

SMARTPHOTO GROUP

HALF-YEARLY FINANCIAL REPORT 2021

Regulated information



HALF-YEARLY FINANCIAL REPORT 2021

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Management responsibility statement

Mr Stef De corte, Chief Executive Officer, declares, in the name of and on behalf of smartphoto group, that, to the best of his knowledge:

- the half-yearly consolidated financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, the liabilities, the financial situation and the results of smartphoto group NV and the companies included in the consolidation;
- the interim half-yearly report gives a true and fair view of the development, the results of the first half of 2021, their impact on the abridged half-yearly consolidated financial statements, and the information that has to be communicated on the part of smartphoto group NV and the companies included in the consolidation, as well as a description of the risks and uncertainties they face with regard to the remaining months of the financial year.

Half-year results 2021

Smartphoto confirms year-on-year growth

- The further increase in the 'gifts' category compensated for the return to a normal level in the sales of books and prints, after the exceptionally strong sales in 2020. As a result, the operating income for the first 6 months remained more or less stable compared to last year, and amounts to kEUR 21,060 per June 30, 2021 compared to kEUR 21,167 per June 30, 2020 (-0.5%).
- The opening of the new factory and the expansion of the teams to support the growth resulted in higher fixed costs, and as anticipated, put pressure on profitability over the first 6 months, with traditionally lower volumes. The EBITDA decreased from kEUR 2,699 to kEUR 965 (-64.2%).
- The net result amounts to kEUR -824 over the first half of 2021 compared to a net result of kEUR 863 over the first half of 2020.
- Positive evolution of the Net financial debt (-)/Net cash and cash equivalents on an annual basis from kEUR -1,197 to a cash surplus of kEUR 881, and this despite the dividend payment for 2020 (kEUR 2,249), the further purchase of treasury shares (kEUR 1,015) and the investments in property, plant and equipment and intangible assets (kEUR 2,104), of which mainly investments necessary to bring the additional production building into use.
- Despite the limited visibility over the past months, amongst others due to Covid-19, smartphoto confirms growth in revenue and EBITDA on an annual basis.

Key figures

Non-audited figures, prepared in accordance with IFRS.

	(in €' 000)	June 2020	June 2021	Δ in %
Revenue		21 167	21 060	-0.5%
Profit/loss (-) from operating activities (EBIT)		1 089	-720	
Depreciation, amortisation, write-downs and provisions from operating activities		1 611	1 685	4.6%
<i>Profit/loss (-) from operating activities, corrected for depreciation, amortisation, write-downs, and provisions (EBITDA)</i>		2 699	965	-64.2%
Financial result		-234	-106	-54.7%
Write-offs and provisions from financial items		120	-47	
Profit/loss (-) before taxes		855	-826	
<i>Profit/loss (-) before taxes, corrected for depreciation, amortisation, write-downs and provisions</i>		2 586	812	-68.6%
Income taxes expense (-)/income		8	2	-75.0%
Deferred taxes		-8	-2	-75.0%
Profit/loss (-) for the period		863	-824	
<i>Profit/loss (-) for the period, corrected for depreciation, amortisation, write-downs, provisions and deferred taxes</i>		2 586	812	-68.6%
Profit/loss (-) for the period attributable to equity holders of the parent company		863	-824	

	(in € '000)	June 2020	Dec 2020	June 2021	Δ in % June 2020- June 2021	Δ in % Dec 2020 - June 2021
Total assets		52 230	71 095	57 308	9.7%	-19.4%
Gross financial debt (-)		-5 295	-4 717	-4 266	-19.4%	-9.6%
Net financial debt (-)/Net cash		-1 197	13 229	881		-93.3%
Total equity		37 359	45 477	42 209	13.0%	-7.2%
Solvency ratio		71.5%	64.0%	73.7%	3.0%	15.1%
Current ratio		95.1%	122.7%	117.2%	23.2%	-4.4%

About the first half-year

Note

Smartphoto group, the innovative e-commerce group from Wetteren, had a strong first quarter in 2021, following the exceptionally strong year of 2020. For the months of April and May 2021, the easing measures regarding the Covid-19 virus (coronavirus) led to normal sales volumes in books and prints compared to 2020. This decline was compensated by the continuous increase in the 'gifts' category, which once again registered a double-digit growth.

As a result, the revenue for the first 6 months of 2021 remained virtually stable compared to June 30, 2020, and amounts to kEUR 21,060 per June 30, 2021 compared to kEUR 21,167 per June 30, 2020 (-0.5%).

The product range of smartphoto is constantly being expanded. For example, personalisable Belgian chocolate with a photo and/or text, or a chocolate telegram consisting of letters, spaces and icons (to create a personal message), now belong to the products of smartphoto. You can also call on smartphoto for personalisable fluorescent jackets so you can cycle in a fun way safely to school with your children. In addition, many new designs, new models or new materials were added to existing products, and the number of products with fast delivery "Ordered before 4.00 p.m., delivered tomorrow!" is further expanded.

In the second half of 2021, new products will further expand smartphoto's product range.



Revenue in the first half of the year is traditionally low compared to the second half, and amounts to, rounded, only one third of the total revenue on an annual basis. These low volumes over the first 6 months of the year, combined with higher fixed costs due to the opening of the new factory and the expansion of the teams to support the growth, put pressure on profitability, as anticipated. The EBITDA decreased from kEUR 2,699 per June 30, 2020 to kEUR 965 per June 30, 2021 (-64.2%).

The first half of 2021 was also characterised by a temporary shift in the product mix as a result of the Covid-19 measures that applied in these months. In the second half of the year, when it will again be possible to travel and have family gatherings and parties, the demand for photo products and personalised gifts will increase, on top of the traditionally most important half of the year for the activities of smartphoto group.

Taking into account the above, and the known seasonality, the net result amounted to kEUR -824 per June 30, 2021, compared to a net result of kEUR 863 in the first half of 2020.

Abridged financial statements for the period ending June 30, 2021

STATEMENT OF PROFIT OR LOSS

	(in € '000)	June 2020	June 2021	Δ	Δ in %
Revenue	2	21 167	21 060	-106	-0.5%
Other operating income		614	492	-121	-19.8%
Changes in inventory of finished goods and work in progress		0	-16	-16	
Capitalisation of internally generated intangible assets	3	245	241	-4	-1.6%
Trade goods, raw materials and consumables	4	-7 081	-7 280	-199	2.8%
Employee expenses	5	-5 707	-6 306	-599	10.5%
Depreciation, amortisation, write-downs and impairment	6	-1 620	-1 689	-69	4.3%
Other operating expenses	7	-6 529	-7 223	-694	10.6%
Profit/loss (-) from operating activities		1 089	-720	-1 809	
Financial income		15	80	65	427.0%
Financial expenses		-249	-186	63	-25.2%
Financial result	8	-234	-106	127	-54.6%
Profit/loss (-) before taxes		855	-826	-1 681	
Income taxes expense (-)/ income	9	8	2	-6	-78.6%
Profit/loss (-) for the period		863	-824	-1 688	
Profit/loss (-) for the period attributable to equity holders of the parent company	10	863	-824	-1 688	
	(in €)	June 2020	June 2021	Δ	Δ in %
Profit/loss (-) for the period per share in €		0.219	-0.209	-0.428	
Profit/loss (-) for the period attributable to equity holders of the parent company per share in €		0.223	-0.220	-0.443	

(1) The weighted average number of treasury shares purchased during the first half year of 2020 amounts to 38,477. The calculation is as follows: the total number of outstanding days is multiplied by the number of treasury shares purchased, and divided by 184. The total weighted average number of shares entitled to dividend amounts to 3,866,334.

(1) The weighted average number of treasury shares purchased during the first half year of 2021 amounts to 51. The calculation is as follows: the total number of outstanding days is multiplied by the number of treasury shares purchased, and divided by 184. The total weighted average number of shares entitled to dividend amounts to 3,748,766.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD

	(in € '000)	Note	June 2020	June 2021
Profit/loss (-) for the period			863	-824
Items which possibly will be reclassified to profit or loss				
Translation differences			92	-23
Total of items which possibly will be reclassified to profit or loss			92	-23
Other comprehensive income/loss (-), net of taxes		10	92	-23
Total other comprehensive income/loss (-)			955	-847
equity holders of the parent company			955	-847

STATEMENT OF FINANCIAL POSITION AS AT THE END OF THE PERIOD

ASSETS	(in € '000)	Note	Dec 2020	June 2021
<u>Non-current assets</u>				
Property, plant and equipment		11	16 552	15 969
Right-of-use assets		12	1 395	1 182
Goodwill		13	16 151	16 151
Intangible assets		14	2 803	2 787
Trade and other receivables			74	73
Deferred tax assets		15	11 057	11 048
Total non-current assets			48 032	47 210
<u>Current assets</u>				
Inventories		16	2 481	2 612
Trade and other receivables		17	2 613	2 166
Other financial assets			3	3
Cash and cash equivalents		18	17 946	5 147
Current tax assets			20	168
Total current assets			23 063	10 098
TOTAL ASSETS			71 095	57 308

EQUITY AND LIABILITIES	(in € '000)	Note	Dec 2020	June 2021
<u>Total equity</u>				
Capital			41 381	41 381
Reserves and retained earnings/accumulated loss (-)			-1 765	-4 839
Revaluation surplus			6 956	6 956
Treasury shares (-)			-3 360	-3 532
Currency translation adjustments			2 265	2 243
Shareholder's equity			45 477	42 209
Total equity		19	45 477	42 209
<u>Non-current liabilities</u>				
Interest-bearing financial liabilities		20	2 836	2 600
Lease liabilities		21	767	691
Employee benefit liabilities			1 015	999
Deferred tax liabilities			2 199	2 197
Total non-current liabilities			6 818	6 487
<u>Current liabilities</u>				
Interest-bearing financial liabilities		20	470	472
Lease liabilities		21	643	503
Trade and other payables		22	14 823	5 633
Employee benefit liabilities			2 418	1 872
Tax liabilities			447	132
Total current liabilities			18 800	8 613
TOTAL EQUITY AND LIABILITIES			71 095	57 308

STATEMENT OF CASH FLOWS FOR THE PERIOD

	(in € '000)	June 2020	June 2021
Operating activities			
Net result		863	-824
Depreciation, write-downs, impairment of property, plant and equipment		634	735
Depreciation, write-downs, impairment of right of use assets		454	396
Depreciation, amortisation, write-downs, impairment of goodwill and other goodwill		9	9
Depreciation, amortisation, write-offs, impairment of intangible assets		443	499
Write-downs, impairment on current and non-current assets		79	49
Provisions		-9	-4
Net interest income (-)/expense		91	82
Loss/gain (-) on sale of property, plant and equipment		-	2
Income tax expenses		-8	-2
Other		-245	-241
<i>Operating cash flow before changes in working capital and provisions</i>		<i>2 311</i>	<i>701</i>
Decrease/increase (-) in trade and other receivables and current income tax assets		1 743	167
Decrease/increase (-) in inventories		-402	-110
Increase/decrease (-) in trade and other payables		-7 826	-9 654
<i>Increase/decrease (-) in working capital</i>		<i>-6 485</i>	<i>-9 597</i>
<i>Operating cash flow after changes in working capital and provisions</i>		<i>-4 174</i>	<i>-8 896</i>
Interest paid (-)		-62	-71
Interest paid (-) on lease liabilities		-20	-19
Income tax paid (-)		-165	-310
Cash flow from operating activities		-4 420	-9 296
Investing activities			
Proceeds from sale of property, plant and equipment		-	9
Acquisition of property, plant and equipment		-486	-161
Acquisition of other intangible assets		-301	-251
Cash flow from investing activities		-787	-404
Financing activities			
Acquisition of treasury shares		-1 923	-172
Repayment of financial liabilities		-634	-235
Repayment of financial lease liabilities		-453	-400
Dividends paid		-2 131	-2 249
Cash flow from financing activities		-5 141	-3 056
<i>Increase/decrease (-) in cash and cash equivalents</i>		<i>-10 348</i>	<i>-12 756</i>
Effect of exchange rate fluctuations		20	-44
<i>Net increase/decrease (-) in cash and cash equivalents</i>		<i>-10 328</i>	<i>-12 800</i>
Cash and cash equivalents at the beginning of the year		14 425	17 946
Cash and cash equivalents at the end of the period		4 097	5 147
Total cash and cash equivalents		4 098	5 147

STATEMENT OF CHANGES IN EQUITY

	Capital	Retained earnings	Revaluation surplus	Treasury shares (-)	Currency translation adjustments	Equity attributable to Equity holder of the parent
Balance as at 31.12.2019	41 381	-8 031	5 640	-595	2 062	40 458
Profit/loss (-) for the period		863				863
Items which possibly will be reclassified to profit or loss						
Translation differences					92	92
Total of items which possibly will be reclassified to profit or loss					92	92
Other comprehensive income/loss (-), net of taxes					92	92
Total other comprehensive income/loss (-)		863			92	955
Total other comprehensive income/loss (-) for the period attributable to equity holders of the parent company		863			92	955
Dividend distributed to shareholders		-2 131				-2 131
Transactions relating to treasury shares				-1 923		-1 923
Balance as at 30.06.2020	41 381	-9 299	5 640	-2 517	2 154	37 359

	Capital	Retained	Revaluation	Treasury	Currency	Equity attributable
Balance as at 31.12.2020	41 381	-1 765	6 956	-3 360	2 265	45 477
Profit/loss (-) for the period		-824				-824
Items which possibly will be reclassified to profit or loss						
Translation differences					-23	-23
Total of items which possibly will be reclassified to profit or loss					-23	-23
Other comprehensive income/loss (-), net of taxes					-23	-23
Total other comprehensive income/loss (-)		-824			-23	-847
Total other comprehensive income/loss (-) for the period attributable to equity holders of the parent company		-824			-23	-847
Dividend distributed to shareholders		-2 249				-2 249
Transactions relating to treasury shares				-172		-172
Balance as at 30.06.2021	41 381	-4 839	6 956	-3 532	2 243	42 209

Basis for the preparation of the half-yearly consolidated financial statements

STATEMENT OF COMPLIANCE

The half-yearly consolidated financial statements as at June 30, 2021 were prepared in accordance with IAS 34 "Interim financial reporting", approved by the European Union. They do not contain all information necessary for the full financial statements and should therefore be read together with the consolidated financial statements for the financial year ended December 31, 2020, as published in the 2020 Annual report.

The half-yearly consolidated financial statements were released for publication by the Board of Directors on August 23, 2021.

CHANGES TO THE ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The accounting policies and basis of presentation applied for the preparation of the half-yearly consolidated financial statements are identical to those applied for the financial year ended December 31, 2020, as included in the 2020 Annual report, with exception of the new standards and interpretations mentioned below, applicable on or after January 1, 2021:

Amendments to IFRS 4 Insurance Contracts - Deferral of IFRS 9: applicable for annual periods beginning on or after January 1, 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - phase 2: applicable for annual periods beginning on or after January 1, 2021.

Smartphoto group NV applied all those published new and revised standards and interpretations that are relevant to its activities and which are in force for the accounting period that started on January 1, 2021, as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

The application of those new Standards, Interpretations and Changes has not resulted in any important changes to the group's principles for financial reporting.

The group has not yet proceeded with the early application of the new standards and amendments to existing standards and interpretations that had already been endorsed by the EU on the date of the financial statements' approval, but which were not compulsorily applicable for the period beginning on January 1, 2021:

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use: applicable for annual periods beginning on or after January 1, 2022.

Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract: applicable for annual periods beginning on or after January 1, 2022.

Amendments to IFRS 3: Business Combinations: Reference to the Conceptual Framework: applicable for annual periods beginning on or after January 1, 2022.

Annual improvements to IFRS Standards (2018 - 2020 cycle): applicable for annual periods beginning on or after January 1, 2022.

The group did not carry out an early application of the new standards and changes to existing standards and interpretations that were not yet endorsed by the European Union:

IFRS 17: Insurance contracts: applicable for annual periods beginning on or after January 1, 2023.

Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current: applicable for annual periods beginning on or after January 1, 2023.

Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies: applicable for annual periods beginning on or after January 1, 2023.

Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates: applicable for annual periods beginning on or after January 1, 2023.

Amendments to IAS 12: Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction: applicable for annual periods beginning on or after January 1, 2023.

Amendments to IFRS 16: Leases: Covid-19-Related Rent Concessions beyond June 30, 2021: applicable for annual periods beginning on or after April 1, 2021.

CHANGES IN THE CONSOLIDATION SCOPE

The consolidation scope remained unchanged in the first half of 2021.

Notes to the half-yearly consolidated financial statements

1. Operating segments

Taking into account the requirements of IFRS 8, the group's activities are reported under one operating segment.

For information about products and services regarding revenue from sales to external customers and information about geographic areas, we refer to the 2020 Annual report.

IFRS 8.34 regarding information about major customers is not applicable.

2. Revenue

Revenue in the first 6 months of 2021 remained more or less stable compared to June 30, 2020 and amounts to kEUR 21,060 per June 30, 2021 compared to kEUR 21,167 per June 30, 2020.

3. Capitalisation of internally generated intangible assets

The capitalisation of internally generated intangible assets in the first half of 2021 amounts to kEUR 241 compared to kEUR 245 in the first half of 2020.

For the first 6 months of 2021, those internally generated intangible assets mainly relate to the expenses of our internal developers to program the editing module within the HTML5 standard to create a module that is as complete as possible for an audience that is as broad as possible, to achieve migration from the website to the cloud, to implement the changes of the website platform and to elaborate the process within the UX-project.

These expenditures meet the recognition criteria for capitalisation pursuant to IAS 38.57.

4. Trade goods, raw materials and consumables

The costs of trade goods, raw materials and consumables in the first half of 2021 increased by 2.8% compared to the first half of 2020. This slight increase together with a more or less stable turnover, is mainly due to higher transport costs.

5. Employee expenses

The employee expenses in the first 6 months of 2021 are 10.5% higher compared to the first 6 months of 2020. The total number of employees - expressed in full-time equivalents - evolved from 220 as at June 30, 2020 to 248 as at June 30, 2021.

6. Depreciation, amortisation, write-downs and impairment

The depreciation, amortisation, write-downs and impairment from operating activities amounted to kEUR 1,689 in the first half of 2021 compared to kEUR 1,620 in 2020. The increase of kEUR 69 is the result of higher investments, mainly in intangible assets, in recent years.

7. Other operating expenses

The other operating expenses amount to kEUR 7,223 as at June 30, 2021 compared to kEUR 6,529 as at June 30, 2020 (+10.5%). This increase of kEUR 694 is mainly attributable to higher costs related to marketing expenses.

8. Financial result

The financial result improved by kEUR 127 from kEUR -234 as at June 30, 2020 to kEUR -106 as at June 30, 2021. This increase of the financial result is mainly due to the positive impact of the exchange rate gains/losses of kEUR 133, the decrease of the financial expenses from interest-bearing financial liabilities and lease liabilities of kEUR 8, and the negative impact of the other financial expenses of kEUR 14.

The following exchange rates were used in preparing the 2021 half-year results:

Exchange rates	Closing rate		Average rate	
	June 2020	June 2021	June 2020	June 2021
Swiss franc	1.06510	1.09800	1.06370	1.09690
Swedish krona	10.49480	10.11100	10.67620	10.14735

9. Income taxes expense (-)/income

The amount of the income taxes expense (-)/income evolved from kEUR 8 for the first 6 months of 2020 to kEUR 2 as at June 30, 2021.

The tax result of kEUR 8 as at June 30, 2020 consists of a reversal of deferred taxes. The tax result of kEUR 2 for the first 6 months of 2021 also concerns a reversal of deferred taxes.

There were no changes in the applicable tax rates compared to the prior reporting period.

10. Other comprehensive income/loss (-)

As at June 30, 2021, the net loss amounted to kEUR 824, compared to a net profit of kEUR 863 in the first half of 2020.

This decrease in the result of the period of kEUR 1,688 can be explained by:

- o A decrease of the profit from operating activities of kEUR 1,809, amongst others, due to the return to a normal level of the sales of books and prints after the exceptional strong sales mainly in the first half of 2020, the higher fixed costs due to the opening of the new factory and the expansion of the teams to support the growth; this in combination with the seasonal character of the first half of the year with traditionally low volumes, whereby revenue is only one third of the total revenue on an annual basis;
- o A positive impact of the financial result of kEUR 127, mainly due to the positive impact of the exchange rate gains/losses;
- o A slight decrease in the income taxes expense (-)/income of kEUR 6.

In the first half of 2021, the comprehensive income/loss (-) after taxes amounted to kEUR -23 compared to kEUR 92 in the first half of 2020.

This comprehensive income/loss (-) relates to the effect of the exchange rate differences arising from the euro conversion of shareholders' equity against the exchange rate at the closing date of the period.

11. Property, plant and equipment

The carrying amount of property, plant and equipment is kEUR 15,969 as at June 30, 2021, and is decreased by kEUR 584 compared to December 31, 2020. This decrease is mainly due to, on the one hand, investments in property, plant and equipment of kEUR 161. These mainly relate to investments in production machines. On the other hand, the depreciation in the first half of 2021 amounted to kEUR 735.

12. Right-of-use assets

The carrying amount of the right-of-use assets is kEUR 1,182 as at June 30, 2021. Which is a decrease of kEUR 212 compared to the carrying amount of kEUR 1,395 as at December 31, 2020, as a result of, on the one hand, the investments of kEUR 53 and, on the other hand, the depreciation for an amount of kEUR 396 over the first half of 2021. Furthermore, there was an increase in the carrying amount of the right-of-use assets following a renewal of a lease of office space for kEUR 134 and a negative impact from exchange rate fluctuations of kEUR 3.

13. Goodwill

In accordance with IAS 36.12, the company performed an 'impairment test' as at June 30, 2021 concerning the identified cash-generated unit to examine whether it had suffered any impairment loss. This 'impairment test' demonstrated that the recoverable amount for the unit is higher than the carrying amount.

Consequently, no impairment losses should be recognised.

The recoverable amount is calculated based on the value in use, which is the sum of the discounted free cash flows. The calculations use projections of the future free cash flows for the five coming financial years, combined with a continuing annual growth (terminal growth) of 2%.

As at June 30, 2021, the projections are discounted at 6.88% before tax for the next 5 years. As at December 31, 2020, the discount rate amounted to 6.46%. This discount rate reflects: the normal market remuneration for equity and debt, the current balance between equity and debt for this cash-generating unit and the estimation of additional risks and volatility for the possible evolutions in the market on which this unit operates.

The 'impairment test' was also subject to a sensitivity analysis with a 10% decrease of the annual EBIT or a 1% increase of the discount rate. In both analyses the recoverable amount remains higher than the carrying amount.

More information about the determination of the projections and growth percentages, can be found in the 2020 Annual Report on pages 119 and 120.

14. Intangible assets

The carrying amount of the intangible assets amounts to kEUR 2,787 as at June 30, 2021 and decreased by kEUR 16 compared to December 31, 2020. This decrease is mainly due to investments in intangible assets (kEUR 493) and the depreciation (kEUR -509) over the first 6 months of 2021.

The investments mainly relate to investments in our mobile applications such as the User Experience (UX) project, the further conversion of the editing module of our website to the HTML5 standard, the further migration of the website to the cloud and automations with regard to the implementation of new designs on the website platform. An amount of kEUR 241 of these investments was generated internally. These internally generated intangible assets mainly relate to the expenses of our internal developers to program the

editing module within the HTML5 standard to create a module that is as complete as possible for an audience that is as broad as possible, to achieve migration from the website to the cloud, to implement the changes of the website platform and to elaborate the process within the UX-project. These expenditures meet the recognition criteria for capitalisation pursuant to IAS 38.57.

More information regarding the internally generated intangible assets can be found in the 2020 Annual Report in Note 5 - Capitalisation of internally generated intangible assets and Note 17 - Intangible assets.

15. Deferred tax assets

The deferred tax assets remained stable in the first half of 2021, and amount to kEUR 11,048 as at June 30, 2021 compared to kEUR 11,057 as at December 2020.

16. Inventories

The heading 'Inventories' is slightly increased by kEUR 131 compared to December 31, 2020 and amounts to kEUR 2,612. The inventory levels were temporarily increased in the recent months to ensure security of supply during the corona crisis. As the situation is gradually stabilising, the inventory decreased again with kEUR 233 compared to the first 6 months of last year.

No inventories were provided as security for liabilities.

17. Trade and other receivables

The non-current trade and other receivables remained stable during the first half of 2021 and amount to kEUR 73. The current part of trade and other receivables decreased by kEUR 447. This decrease of kEUR 2,613 as at December 31, 2020 to kEUR 2,166 as at June 30, 2021 is mainly due to the seasonal character of the activities. Operating income is peaking in the last weeks of the year, in particular the period around Christmas, resulting in a higher amount of unmatured outstanding trade receivables at year-end.

18. Cash and cash equivalents

Cash and cash equivalents amount to kEUR 5,147 as at June 30, 2021, which is a decrease of kEUR 12,799 compared to December 31, 2020. Compared to June 30, 2020, the cash and cash equivalents are increased by kEUR 1,049.

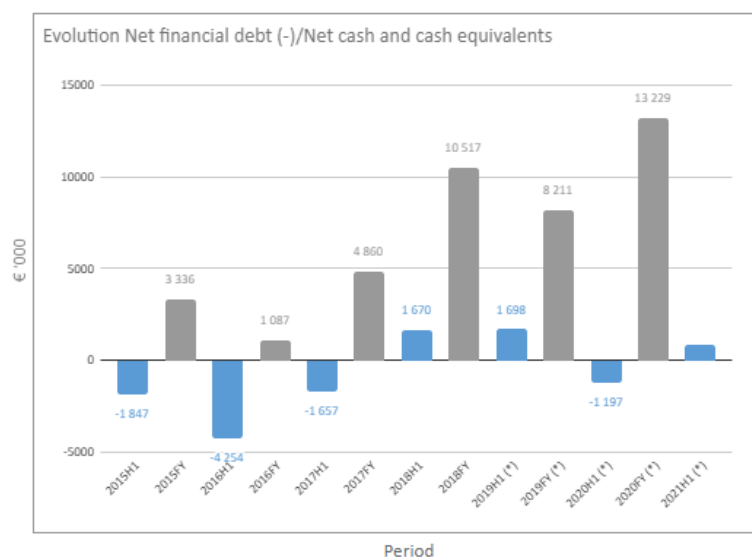
Similarly, the Net financial debt (-)/Net cash and cash equivalents showed a positive evolution on an annual basis, from a net financial debt of kEUR -1,197 to a cash surplus of kEUR 881. This positive evolution is the result of, on the one hand, the dividend payment over 2020 (kEUR -2,249), the purchase of treasury shares for the period of July 1, 2020 to June 30, 2021 (kEUR -1,015) and the investments in property, plant and equipment and intangible assets (kEUR -2,104), of which mainly investments in the third quarter of 2020 to make the additional production building operational and, on the other hand, the decrease of the financial liabilities and lease liabilities, and the realised substantial free cash flow from smartphoto's regular activities on an annual basis.

Compared to December 31, 2020 (cash surplus of kEUR 13,229), the net cash and cash equivalents over the first 6 months of 2021 decreased with kEUR 12,348. This decrease over the first 6 months of the year is entirely due to the seasonal effect with sales traditionally peaking in the last quarter of the year.

As of 2019, due to the application of IFRS 16^(*), the lease liabilities are included in the non-current and current liabilities which has a negative impact on the Net financial debt (-)/Net cash and cash equivalents.

Please also see the Statement of cash flows on page 8 of this report.

Evolution Net financial debt (-)/Net cash and cash equivalents



(*) As of 2019, IFRS 16 is applicable and lease liabilities are included in the non-current and current liabilities.

19. Total equity

Please also see the Statement of changes in equity on page 9 of this report.

Total equity decreased compared to the end of 2020 with kEUR 3,269 from kEUR 45,477 as at December 31, 2020 to kEUR 42,209 as at June 30, 2021.

- (1) As at June 30, 2021, the capital remained unchanged at kEUR 41,381. This is represented by a total of 3,941,950 shares.
- (2) The change in the reserves and retained earnings/accumulated losses (-) (kEUR -3,074) consists of the profit/loss (-) of the period for the first 6 months of 2021 for an amount of kEUR -824, and the payment of the dividend for 2020 (kEUR -2,249).
- (3) The treasury shares increased from kEUR -3,360 to kEUR -3,532. In the period from January 1, 2021 to June 30, 2021, 5,856 treasury shares were purchased for an amount of kEUR -172 in execution of the share purchase programme with which smartphoto aims to create a pool of treasury shares as an investment, and to finance possible future acquisitions. Currently, a discretionary mandate is granted to KBC Securities, which is authorised to purchase shares of smartphoto group on Euronext Brussels, as well as outside the regulated market, in open periods. Block trades are also possible within this mandate. The current mandate runs until May 31, 2023 or until an amount of EUR 3 million is reached. To achieve this, an amount of kEUR 2,011 in treasury shares can still be purchased.

Please also see Note 27 of this report.

- (4) The adjustments to the translation differences are the result of the euro conversion of shareholders' equity against the exchange rate at June 30, 2021. The impact on the other comprehensive income amounts to kEUR -23.

20. Current and non-current interest-bearing financial liabilities

The interest-bearing financial liabilities amount to kEUR 3,072 as at June 30, 2021 compared to kEUR 3,306 as at December 31, 2020.

In the first half of 2021, an amount of kEUR 234 is repaid in respect of the loans as part of the acquisition of Aultmore NV following the purchase of the additional production building.

The interest-bearing financial liabilities will be reimbursed further as mentioned on page 130 of the 2020 Annual Report.

No new interest-bearing financial liabilities were entered into in the first half of 2021.

21. Current and non-current lease liabilities

The lease liabilities amount to kEUR 1,194 as at June 30, 2021 compared to kEUR 1,410 as at December 31, 2020. This net decrease of kEUR 216 is the result, on the one hand, of the repayment of current lease liabilities during the first half of the year, and, on the other hand, the entry into new lease agreements, mainly related to vehicles and a renewal of a lease of office space.

More information regarding lease liabilities can be found in the 2020 Annual Report under Note 27 - Current and non-current lease liabilities.

22. Current and non-current trade and other payables

The decrease in the current and non-current trade and other payables of kEUR 9,189 from kEUR 14,823 as at December 31, 2020 to 5,633 as at June 30, 2021, is mainly attributable to the seasonal character of the activities. As revenue is peaking in the last weeks of the year, in particular the period around Christmas, the purchases of raw materials and consumables are also mainly situated in the last quarter. This results in a higher amount of outstanding trade payables which have not expired.

23. Subsequent events

After June 30, 2021 no significant events occurred that could have an impact on the underlying half-yearly financial statements or that have to be disclosed.

Despite the impact on profitability for the months of April and May 2021, for which the easing measures regarding the Covid-19 virus led to normal sales volumes in books and prints compared to the exceptionally strong sales in the same period of 2020, no negative impact is expected for 2020 on an annual basis.

24. Seasonality of interim business activities

The activities of the smartphoto group are subject to seasonality. Traditionally, revenue in the first half of the year is low compared to the second half. Revenue realised during the first half of the year amounts to, rounded, only one third of the total revenue on an annual basis.

As a result, the interim figures as at June 30, 2021 are not necessarily indicative of the expectations for the entire financial year 2021.

25. Contingent receivables and liabilities and important future assumptions

Compared to December 2020, no changes in contingent receivables and liabilities occurred.

Future assumptions

The assumptions regarding the future, as described in the 2020 Annual Report, are still applicable.

26. Risk factors

The risks, in particular the credit risk, liquidity risk, exchange rate risk, interest risk and market risk as described in the 2020 Annual Report, are applicable for the remaining period of 2021.

Regarding the risks related to the Covid-19 virus, smartphoto group has taken necessary measures to prevent contamination within the company, to protect the employees and to limit the negative consequences.

The impact of the measures regarding the Covid-19 virus has been re-evaluated. Smartphoto does not expect a negative impact on the outlook for 2021, and confirms growth in both revenue and EBITDA on an annual basis.

27. Shareholders' structure

The law and smartphoto group NV's Articles of Association require each shareholder, whose voting rights, associated with the securities that grant voting rights, exceed or fall below the thresholds of 3%, 5% or any multiple of 5%, to notify this fact to the Company and the FSMA, the Belgian Financial Services and Markets Authority.

Transparency notification

The company issued the following notification in the first half of 2021:

Notification issued on June 28, 2021:

Smartphoto group NV has informed the Financial Services and Markets Authority (FSMA) that the percentage of voting securities or voting rights acquired, has exceeded the legal and statutory threshold of 5% on June 24, 2021, due to the additional acquisition of treasury shares. The total number of treasury shares held, amounts to 197,759 or 5.02%.

Notification by a person that notifies alone.

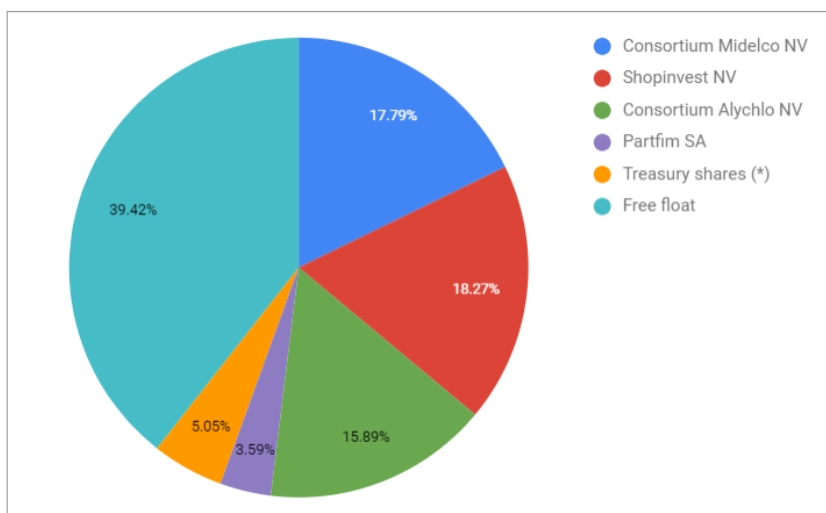
Holders of voting rights	Previous notification Number of voting rights	After the transaction Number of voting rights	% voting rights
smartphoto group NV c/o Kwatrechtsteenweg 160, B-9230 Wetteren		197,759	5.02%
TOTAL		197,759	5.02%

Total number of voting rights (the denominator) at the time of the acquisition of the voting rights, i.e. on June 24, 2021: 3,941,950.

Chain of controlled undertakings through which the holding is effectively held:
smartphoto group NV is not a controlled undertaking.

The Company did not receive notifications in the first half of 2021.

Shareholders' structure as at June 30, 2021^{(1) (2)}



(*) Number of treasury shares as at June 30, 2021

- (1) Calculation with the total number of securities that grant voting rights, i.e. 3,942,950, as the denominator.
(2) Presentation of shareholders with a percentage of $\geq 3\%$ of the total number of shares.

Treasury shares

The total number of treasury shares evolved from 193,133 shares as at December 2020 to 198,989 shares as at June 30, 2021. This increase with 5,856 treasury shares is the result of the purchase of treasury shares related to the execution of the share purchase programme of treasury shares with start date September 17, 2020, for which a discretionary mandate is granted to KBC Securities, which is authorised to purchase shares of smartphoto group on Euronext Brussels, as well as outside the regulated market, in open periods. Block trades are also possible within this mandate.

The current mandate runs until May 31, 2023 or until an amount of EUR 3 million is reached. To achieve this, an amount of kEUR 2,011 in treasury shares can still be purchased.

Per June 30, 2021, smartphoto group NV holds 198,989 treasury shares, or 5.05% of the total amount of issued shares (3,941,950).

In accordance with IFRS, treasury shares are included as a deduction from shareholders' equity.

28. Related parties

Except for transactions between consolidated companies, which are eliminated through the consolidation, and the fees paid to managers with a key position (described in the 2020 Remuneration Report, included in the 2020 Annual Report) the transactions and outstanding balances of other related parties are negligible.

29. Alternative performance measures (APM's)

The measures listed below are used systematically in our financial reporting, but are not defined in any law or the generally accepted accounting principles (GAAP). These measures are considered Alternative Performance Measures (APMs), as described by the European Securities and Markets Authority (ESMA) in its guidelines on the use and the explanation of the alternative performance measures.

These APMs are used in addition to the figures prepared in accordance with the International Financial Reporting Standards (IFRS). They provide additional insights in the financial results of the group and offer useful information for investors. The presentation of interrelationships based on comparative figures about the current period and the previous period also provides information about the financial evolution.

Turnover

Total revenue included in the statement of profit or loss for the period.

EBIT

EBIT ('Earnings Before Interest and Taxes') is an indicator for the operational result and defined as the profit/loss (-) from operating activities. This performance measure does not take into account the effect of the capital structure, nor the various aspects of corporate taxes.

EBITDA

EBITDA ('Earnings before Interest, Taxes, Depreciation and Amortisation') is an indicator for the operational result and defined as the profit/loss (-) from operating activities adjusted for depreciation, amortisation, write-downs, impairment losses and provisions. This performance measure does not take into account the effect of the capital structure, nor the various aspects of corporate taxes; and, additionally, disregards the non-cash items, being depreciation, amortisation, write-downs, impairment losses and provisions.

EBIT and EBITDA are measures frequently used by stock analysts and investors or other stakeholders to compare companies within the same sector, to determine a company's creditworthiness or to obtain an impression of the company's ability to generate cash.

Dividend

The part of profit (or reserves) which is distributed to the shareholders.

Balance sheet total

The balance sheet total equals 'Total assets' or 'Total equity and liabilities'.

Gross financial debt (-)

Gross financial debt is defined as 'Total current and non-current interest-bearing financial liabilities' increased by 'Total current and non-current lease liabilities'.

(in € '000)	June 2020	June 2021	Δ in %
Non-current interest-bearing financial liabilities	-3 072	-2 600	-15.4%
Non-current lease liabilities	-984	-691	-29.8%
Current interest-bearing financial liabilities	-469	-472	0.5%
Current lease liabilities	-769	-503	-34.5%
Gross financial debt (-)	-5 295	-4 266	-19.4%

Net financial debt (-)/Net cash and cash equivalents

Net financial debt (-) is the total of the 'Current and non-current interest-bearing financial liabilities' and the 'Current and non-current lease liabilities' less 'Cash and cash equivalents'. When 'Cash and cash equivalents' exceeds the aforementioned liabilities, this measure is referred to as 'Net cash and cash equivalents' or 'Cash surplus'.

(in € '000)	June 2020	June 2021	Δ in %
Cash and cash equivalents	4 098	5 147	25.6%
Non-current interest-bearing financial liabilities	-3 072	-2 600	-15.4%
Non-current lease liabilities	-984	-691	-29.8%
Current interest-bearing financial liabilities	-469	-472	0.5%
Current lease liabilities	-769	-503	-34.5%
Net Cash and cash equivalents	-1 197	881	

Current ratio

The current ratio is the ratio of the 'Current assets' to the 'Current liabilities'.

This ratio provides insight into the ability of a company to meet its current liabilities and also indicates whether the company has enough own resources to finance its investments.

(in € '000)	June 2020	June 2021	Δ in %
Current assets	8 695	10 098	16.1%
Current liabilities	9 139	8 613	-5.8%
Current ratio	95.1%	117.2%	23.2%

Solvency ratio

The solvency ratio is the ratio of the 'Total equity' to the 'Balance sheet total'.

This ratio provides insight into the ability of a company to meet its non-current liabilities and also indicates its level of dependence on creditors.

(in € '000)	June 2020	June 2021	Δ in %
Total equity	37 359	42 209	13.0%
Total assets	52 230	57 308	9.7%
Solvency ratio	71.5%	73.7%	3.0%

Financial calendar

March 3, 2022 ⁽²⁾	before trading hours	Annual results 2021
May 11, 2022	at 2 p.m.	Annual General Meeting of Shareholders
August 24, 2022 ⁽²⁾	after trading hours	Half-yearly results and half-yearly financial report for 2022

Outlook 2021 ⁽¹⁾

Despite the lower profitability in the first 6 months of 2021, the management and the Board of Directors expect that there will be year-on-year growth in both turnover and EBITDA for 2021.

Not only is the second half of the year traditionally the most important for the activities of smartphoto group, but the return to opportunities such as travelling and having family gatherings and parties, will also lead to an increase in demand for photo products and personalised gifts.

The further expansion of the range of personalised products and gifts, supported by more efficient marketing, will contribute to the expected growth in revenue and profitability. In 2021, superfast delivery for a number of products, 'Ordered before 4 p.m., delivered tomorrow', will also be further expanded.

About smartphoto group

Smartphoto group, the innovative e-commerce group, operates in 12 European countries and primarily targets consumers. The shares of smartphoto group are traded on Euronext Brussels (ISIN BE0974323553, ticker symbol SMAR).

Smartphoto group is active in B2C e-commerce with affordable, high-quality personalized products such as photo books, personalized gifts, cards, calendars, wall decoration and prints.

For additional information

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⁽¹⁾ This press release contains forward-looking information based on current internal estimates and expectations. The forward-looking statements involve inherent risks and speak only as of the date they are communicated. It cannot be excluded that actual results differ materially from the forward-looking expectations contained in this release.

⁽²⁾ Indicative dates

This half-yearly financial report is a free English translation of the official Dutch version.

