

Spectra Systems Corporation
Interim Results for the Six Months Ended 30 June 2022

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Spectra Systems Corporation (the “Company”), a leader in machine-readable high speed banknote authentication, brand protection technologies, and gaming security software, is pleased to announce its interim results for the six months ended 30 June 2022.

Financial highlights:

- Revenue of \$9,265k (2021: \$8,023k) up 15%
- Adjusted EBITDA¹ up 8% at \$3,818k (2021: \$3,522k)
- Adjusted PBTA¹ up 8% to \$3,669k (2021: \$3,383k)
- Adjusted earnings² per share down 7% to US \$6.2 cents (2021: US \$6.7 cents)
- Cash generated from operations of \$7,245k (2021: \$4,464k)
- Annual 2021 dividend of US\$0.11 per share (\$5,004k in aggregate) paid in June 2022
- Strong, debt-free balance sheet, with cash³ of \$17,961k (2021: \$12,851k) at 30 June
- Buy-back of 350,000 shares in the period

¹ Before stock compensation expense and excludes noncontrolling interest

² Before amortization and stock compensation expense, excludes noncontrolling interest and fewer remaining tax credits

³ Does not include \$500,000 (2021: \$1,099k) of restricted cash and investments

Operational highlights:

- Increased total central bank sensor revenue with additional contract enhancements (amendments) for increased sensor testing and more flexibility with sorter integration
- Began a funded development to mitigate supply chain impacts in raw materials with a central bank customer
- Successfully completed a second gravure test of TruBrand™ with a major cigarette supplier in China
- Executed an agreement with a strategic partner for dairy and transit licences in India
- Rollout of our Fusion™ machine readable polymer substrate at the Banknote 2022 conference
- Sale of our first Banknote Disinfection System to an Asian central bank

- Achieved a nearly three-fold increase in sales revenue for K-cup optical materials through a second large customer
- Provided polymer substrate samples to a Middle Eastern central bank with a second set being delivered in H2 of 2022
- Expanded the lottery business into Canada with a new contract award and renewed a long-term US customer contract

Commenting on the results, Nabil Lawandy, Chief Executive Officer, said:

"The Company's first half revenues and earnings are up substantially from the six months ended June 30, 2021 and in line with the Board's upward revised expectations for H1. Our cash position has greatly increased due to sensor development prepayments, additional sales, and release of part of the restricted cash associated with the last sensor deployment.

We have obtained new business from a long-standing central bank customer which supports our position as the technology leader for the highest-level security requirements. During 2022 the Company has been granted additional contract enhancements (amendments) which have increased the value of the sensor development work to \$14.4MM for this customer. Based on the current program timeline, we continue to plan around a late 2024 delivery for the first order of sensors with the total value of all units after delivery being approximately \$50m with additional ongoing service revenues.

Spectra Systems, with our proven track record of developing solutions for our customers in record time, has capitalized on the environment that was created by the Covid-19 pandemic. While other companies complained that they could not source materials and electronics components we took the approach of solving the problems for our customers. Our efforts on this front have been two-fold:

- We have initiated a program with a central bank customer to shore up the supply chain for taggants by manufacturing in-house a previously commercially sourced chemical. This effort will result in development payments and an ongoing price increase for our high-performance consumables; and
- We developed the world's largest capacity, and shortest process time, banknote disinfection machine and sold our first unit to an Asian central bank.

On the optical materials front, we have significantly grown revenue from K-cup printers and have had successful TruBrand™ gravure print trials with a second major cigarette supplier in China. In addition, we are commencing a new testing program with a large Japanese label supplier, and have executed a supply agreement with a strategic partner in India for dairy products and transit vouchers.

Finally, our gaming software operation continues to make steady progress towards completion of our new Integrity product which will result in a more compelling sales proposition as well as a reduction in support costs going forward. Completion of the new Premier Integrity product is expected to be in late 2023.

"The Board therefore believes that the Company is on track to achieve record earnings and meet market expectations for the full year."

Spectra Systems Corporation
Dr. Nabil Lawandy, Chief Executive Officer

Tel: +1 (0)401 274 4700

WH Ireland Limited (Nominated Adviser and Joint Broker)

Tel: +44 (0)20 7220 1650

Chris Fielding (Head of Corporate Finance)

Allenby Capital Limited (Joint Broker)

Nick Naylor/James Reeve (Corporate Finance)

Amrit Nahal (Sales and Corporate Broking)

Tel: +44 (0)20 3328 5665

Chief Executive Officer's statement

Introduction

Already in 2022, we have upgraded market expectations twice and are now significantly outperforming H1 2021 results while our cash position is the highest in the company's history and nearly at the IPO closing levels.

Revenue was up 15% at \$9,265k (2021: \$8,023k) for the first half of the year. The increased revenues in the first half are derived principally from pre-production development contracts as well as larger demand for our materials to meet increased banknote demands of one of our existing central bank customers.

As a result of the increased revenue, adjusted EBITDA (before stock compensation expense) for the half year increased 8%, to \$3,818k compared to the prior year of \$3,552k.

Having generated cash from operations of \$7,245k (2021: \$4,464k), cash at the period end amounted to \$17,961k (2021: \$12,851k), excluding \$500,000 of restricted cash and investments (2021: \$1,099k). This is notwithstanding \$5,004k paid to shareholders during June in the form of the Company's dividend of \$0.11 per share and \$570k used for buying back 350,000 shares.

-

Review of Operations

Physical and Software Authentication Business

The Authentication Systems business generated revenue of \$8,565k (2021: \$7,103k) and Adjusted EBITDA of \$3,878k (2021: \$3,470k). Authentication Systems revenues are driven by sales of covert materials and their associated equipment and service, optical and security phosphour materials and licence payments from our licensee. The increased revenue is due to a combination of sizable materials orders and increased sensor development funding from our long-standing central bank customer, as well as increased optical materials sales. The increase in development funding as well as the central bank lowering our performance bond has also significantly increased our cash position. We continue to move forward with this central bank towards the delivery of the first sensors in late 2024.

Through our vertically integrated manufacturing we have been able to produce high quality conducting and opacified polymer substrate for evaluation by central banks, ink suppliers and printing organizations. We have produced a large number of custom designed sheets for a Middle Eastern central bank print trial which has resulted in a request for a second set of substrate sheets to be delivered in 2022 for further evaluation. In addition, the Company has formed a close working relationship with the largest commercial printer of polymer banknotes and is developing a house note which will incorporate both our Fusion™ machine readable security as well as their newest public security feature. The Directors understand that the result of this joint development will produce polymer banknotes of the highest quality for a joint marketing effort.

We are increasing our sales and marketing efforts for Fusion™ as well as our suite of banknote products and are taking full advantage of the availability of experienced individuals, as well as equipment, which have become available since the closing of the Portals Overton facility.

With the TruBrand™ authentication product having been successfully introduced into the Chinese tobacco market with over 6 million packs with our smartphone authentication in retail stores in 2019, we have completed two successful gravure tests with another large supplier of cigarettes in China. Although these successful trials resulted in a binding agreement with this supplier, progress has been stalled by recent political tensions between the USA and China. We continue to expand our search for new TruBrand™ customers outside of China, including a major Japanese printer, a partnership with a company in India

bidding on authentication of both dairy products as well as transit certificates, and tax stamps in a European country.

In addition, we are in an evaluation phase aimed at increasing the customer base for the other authentication technology we acquired several years ago with a printer for a well-respected French luxury brand to help protect their products sold in China. The Company also expects to fill orders in H2 for over a hundred handheld readers for use in authentication tax stamps produced by a large banknote printer.

Our K-cup materials business has grown significantly after a new customer began purchasing our products in H2 of 2021. Revenues for the full year 2022 are expected to be nearly three times higher than 2021. Through an internal development effort, we have achieved a significant cost reduction for manufacturing the covert materials, further boosting our margins on this product.

On the software security side of the Company's business, the Secure Transactions Group, formed around two gaming technology acquisitions made in 2012, generated an Adjusted EBITDA of (\$60K) (2021: \$112k) on revenue of \$700k (2021: \$920k). The H1 results are in line with expectations as we continue development of a new software platform with heavy staffing costs depressing EBITDA. While this development continues, we are focusing on the online lottery sector which grew during the pandemic through a partnership with NextGen Lotteries.

Banknote Cleaning and Disinfection Business

We have sold our first Banknote Disinfection System (BDS) for use by an Asian central bank. The unit will be installed in H2 and the terms included a 30% up-front payment as well as a follow-on service agreement. As this system is scalable from 250,000 notes to over five million notes in a single cycle of one hour, we have the ability to accommodate a large spread of potential customer requirements. With this first unit sold, we are ramping up our sales and marketing process to other central banks as well as the casino industry.

Solaris BioSciences Investment Asset

In December 2020, the Company made an investment in Solaris BioSciences, whose results are consolidated by the Company. The technology is entirely optical and has three major target opportunities which are all focused on extremely low volumes of biofluids: blood plasma viscosity for inflammation, milk viscosity for dysphagia in newborns, and protein markers for cancer survivors to track metastasis. The combined market opportunity for a two-minute, microliter sample volume (pinprick) tests are believed to be well over £1 billion per annum in consumables.

During H1, Solaris BioSciences Holdings was formed as a UK company and has obtained EIS status with HMRC. Solaris has also engaged W H Ireland to undertake a private equity financing which is currently underway.

Corporate Governance

Spectra Systems is an AIM listed company and has always tried to abide by best practices as advised by both our bankers as well as our shareholders. Recently ISS has issued certain recommendations regarding board composition, committee assignments, and option grants.

Our board has comprised the same Directors since our listing with the exception of the addition of Mr. Jeremy Fry (UK based) who replaced Mr. Martin Jaskel after his untimely passing away. In order to add a new dimension to the board, we are actively recruiting a new board member. We have identified a candidate and are working through the regulatory approval process.

With the addition of this new board member, Dr. Nabil Lawandy will be able to exit the Audit Committee assignment as there will be a suitable replacement to share the burden of committee assignments.

With regards to Director option grants, the Company has adopted a new policy which will allow new Directors to receive a one-time option grant upon joining the board of directors. Going forward, no Directors will be issued new options beyond the ones received at joining the board. This is a compromise position relative to USA standards and ISS recommendations that Directors hold no options.

Strategy

The Company's strategy for increasing revenue and earnings continues to be focused on selling more products to existing customers as well as opening new sales channels for the full spectrum of our product offering. We have had very good success in upselling existing central bank customers and commercially exploiting supply chain and pandemic related issues as part of our strategy. Examples of these successes are the expansion of sensor capabilities for exotic counterfeits, the development and first sale of a banknote disinfection machine, and the commencement of a program with our customer to deal with supply chain issues now and going forward.

Our strategy for growing our newest and potentially transformative technology for polymer banknotes is based on validation, followed by commemorative banknote contract and then a full banknote denomination contract. The validation is focused on three major stakeholders in the polymer banknote industry: the ink manufacturers, the commercial printers, and the state printworks. Our primary targets are central banks which are currently using paper substrates and are contemplating a transition to polymer as well as central banks who have decided not to use polymer for higher denominations due to security concerns.

With regards to our optical materials and brand authentication products, we continue to propose to both central banks and overt security suppliers the concept of upgrading such features to incorporate public and machine-readable security. The strategy behind this approach is based around partnering with current contract holders who can benefit from our technology and materials to upsell their existing customers. This approach is being implemented with TruBrand™ as well as with our gaming software business where we have partnered with online lottery suppliers to mutually benefit from the combination of capabilities at a compelling price point.

Finally, we are exploring possible mergers and acquisitions which can immediately open doors to implement our upselling strategy and expand our customer base. The exploration of such opportunities has always been in the background but is now becoming more viable at larger scales as we expect to have significant cash resources through the successful delivery of the major central bank sensor contract.

Prospects

The Company continues to have a multitude of new short-term and long-term prospects. The short-term opportunities are expected in the 2022-2024 period and the long-term opportunities are expected in the 2025–2030-time frame.

The near-term opportunities are:

- A new supply chain impact mitigation contract with a central bank
- Increase in taggant pricing with a central bank customer
- Completion of sensor development and revenue recognition of the remaining \$7.7m of sensor development payments
- New online Quality Control system contract

- First sensor shipments to a central bank
- TruBrand™ revenue reaching \$1m per annum levels
- Sale of additional Banknote Disinfection Systems
- Increased sales of our newest phosphour products
- Expansion of our gaming software business in Canada and other non-USA customers and in the online lottery market

The longer-term opportunities are:

- A commemorative note series using our Fusion polymer substrate
- Supply of upgraded sensors worth up to \$50MM in hardware to a central bank customer
- Supply of Fusion™ polymer substrate and sensors to a central bank for a banknote denomination
- Significantly increased adoption of covert authentication materials by a current or new central bank customer

The combination of these prospects, both short and long-term, has positioned the Company to continue its revenue and earnings growth over the coming years. We continue to develop cutting edge technologies to remain the technology leader in the authentication industry and to offer our shareholders growth through innovation for both new and existing customers.

Nabil M. Lawandy
Chief Executive Officer
September 12, 2022

**Consolidated statements of income
for the half year ended 30 June 2022**

	Half Year to 30 Jun 2022	Half Year to 30 Jun 2021	Full Year to 31 Dec 2021
Note	Unaudited USD '000	Unaudited USD '000	Audited USD '000
Revenues			
Product	\$ 5,488	\$ 4,607	\$ 9,281
Service	2,907	2,548	5,524
License and royalty	870	868	1,787
Total revenues	<u>9,265</u>	<u>8,023</u>	<u>16,592</u>
Cost of sales	<u>3,145</u>	<u>2,578</u>	<u>6,069</u>
Gross profit	6,120	5,445	10,523
Operating expenses			
Research and development	837	755	1,399
General and administrative	1,481	1,433	2,743
Sales and marketing	478	230	471
Total operating expenses	<u>2,796</u>	<u>2,418</u>	<u>4,613</u>
Operating profit	3,324	3,027	5,910
Interest and other income	8	29	40
Loss on sale of equipment	-	(19)	(19)
Foreign currency gain(loss)	3	(3)	12
Profit before taxes	3,335	3,034	5,943
Income tax expense	<u>707</u>	<u>157</u>	<u>878</u>
Net income	2,628	2,877	5,065
Net loss attributable to noncontrolling interest	<u>22</u>	<u>71</u>	<u>98</u>
Net income attributable to Spectra Systems Corporation	<u>\$ 2,650</u>	<u>\$ 2,948</u>	<u>\$ 5,163</u>
Earnings per share			
Basic	\$ 0.06	\$ 0.06	\$ 0.11
Diluted	\$ 0.06	\$ 0.06	\$ 0.11

All of the Group's operations are continuing

**Consolidated statements of comprehensive income
for the half year ended 30 June 2022**

	Half Year to 30 Jun 2022 Unaudited <u>USD '000</u>	Half Year to 30 Jun 2021 Unaudited <u>USD '000</u>	Full Year to 31 Dec 2021 Audited <u>USD '000</u>
Net income	\$ 2,628	\$ 2,877	\$ 5,065
Other comprehensive income (loss)			
Unrealized gain (loss) on currency exchange	1	(6)	10
Reclassification for realized (gain) loss in net income	<u>(3)</u>	<u>3</u>	<u>(12)</u>
Total other comprehensive loss	<u>(2)</u>	<u>(3)</u>	<u>(2)</u>
Comprehensive income	2,626	2,874	5,063
Net loss attributable to noncontrolling interest	<u>22</u>	<u>71</u>	<u>98</u>
Comprehensive income attributable to Spectra Systems Corporation	\$ 2,648	\$ 2,945	\$ 5,161

**Consolidated balance sheets
as of 30 June 2022**

	As of 30 Jun 2022 Unaudited USD '000	As of 30 Jun 2021 Unaudited USD '000	As of 31 Dec 2021 Audited USD '000
Current assets			
Cash and cash equivalents	\$ 17,961	\$ 12,851	\$ 16,775
Trade receivables, net of allowance	1,384	1,870	2,242
Unbilled and other receivables	527	478	630
Inventory	2,192	2,737	1,944
Prepaid expenses	1,272	327	299
Total current assets	<u>23,336</u>	<u>18,263</u>	<u>21,889</u>
Non-current assets			
Property, plant and equipment, net	1,617	1,557	1,439
Operating lease right of use assets, net	828	1,045	972
Intangible assets, net	7,057	7,178	7,161
Restricted cash and investments	500	1,099	500
Deferred tax assets	530	1,400	1,080
Other assets	105	118	111
Total non-current assets	<u>10,637</u>	<u>12,397</u>	<u>11,263</u>
Total assets	<u>\$ 33,973</u>	<u>\$ 30,660</u>	<u>\$ 33,152</u>
Current liabilities			
Accounts payable	\$ 664	\$ 681	\$ 490
Accrued expenses and other liabilities	465	446	512
Operating lease liabilities, short term	289	267	286
Taxes payable	49	28	262
Deferred revenue	1,898	2,066	2,184
Total current liabilities	<u>3,365</u>	<u>3,488</u>	<u>3,734</u>
Non-current liabilities			
Operating lease liabilities, long term	595	827	739
Deferred revenue	4,968	650	758
Total non-current liabilities	<u>5,563</u>	<u>1,477</u>	<u>1,497</u>
Total liabilities	<u>8,928</u>	<u>4,965</u>	<u>5,231</u>
Stockholders' equity			
Common stock	451	453	453
Additional paid in capital – common stock	53,336	53,795	53,833
Accumulated other comprehensive loss	(138)	(137)	(137)
Accumulated deficit	(29,224)	(29,085)	(26,870)
Total Spectra Systems Corporation stockholders' equity	<u>24,425</u>	<u>25,026</u>	<u>27,279</u>
Noncontrolling interest	620	669	642
Total stockholders' equity	<u>25,045</u>	<u>25,695</u>	<u>27,921</u>
Total liabilities and stockholders' equity	<u>\$ 33,973</u>	<u>\$ 30,660</u>	<u>\$ 33,152</u>

**Consolidated statements of cash flows
for the half year ended 30 June 2022**

	Half Year to 30 Jun 2022 Unaudited USD '000	Half Year to 30 Jun 2021 Unaudited USD '000	Full Year to 31 Dec 2021 Audited USD '000
Cash flows from operating activities			
Net income	\$ 2,628	\$ 2,877	\$ 5,065
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	418	398	831
Stock based compensation expense	65	33	71
Lease amortization expense	142	137	274
Deferred taxes	550	-	320
Provision for excess and obsolete inventory	-	-	494
Loss on sale of equipment	-	19	19
<i>Changes in operating assets and liabilities</i>			
Accounts receivables	861	719	346
Unbilled and other receivables	102	(1)	(153)
Inventory	(248)	57	356
Prepaid expenses	(974)	(53)	(25)
Accounts payable	175	146	(44)
Operating leases	(140)	(132)	(265)
Accrued expenses and other liabilities	(262)	(230)	71
Deferred revenue	3,928	494	724
Net cash provided by operating activities	7,245	4,464	8,084
Cash flows from investing activities			
Restricted cash and investments	-	-	599
Payment of patent and trademark costs	(147)	(223)	(471)
Proceeds from sale of equipment	-	36	36
Purchases of property, plant and equipment	(338)	(32)	(76)
Net cash provided by (used in) investing activities	(485)	(219)	88
Cash flows from financing activities			
Dividends paid	(5,004)	(4,302)	(4,302)
Repurchase of shares	(570)	(1,170)	(1,170)
Proceeds from exercise of stock options	6	37	38
Net cash used in financing activities	(5,568)	(5,435)	(5,434)
Effect of exchange rate on cash and cash equivalents	(6)	3	(1)
Net increase(decrease) in cash and cash equivalents	(1,186)	(1,187)	2,737
Cash and cash equivalents, beginning of period	16,775	14,038	14,038
Cash and cash equivalents, end of period	\$ 17,961	\$ 12,851	\$ 16,775

Notes to financial information

1. Basis of preparation

This report was approved by the Directors on the 9th of September 2022.

This financial information has been prepared using the recognition and measurement principles of US Generally Accepted Accounting Principles (GAAP). The Group has not elected to apply IAS 34 Interim Financial Reporting.

The principal accounting policies used in preparing the interim results are those the Company expects to apply in its financial statements for the year ending 31 December 2022 and are unchanged from those disclosed in the Company's Annual Report for the year ended 31 December 2021.

The results for the half year are unaudited. The financial information for the year ended 31 December 2021 does not constitute the full statutory accounts for that period. The Annual Report and financial statements for the year ended 31 December 2021 have been filed with the Registrar of Companies. The Independent Auditors' Report on the financial statements for the year ended 31 December 2021 was unmodified and did not draw attention to any matters by way of emphasis.

2. Earnings per share

The calculation of basic earnings per share is based on the net income divided by the weighted average number of common shares outstanding. Diluted earnings per share is calculated by considering the dilutive impact of common stock equivalents under the treasury stock method as if they were converted into common stock as of the beginning of the period or as of the date of grant, if later. Excluded from the calculation of diluted earnings per common share for the six months ended June 30, 2022 and the year ended December 31, 2021 were 159,845 and 125,425 shares related to stock options, respectively, because their exercise prices would render them anti-dilutive. For the six months ended June 30, 2021, 118,740 were excluded from the calculation of diluted earnings per common share. The following table shows the calculation of basic and diluted earnings per common share.

	<u>Half Year to 30 Jun 2022</u>	<u>Half Year to 30 Jun 2021</u>	<u>Full Year to 31 Dec 2021</u>
Numerator:			
Net income	\$ 2,650,000	\$ 2,948,000	\$ 5,162,830
Denominator:			
Weighted average common shares	45,569,258	45,415,199	45,353,550
Effect of dilutive securities:			
Stock Options	<u>2,233,298</u>	<u>2,662,613</u>	<u>2,385,480</u>
Diluted weighted average common shares	<u>47,802,556</u>	<u>48,077,812</u>	<u>47,739,030</u>
Earnings per common share:			
Basic:	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.11</u>
Diluted:	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.11</u>

3. Investment in affiliates and other entities

During the course of business, the Company enters into various types of investment arrangements. The Company determines whether such investments involve variable interest entities (VIEs). If the entity is determined to be a VIE, then management determines if the Company is the primary beneficiary of the entity and whether or not consolidation of the VIE is required. The primary beneficiary consolidating the VIE

must normally have both (i) the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, in either case that could potentially be significant to the VIE. When the Company is deemed to be the primary beneficiary, the VIE is consolidated and the other party's equity interest in the VIE is accounted for as a noncontrolling interest.

On December 10, 2020, the Company invested \$702,000 in Solaris BioSciences ("Solaris") and increased its equity interest from 4.79% to 48.65% on an as converted basis. A noncontrolling interest is attributable to the 51.35% of Solaris not owned by the Company. Prior to the investment, the Chief Executive Officer of Spectra owned 84.54% of Solaris which declined to 46.01% after the transaction. As part of the transaction, the Company committed to provide \$100,000 of services at cost to Solaris, of which \$93,558 were provided during the six months ended June 30, 2021. In addition, the Company will provide nominal accounting support to Solaris and allow Solaris use of optical table space and facilities at Spectra. In accordance with Delaware law, the transaction was (a) unanimously approved by all three of Spectra's non-executive Directors and (b) specially approved by a majority-in-interest of the disinterested stockholders of Solaris. In addition, going forward Spectra's shares in Solaris will be voted as directed by Spectra's non-executive Directors. The Chief Executive Officer of Solaris is also the Chief Executive Officer of Spectra.

The Company has concluded that Solaris is a VIE and the Company is the primary beneficiary. The Company has consolidated the accounts of Solaris as of December 10, 2020. The aggregate carrying value of Solaris' assets and liabilities after elimination of any intercompany transactions and balances in the consolidated balance sheets were as follows:

	As of 30 Jun 2022 Unaudited USD '000	As of 30 Jun 2021 Unaudited USD '000	As of 31 Dec 2021 Audited USD '000
Assets			
Cash	\$ 101	\$ 218	\$ 150
Property, plant and equipment, net	7	8	8
Intangible assets, net	56	8	40
Total Assets	<u>164</u>	<u>234</u>	<u>197</u>
Liabilities			
Accounts payable	-	10	21
Accrued expenses and other liabilities	-	8	-
Total liabilities	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 21</u>

4. Copies of this statement are available to the public on the Company's website at <http://www.spsy.com>.

Appendix – Reconciliation of Non-GAAP measures

The Company publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. Reconciliations to the GAAP measures are shown in the following tables:

	Half Year to 30 Jun 2022 Unaudited <u>USD '000</u>	Half Year to 30 Jun 2021 Unaudited <u>USD '000</u>	Full Year to 31 Dec 2021 Unaudited <u>USD '000</u>
Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)			
Operating profit	\$ 3,324	\$ 3,027	\$ 5,910
Depreciation	159	146	307
Amortization	257	252	524
Stock compensation	65	33	71
Operating loss - noncontrolling interest	22	71	101
Stock compensation - noncontrolling interest	(10)	(7)	(17)
Adjusted EBITDA	<u>\$ 3,817</u>	<u>\$ 3,522</u>	<u>\$ 6,896</u>
Adjusted profit before taxes and amortization (PBTA)			
Profit before taxes	\$ 3,335	\$ 3,034	\$ 5,943
Amortization	257	252	524
Stock compensation	65	33	71
Operating loss - noncontrolling interest	22	71	101
Stock compensation - noncontrolling interest	(10)	(7)	(17)
Adjusted PBTA	<u>\$ 3,669</u>	<u>\$ 3,383</u>	<u>\$ 6,622</u>
Adjusted earnings per share			
Adjusted PBTA	\$ 3,669	\$ 3,383	\$ 6,622
Income tax expense	(707)	(157)	(878)
Adjusted earnings	<u>\$ 2,962</u>	<u>\$ 3,226</u>	<u>\$ 5,744</u>
Diluted weighted average common shares	47,802,556	48,077,812	47,739,030
Adjusted earnings per share	\$ 0.062	\$ 0.067	\$ 0.120