. Matica Americas is owned by Matica Swiss, a 100% controlled company of Matica PLC.

7 Results

The results for the half years ended 30 June 2008 and 30 June 2007 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 2007 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.