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Xaar PLC
25 March 2025

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Xaar plc

2024 FULL YEAR RESULTS

KEY MILESTONES REACHED, STRONG GROWTH EXPECTED IN MEDIUM TERM

Xaar plc ("Xaar", the "Group" or the "Company"), the leading inkjet printing technology group, today announces its audited full year results for the year ended 31 December 2024.

Financial Summary:

	2024	2023	Change
Revenue	£61.4m	£70.2m	(13%)
Gross margin %	36%	38%	(2%)
Gross R&D investment[3]	£5.3m	£5.6m	(5%)
Adjusted EBITDA[1]	£3.7m	£6.4m	(42%)
Adjusted profit before tax	£0.3m	£2.9m	(89%)
Reported loss for the period	(£10.7m)	(2.4m)	346%
Adjusted earnings per share	0.7p	3.6p	(81%)
Basic loss per share	(13.5)p	(3.0)p	350%
Net cash at the period end[2]	£8.7m	£7.1m	23%

Financial Highlights:

- Solid 2024 results with new Printhead business revenue up 23% to £18.9 million (2023: £15.4 million)
- Ceramics and Glass approaching trough levels, with 2024 revenue of £7.5 million (2023: £15.5 million)
- Engineered Print Systems' (EPS) revenue declined 27% to £16.1 million (2023: £22.1 million) amidst tough market conditions and the completion of a substantial multi-year project
- Proactive cost management with gross margin protected at 36% (2023: 38%) despite increased energy costs and lower sales volumes
- Adjusted operating expenses reduced by 16% to £21.6 million (2023: £25.7 million)
- R&D investment at c.9% of revenue, consistent with prior year
- Adjusted Group profit before tax of £0.3 million (2023: £2.9 million)
- Net cash position up 23% to £8.7 million due to working capital improvements

Strategic Highlights:

- Omijia and Shifang both launched Xaar-enabled Electric Vehicle (EV) battery coating lines
- Exclusive partnership with Axalta and Dürr to provide two-tone and decal automotive coatings using Xaar Inkjet technology, potentially opening up a large market opportunity
- Xaar printheads embedded in the first high-resolution colour desktop 3D printer, significantly undercutting the price of comparable technology
- Successful OEM product launches in the Wax and Textiles markets
- New "turnkey" go-to-market initiative introduced, greatly condensing customer product launch timelines and validating strategy for expanded offering

John Mills, Chief Executive Officer, commented:

"2024 was a mixed year. While we did not meet our original revenue aims, we did make strong strategic progress and delivered both a profit and increased cash over the year. Our key strategic milestones, notably in the areas of EV battery coating, automotive coating and desktop 3D, are setting the Group up for sustainable medium-term growth and are all progressing as planned. Increasing market awareness of our sustainable medium term growth and are all progressing as planned. Increasing market awareness of our value proposition also means that global market leaders are now approaching us to learn more about the benefits of high viscosity fluids.

In addition, the provision of a complete turnkey solution to M&R, a major player within the textiles market, has proven extremely successful. With a second project ongoing, we continue to evaluate opportunities to roll out this go-to-market strategy to additional markets and customers, potentially transforming our future rate of growth and market capture.

With the ceramics market decline nearing its trough, this headwind should reduce going forward, allowing new business revenue growth to translate to profit more readily.

Overall, the visibility and scale of the medium-term opportunities at Xaar continue to grow. Combined with the cash on our balance sheet, we remain well-positioned to generate sustainable growth."

Outlook

The Group enters 2025 with renewed optimism as several, potentially significant, market opportunities start to gain momentum. Over the medium term, these opportunities should deliver meaningful revenue at attractive margins, and we see these as major drivers of shareholder value growth over the medium to long term.

In the short term, in Printhead, early progress in the new business areas is now more than offsetting the ceramic market's decline. In EPS, the slow-down in end markets is expected to continue to impact revenue and profit as the pipeline is rebuilt.

Having proven capability and already secured some key customer orders and partnerships in Printhead, we are confident that we will continue to make strategic progress whilst recognising that how this translates to near term revenue and profitability will be dependent on market dynamics and the timing of customer decisions to adopt OEM products. Whilst this plays out, we will continue to manage operating costs and cash tightly and maintain a strong balance sheet.

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1 - EBITDA is calculated as statutory operating profit before depreciation, amortisation and impairment of property, plant and equipment, intangible assets, and goodwill. Adjusted EBITDA is calculated as EBITDA excluding other adjusting items as defined as follows. Adjusted Measures exclude the impact of share-based payment charges, exchange differences relating to intra-group transactions, gain on derivative financial instruments, restructuring and transaction expenses, research and development expenditure credit, fair value loss or gains on financial assets at FVPL, amortisation of acquired intangibles, and discontinued operations as reconciled in note 3.

2 - Net cash includes cash, cash equivalents and treasury deposits, net of invoice discounting facility.

3 - Group R&D investment exclusive of any capitalised costs as used to determine adjusted profit before tax.

Figures and percentages included in this report are subject to rounding adjustments arising from conversion to £millions from actual figures. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

About Xaar plc

Xaar is an inkjet innovator, providing printheads and technologies for Original Equipment Manufacturer (OEM) and User Development Integrator (UDI) customers worldwide.

By helping customers lay down precise volumes of high viscosity inks and fluids with absolute pin- point accuracy, time after time, Xaar's inkjet printheads and technologies meet the needs of numerous markets. Not only do we provide solutions for traditional two-dimensional printing, but our technology also facilitates the laying down of complex fluids onto surfaces in a three-dimensional environment.

Collaboration is at the very core of our business. Xaar works as a trusted partner from sites in Europe, North America and China, providing expert insights and technical support every step of the way. With over thirty years' experience, around 150 patents registered or pending, and major ongoing R&D investment, Xaar's digital printhead and precision jetting technologies create countless opportunities for today's sustainable manufacturing innovation.

Chairman's Statement

Over the course of 2024, Xaar has continued to make strategic progress, positioning the Group for sustainable and significant future growth. While traditional print markets and ceramics remain important, it is in applications where the jetting of high viscosity and high particle-loaded material is revolutionising manufacturing processes that the most significant opportunities exist for Xaar. The recognition of our differentiated technology is gaining momentum, opening up a wide variety of new markets, each with substantial revenue potential.

With continued growth in new market revenue, the Group is becoming increasingly resilient. After completing acquisitions earlier in the decade to help support the adoption of our printheads, we remain focused on the growth of our core Printhead business. We disposed of Xaar 3D to Stratasys in November 2021 and exited the non-core Life Science business, which was part of FFEI, in June 2023. In addition, we transferred FFEI printbar and print engine manufacturing to Huntingdon during the first half of 2024, generating cost savings and enabling greater collaboration between teams. Megnajet and EPS continue to be managed as separate businesses within the Group.

Substantial market opportunities

As a consequence of our sustained R&D investment, our printhead development platform "ImagineX" continued to provide enhancements to the current portfolio, helping to further strengthen our technological leadership. While we still believe there is significant opportunity across a wide breadth of market sectors, we recognise the importance of focusing on a few key markets, which we believe will deliver substantial and enduring revenue streams. Key market opportunities include EV battery coating, automotive coating and desktop 3D printing markets. Additional exciting opportunities remain in the longer term, as well as current prospects in the more developed wax and textile markets.

Enhanced go-to-market approach

Our recent strategy has focussed on developing market-leading technologies whilst enabling OEMs to efficiently integrate our technology into their machines. Our technological development has undoubtedly proven successful, but this did not translate into the anticipated revenue as headwinds, including technology integration issues, delayed several significant OEM product launches and the consequent revenue benefit.

It is for this reason that we have developed a complete turnkey solution approach, designed to allow OEMs to commercialise their Xaar-enabled products more quickly, mitigating the key integration headwind that we have faced in recent years. This approach was first utilised in M&R's newly launched product. M&R are a major player in the textiles sector. Our complete turnkey solution was integral in enabling the turnaround from concept to first customer sales in just six months, whereas historically it would have taken three years on average. Such solutions can then be sold to the wider market, leveraging the initial investment.

Sustainability

The Board has reviewed and fine-tuned its approach to business sustainability as we recognise how integral it is to our overall success. We have re-baselined our ESG goals and created a new Roadmap. Its purpose is to drive our ESG goals beyond our own operations; Xaar's technology enables our customers to reduce their emissions as well as reducing Xaar's own. Our Roadmap provides an essential backbone for much of Xaar's future investment and activity. Xaar is committed to reducing its impact on the environment wherever possible and helping customers do the same.

Board Changes

Whilst ensuring the Group is focussed on the right strategy, I have been working to ensure the Board possesses the blend of skills and experience necessary to successfully execute our plans.

This was completed during the year as, following Alison Littley stepping down as a Non-Executive Director, Richard Amos became the Company's Senior Independent Director and we welcome Dr Inken Braunschmidt as an Independent Non-Executive Director. Inken is Chair of the Remuneration Committee and is also a member of the Audit and Nomination Committees. She brings much experience of innovation in technology businesses and adds a further dimension to board expertise and senior leadership, completing the non-executive team with a strong blend of skills and experience to support the Group's development and future growth.

In November 2024, Ian Tichias resigned as Chief Financial Officer after nearly four years at Xaar. I would like to thank Ian for his contribution and commitment to the Group. He played a substantial role in re-invigorating the strategy and left Xaar with a healthy balance sheet, ensuring that the Group is well-positioned to capitalise upon the significant market opportunities that lie ahead.

In January 2025, Paul James was appointed CFO and Executive Director, after initially joining on an interim basis. Paul brings significant expertise and experience to the Group, from his time as Group CFO of Biffa from September 2023 until October 2024 and Group CFO of Genuit Group plc from March 2018 to September 2023. He also previously held senior roles with Dixons Carphone plc, Inchcape plc, British American Tobacco plc and Ernst and Young.

During 2025, I will reach nine years on the Board and so I will be stepping down as a Non-Executive Director and Chair once my successor has been appointed.

Finally, I would like to pay tribute to the whole Xaar team for their tireless commitment and support, without which, the Group would not be looking forward to such an array of opportunities after several difficult years facing challenging end markets. Together we have delivered a material improvement in the quality and prospects of the Group through diversifying the product portfolio and expanding the end-markets we have access to. The position that we now find ourselves in, at the start of an exciting new chapter of significant growth, is testament to them. As I hand over, it will be exciting to see the company grow and achieve its market-leading potential.

Chief Executive Officer's Statement

At Xaar, our focus is on the manufacturing and development of reliable and technically advanced printheads that enable customers, in an increasingly wide array of end-use markets, to access high quality finish prints. Our precision inkjet technology facilitates the use of high viscosity inks, which are thicker and permeate less into surfaces, meaning improved print consistency and uniformity. These unique characteristics also typically have lower financial, environmental, water and energy costs, creating less fluid waste than other fluid application methods.

Looking to our target markets, the sale of printheads has annuity type characteristics, with demanding applications requiring the replacement of the printhead typically every two to three years. Furthermore, as all of our competition focusses on jetting low viscosity inks - with our nearest competitor capable of only jetting inks with less than a third of the viscosity our printheads can jet - we are confident that once customers switch to our printheads, they will not switch back.

With printheads and comprehensive customer support as our main focus, we can now sell a complete turn-key solution to OEMs including inks, ink supply systems and print engines. These additional products enable the more rapid integration of our differentiated technology into OEM products and reduces the risk of OEMs running into integration difficulties.

Historically, we were heavily reliant on ceramics but we have now successfully diversified our product portfolio, significantly de-risking Xaar's over-reliance on a single market in the medium-term and improving the resilience of the Group to factors outside of our direct control. An increasingly diverse range of markets also provides a variety of growth drivers allowing more discretion as to the opportunities we wish to pursue, in terms of both scale, maturity and returns on capital.

Products launched since 2019 now generate revenue of £18.9 million and have delivered a compound annual growth rate of 24%. This progress has been masked by the cyclical deterioration in the ceramics market, which, due to the accelerated decline seen in 2024, is approaching the anticipated trough level sooner than previously envisaged. As a consequence, sales into the ceramics market contributed only 17% of total Printhead revenue in 2024 compared to 32% in 2023. Following recent developments, it has become clear that the EV battery coating, automotive coating and desktop 3D printing markets will likely be the main revenue opportunities for Xaar over the medium term.

Our focus remains on managing what is within our control; prioritising key revenue drivers, maintaining disciplined cash management and continually assessing opportunities to further strengthen and utilise the balance sheet. Our strategy is creating significant long-term opportunities, both within existing and new markets, especially as end-use customers begin to roll-out Xaar- enabled machines across their manufacturing lines.

Financial Highlights

During 2024, we delivered a solid financial performance against a tough market backdrop with revenue declining 13% to £61.4 million (2023: £70.2 million). Despite clear strategic progress, results remain impacted by OEM product delays due to technology integration issues, a faster than anticipated drop-off in ceramics revenue and trading challenges at EPS. New Printhead business, defined as revenue from products launched since 2019, delivered year-on-year revenue growth of 23% to £18.9 million (2023: £15.4 million), underlining the significant progress we continue to make despite global macroeconomic conditions.

Revenue for EPS in 2024 has returned to a level more comparable with 2021, as over the prior two years revenue has benefitted from a multi-year, multi-unit order from a single customer. We were unable to replace this contract with new business during the year due to market uncertainty delaying the rate of new customers switching from analogue to digital.

We saw positive performances within FFEI and Megnajet during the year. Within FFEI, last-time orders for the life-sciences business were stronger than anticipated, whilst Megnajet revenue increased 7%, mainly due to significant orders from one customer who went through a period of destocking in 2023.

We continue to make operational efficiency savings, largely minimising the impact on gross margins caused by lower volumes and reduced fixed cost recovery as well as rising energy costs.

Finally, the Group continues to retain a strong balance sheet, with a net cash position at year end of £8.7 million, up 23% from £7.1 million in 2023 due to improvements in working capital movements as inventory levels were reduced during the year.

Strategic Update

Over the last five years our investment in R&D through our printhead development platform "ImagineX", has successfully transitioned the Group from predominantly being a printhead supplier to the ceramics market, to now providing market-leading technology to OEMs across several markets. This will grow company revenue beyond historic levels in the medium-term at a far lower risk level. With a focus on new product launches, we have developed a more resilient product portfolio with applications and avenues for growth in a diverse range of end-use markets. This provides a stable foundation going forward and with the decline in the ceramics market largely behind us, allows us to concentrate on the accelerated uptake of our technology in markets that have substantial long term and repeat revenue potential. The portfolio going forward has much more diversity in end markets and customers than it has ever had. The unique capability of our technology differentiates us from our competitors, allowing first-mover advantage in areas such as EV battery coating, automotive coating and desktop 3D printing.

Printhead

EV Battery Coating opportunity

The problem we solve: With the requirement for ever bigger and more powerful batteries, there is a corresponding increase in the amount of heat generated by these batteries. The current dominant technology used to wrap batteries is based on the use of plastic film which is increasingly no longer fit for purpose as it is not always able to withstand the higher temperatures, causing safety concerns. The existing alternative, which mitigates the safety issue, utilises spray painting. However, this requires a paint recovery system as some 40% of paint is lost in the process, generating costs that are unappealing to battery manufacturers.

The Xaar solution: Through the utilisation of Xaar inkjet technology, as opposed to plastic film, inkjet coated EV batteries can withstand far greater levels of heat, addressing safety concerns. With 99% yield efficiency, our technology generates minimal waste, making it significantly more cost-effective than spray painting.

The maturity of the opportunity: In July 2024, we launched two new printheads, the Xaar eX and Nitrox eX, specifically designed for coating the new generation of batteries used in EVs and energy storage systems. Through the eX printhead, Xaar became the first inkjet company to enter the battery sector with a printhead specifically for this application, with substantial yield, cost and environmental benefits. Only our printheads can print a coating solution that meets the necessary safety tests. We have worked with Shifang, a leader in EV battery production automation, and Omijia Intelligent Technology, to develop their own coating lines.

During 2024, these companies became the first to launch inkjet EV battery coating machines[1] and both have received initial orders so their customers can test out the capabilities of our technology. These customers have signalled their intent to order additional machines in the near term, with an expectation of scaling their orders up markedly as confidence in inkjet coating technology grows.

1. https://www.xaar.com/news/xaars-innovative-inkjet-technology-enables-new-generation-of-ev-battery-coatings/

The market potential: The market uptake of our technology could be substantial and we are currently the only provider. To scale the market opportunity, there are an estimated 1,300 EV battery production lines globally. 100% conversion of this market could generate £260 million of initial revenue with an estimate printhead replacement cycle of two years.

Automotive Coating opportunity

The problem we solve: Within the automotive coating market, there are two distinct problems. Firstly, if manufacturers wish to utilise multiple colours, such as painting roofs black, after the first colour is applied, the car is taken off the production line, masked and sprayed in the second colour. Spraying the car twice is not only inefficient, but with roughly 40% of paint lost when spray painting, it is costly in terms of both materials and energy. The result of this is that paint shops are currently the major bottleneck in car manufacturing plants; end customers and the OEMs, are seeking out a solution.

Secondly, if the individual customer wishes to customise their cars, adhesive decals are typically used. Decals applied this way are susceptible to jet wash damage, which has historically limited their wider appeal. Existing inkjet solutions for car decoration also face several challenges, including 'sagging' on sloped or vertical surfaces.

The drawbacks set out above have limited the uptake of incremental coatings to vehicles.

The Xaar solution: In terms of the two-tone vehicle market, Xaar inkjet technology is significantly more efficient than spray painting as it eliminates the need for masking and reduces energy and paint requirements. Our partner Axalta, a global leader in the sector, recently launched the Axalta NextJet™. This next generation, sustainable digital painting machine for the automotive industry, utilises our recirculating TF Technology, keeping the fluid in constant motion, and by doing so, improving paint shop reliability.

This award-winning digital paint coating technology eliminates masking and reduces labour, increasing productivity and efficiency rates. Axalta has already reported that this can contribute to a 30% reduction in CO_2 emissions and significant cost savings for vehicle OEMs who use two-tone.

Xaar technology also provides a high-quality solution to the drawbacks of adhesive decals. With the ability to precisely jet lower volumes, our printheads are leading the way in replacing poorly performing inkjets or adhesive based decals with no 'sagging' and no risk of damage by jet washing.

The maturity of the opportunity: Axalta has recently agreed a partnership with Dürr[2], whose machines currently paint 50% of cars globally, to provide a digital paint solution, combining Axalta's NextJet™ technology with Dürr's robotics integration. Dürr are currently demonstrating their machines to potential customers, and we anticipate a select few customers to be chosen as market partners during 2025.

The market potential: Through our partnership with Axalta, this market presents a significant opportunity for Xaar, and we anticipate that our technology will expand demand for customised detailing of vehicles over and above that from using decals and more traditional two-tone painting.

2. https://ir.axalta.com/news/press-releases/detail/656/axalta-and-drr-partner-on-automotive-digital-paint-technology

Xaar will receive revenue based on the number of cars painted. Currently c.1% of the 90 million cars produced globally have decals or two-tone paint. As the current sole provider of this technology, we have the potential to take 100% of the market. For every 1% of the global car market, or 900,000 cars annually that are painted using our technology, we would generate significant revenue and profit for Xaar before factoring in any market growth.

Desktop 3D Printing opportunity

The problem we solve: Within the desktop 3D printing market there is currently an absence of a low- cost, high-quality product. The retail cost of the nearest competitor machine, of equivalent quality, is roughly £40,000, meaning usage is restricted to real enthusiasts who are willing to pay for a premium product. Currently those unwilling to pay so much for a printer resort to single nozzle, monochrome, 3D printers. The price point of these machines varies between a few hundred pounds to over £5,000. As a result, large-scale customer growth in the market is severely limited.

The Xaar solution: Our technology provides the ability to jet high viscosity fluid at relatively low cost. This has enabled the world's first full colour high resolution desktop 3D printer aimed at the consumer market. By utilising Xaar technology, cost as a barrier to high-quality printing, has been substantially reduced for customers.

The maturity of the opportunity: Flashforge, a major global supplier of desktop 3D systems, launched their full colour inkjet machines[3] with Xaar printheads at the Formnext tradeshow in November 2024, priced at c. £2,400. In the short-term, Flashforge are launching a product promotion campaign alongside opening the pre-order book and they anticipate sending out the first orders in the second half the year. We are already engaged in development projects with other major global suppliers in the 3D wax market and anticipate further OEM product launches later in 2025.

The market potential: Over one million desktop printers are currently sold annually. Conversion of just 1% of that market to Xaar technology will generate multi-million-pound printhead revenue. As the machines have been designed for printheads to be regularly replaced, we anticipate recurring future revenue streams from each unit sold.

As the cost of purchasing a high-quality desktop 3D printer falls over the medium term, we would expect demand to grow, increasing the revenue potential for Xaar considerably.

Summary of the key future revenue drivers

Overall, these three markets each represent revenue opportunities of a magnitude greater than the ceramics market, illustrating the process of de-risking our business model over a relatively short period of time. Crucially, in all these markets, there are now fully operational machines using our printheads.

Other Market opportunities

Textiles and Corrugates: Even in established markets like textiles and corrugates there are significant opportunities for revenue growth. The Aquinox printhead, and its embedded ink recirculation technology, enables the reliable use of high-density water-based fluids, allowing for the delivery of very high volumes of pigment in a single pass, with additional benefits to quality and consistency. In collaboration with our ink partners, we have developed sector specific high viscosity aqueous inks for use in conjunction with the Aquinox printhead, thereby overcoming one of the fundamental barriers to the adoption and growth of inkjet technology within these sectors.

M&R, a market leader in textiles, launched its latest product, powered by Xaar's Aquinox printhead, in September 2024. Our technology enables consistently clean, high-quality prints while printing on a wide range of garments. The potential market size for this application is roughly £20 million per annum and we anticipate taking significant market share in the medium term.

3. https://full-color-solution.flashforge.com/

Wax: In April 2024, Flashforge (also a market leader within the wax printing market) launched their first product using a single Xaar printhead and pre-orders are now being taken for their three-headed wax machine, Waxjet 530. With the wax market being of a similar scale to the textiles market, and the expectation that our technology will ultimately take a majority share, the opportunity is substantial.

Finally, unlike in ceramics where repeat sales take longer to occur, the printheads in each of our target markets need to be replaced regularly, making revenue more recurring and highly attractive and earnings of a higher quality. While adoption of Xaar printheads within the EV battery coating, automotive coating and desktop 3D markets will be key to the future prospects of the Group, other markets will continue to generate meaningful revenue. This includes the ceramics market where we continue to work with market leaders to develop new products to ensure we are well positioned to generate increasing revenue when market conditions allow. It is these existing markets which will benefit from our ability to offer a complete turnkey solution, and we expect this to further drive demand for our printheads as the barriers to adoption reduce.

Enhanced go-to-market strategy

The problem: The capability of OEMs to integrate our printheads into their existing print machines varies materially. The time taken can be considerable with clients, on occasion, withdrawing from the development process due to the apparent complexity of the process.

The Xaar solution: We have evolved our strategy to work more closely with customers to lessen some of the unique challenges posed by working with high viscosity fluids. Part of this strategy has been to develop, supply and integrate a complete turnkey solution of ink system, ink, waveform and all the other parameters associated with a complete product. This solution can then be provided to other customers within that market, leveraging the initial investment made.

The critical advantage of the provision of a turnkey solution is a significantly reduced timeline from point of engagement to a Xaar embedded solution being fully operational and available for customers to purchase. This has significant benefits to both revenue and customer relationships.

The maturity of the action: In August 2024, M&R took part in the first project to build a complete turnkey solution in an effort to reduce the time to market of a new machine utilising Xaar technology. We provided them with a functioning system which could easily be attached to their material handling system, significantly reducing potential integration issues. The product launched in early September after just six months, whereas previously it would have typically taken three years.

Since then, we have undertaken a second project in collaboration with another OEM which, while still ongoing, is delivering promising results. This approach, along with improving the depth of relationships with OEMs, enables us to develop market ready solutions that we can sell to the wider market, leveraging the initial investment.

The market potential: Although the provision of a complete turnkey solution is not appropriate to all our markets segments, it is relevant in the textiles, Direct to Shape (DTS) and labels embellishment markets. Although a turnkey solution does not expand the market itself, it improves our ability to grow market share and the timeliness of that revenue. Now we have created a solution for the textiles market, we hope to replicate this approach in other markets in the future.

The provision of a turnkey solution does have a cost, but we are of the firm belief that it is an extremely good use of capital, with returns well in excess of the cost of capital.

Operations

During the year we closed the print systems site in Hemel Hempstead and moved manufacturing to Huntingdon as part of ongoing efforts to streamline operations and reduce overheads. All printhead and print system manufacturing is now undertaken at Huntington, with ink systems produced in Kettering and the majority of R&D undertaken in Waterbeach.

After a shop floor re-organisation in 2023, the Huntington facility has the capacity to deliver over twice the current output, providing us with the ability to ramp-up output without incurring significant capital expenditure. As volumes increase, so will cost recovery per unit with the resultant benefit to margins.

At head office entity level we made significant savings, largely due to the completion of a business restructuring plan at the end of 2023 which reduced employment costs in 2024.

Disciplined cash management remains a priority, with a focus on improving product cost and manufacturing process efficiencies on a day-to-day basis rather than as part of specific large-scale initiatives.

FFEI

During 2024 we completed the disposal of the Life Sciences part of the business and moved print systems manufacturing from Hemel Hempstead to Huntingdon. Going forward FFEI products will be sold under the Xaar brand. FFEI printbars continue to play an important role in our strategy as they further facilitate the use of our technology into OEM machines. Challenges when integrating our printheads into third party printbars have historically caused product delays. By developing printbars and printheads together, we can provide a solution without such issues arising. This makes it easier for OEMs to utilise our technology, ultimately allowing us to sell more printheads.

Megnajet

As with FFEI printbars, Megnajet ink systems continue to help facilitate the integration of Xaar printheads into OEM machines. In 2024 we have increased our focus on Group projects. Several new product launches, including OmniFlo, are key to exploiting Xaar's High Viscosity and High Pigment capability and enhancing offerings into target markets such as textile and advanced/additive applications.

Engineered Print Systems

EPS remains largely separate to the rest of our business with a distinct strategy and business model as it utilises both Xaar and competitor printheads. Amidst a difficult market backdrop, we have taken steps to strengthen the leadership of this business to focus on a return to growth. Going forward, while we anticipate volatility in costs and market pricing as expected tariffs take effect, our focus will be on strengthening the customer pipeline while optimising the supply chain to reduce the effects of higher input costs. Because of the terms of the deals we negotiate, upon closure, revenue is generated over the next twelve to twenty-four months, based on project percentage of completion. Hence our focus on strengthening the pipeline and conversion will only provide returns in future periods rather than 2025.

Sustainability

During the year, we created a new ESG Roadmap to replace our current Sustainability Roadmap. Developed by a cross-function team of 21 people from across different departments, the new Roadmap consists of updated milestones, more realistic targets and a new Governance pillar. Most notably we re-baselined our emissions targets which previously targeted reaching Net Zero across scope 1, 2 & 3 by 2030. Now, in line with the UK Government and the Paris Agreement, we are aiming to reach Scope 1 & 2 Net Zero by 2030, a 45% reduction in Scope 3 by 2040 and Scope 3 Net Zero by 2050.

Our Roadmap has five key pillars - Environment, People, Innovation, Community and Governance, its purpose is to drive our ESG goals beyond the traditional focus of Scope 3. We enable our customers to become more sustainable by using our printheads which need less ink, require less time to dry and use less energy consumption. Our research shows that, compared to analogue alternatives, digital has a significant impact in reducing energy consumption (by as much as 55%), water consumption (by up to 60%) and CO_2 emissions (by up to 95%).

Xaar benefits from a strong ESG governance structure. Our cross-functional ESG Committee has accountability to the Board. This group brings together a wide range of skill sets as well as a shared determination and passion for a more sustainable future. Our CFO Paul James has specific Board responsibility for ESG matters. We will publish our 2024 ESG report later in the year. This report will provide furthers detail of our ESG programme, including progress against each of our pillars.

Outlook

The Group enters 2025 with renewed optimism as several, potentially significant, market opportunities start to gain momentum. Over the medium term, these opportunities should deliver meaningful revenue at attractive margins, and we see these as major drivers of shareholder value growth over the medium to long term.

In the short term, in Printhead, early progress in the new business areas is now more than offsetting the ceramics market's decline. In EPS, the slow-down in end markets is expected to continue to impact revenue and profit as the pipeline is rebuilt.

Having proven capability and already secured some key customer orders and partnerships in Printhead, we are confident that we will continue to make strategic progress whilst recognising that how this translates to near term revenue and profitability will be dependent on market dynamics and the timing of customer decisions to adopt OEM products. Whilst this plays out, we will continue to manage operating costs and cash tightly and maintain a strong balance sheet.

Business Performance

Revenue

Group revenue growth

£m	2024	2023	Var	Var %
Printhead	33.5	37.1	(3.6)	-10%
EPS	16.1	22.1	(6.0)	-27%
FFEI	9.3	8.7	0.6	7%
Megnajet	2.5	2.3	0.2	7%
Total Revenue	**61.4**	**70.2**	**(8.8)**	**-13%**

The Group achieved revenue of £61.4 million, a year-on-year decline of 13% (2023: £70.2 million). The largest contributor to this was EPS, which saw revenue decrease 27% to £16.1 million (2023: £22.1 million). EPS was unable to replace revenue generated in 2022 and 2023 from a multi-year, multi-unit order from a single customer which was completed in early 2024. Growth in focus markets within the Printhead operating segment, including Direct-to-Shape (DTS), Advanced Manufacturing and Textiles, is masked by a reduction in ceramics revenue. This fell more sharply than anticipated due to a significant decline in the Chinese construction industry, which continues to cause weakness in the global ceramics tile market. Printhead revenue fell 10% to £33.5 million (2023: £37.1 million) as a result. FFEI grew 7% to £9.3 million (2023: £8.7 million) as a result of enhanced last-time orders driven by its exit from the Life Sciences segment, and Megnajet revenue grew 7% to £2.5 million (2023: £2.3 million) due to significant order growth from one customer who went through a period of destocking in 2023.

Printhead

Revenue by Sector

£m	2024	2023	Var	Var %
Ceramics & Glass	7.5	15.5	(8.0)	-52%
C&M & DTS	13.2	11.2	2.0	18%
WFG & Labels	3.5	3.6	(0.1)	-3%
3D Printing & AVM	7.3	6.4	0.9	14%
Packaging & Textiles	2.0	0.4	1.6	400%
Total Revenue	**33.5**	**37.1**	**(3.6)**	**-10%**

Xaar offers a wide range of industrial inkjet printheads which are designed and produced to meet customer-driven requirements in markets including textiles, graphics, packaging, 3D printing and additive manufacturing.

New business grew 23% to £18.9 million in 2024, up from £15.4 million in 2023. New business revenue is defined as income from OEMs using our technology, such as the Nitrox, Aquinox or Irix printheads, that has been launched since 2019. Hence, new business impacts all of our reported end-use sectors.

Printhead revenue growth excluding Ceramics and Glass increased by 20%, to £26.0 million for 2024 (2023: £21.6 million). The Coding & Marking (C&M) and Direct-to-Shape sector revenue grew £2.0 million to £13.2 million, as we continued to launch new products and iterations within the existing printhead portfolio. Packaging and Textiles, which includes our partnership with M&R, saw substantial revenue growth, up more than 400% to £2.0 million in 2024. However, this progress continues to be masked by a decline in revenue from Ceramics and Glass from £15.5 million to £7.5 million. While revenue from this sector has fallen faster than anticipated, we expect the decline in revenue to be bottoming-out, thereby limiting this as a future expected headwind within Printhead.

Overall, we have retained market share, with new business revenue growing strongly. This provides confidence that this division will soon be returning to sustainable growth.

Engineered Print Systems

EPS manufactures a range of highly customised product print systems, printing all kinds of industrial and promotional objects such as tools, appliances, sports equipment and toys. The business is split between digital inkjet machine sales (2024: 54% of revenue), pad printing sales (2024: 35% of revenue) and servicing (2024: 11% of revenue).

Revenue reduced by 27% year-on-year. This was primarily due to the completion of a multi-year, multi-unit order from a single customer early in 2024, distorting comparisons to 2023. The completion of this contract was the main driver for the decline in both digital inject revenue and pad printing which fell 39% and 19%

respectively. We were unable to replace this contract with new business during the year as a consequence of market uncertainty causing new customers to delay switching to digital from analogue. Within EPS, we saw strong revenue growth in the servicing division where existing customers chose to increase spending on maintaining existing machines and delay new capital expenditure.

Yet, EPS will likely remain a drag on Group profitability during 2025 as new management focus on turning this business around by reducing over reliance on specific customers by widening the customer pipeline, leading to growth beyond 2026.

FFEI and Megnajet

FFEI develops high performance digital imaging solutions - from digital inkjet label presses to digital pathology scanners. Its inkjet products - print engines - use Xaar printheads. Megnajet specialises in the design and manufacture of industrial fluid management systems for digital inkjet and these are the most integrated and compact ink systems in the market today.

FFEI revenue was £9.3 million (2023: £8.7 million) with growth primarily driven by last-time orders from the life-sciences segment of the business which was disposed during the year. This part of the business was the dominant driver of revenue for FFEI. As part of efforts to directly deliver a more complete system, the printbar portfolio has been incorporated into the Printhead business to then sell to OEMs.

Megnajet delivered £2.5 million of revenue, growth of 7% year-on-year, mainly due to significant orders from one customer who went through a period of destocking in 2023. While third party revenue growth is encouraging, our main focus is on Group projects, with a 44% uplift in sales since last year in intra-group transactions to Xaar. Xaar and EPS remain two of Megnajet's biggest customers.

Gross profit

Gross profit decreased by £4.7 million to £22.2 million (2023: £26.9 million) with proactive cost management decisions protecting gross margin at 36% (2023: 38%) despite increased energy costs and reduced sales volumes in Printhead and EPS and actions to reduce inventory.

Printhead gross margin decreased by 2 percentage points year-on-year. However, as sales volumes improve and energy costs stabilise, we expect gross margins to improve in the medium term. Within EPS, gross margin decreased by 10 percentage points as a result of high fixed costs and lower

sales volume. Gross margin for FFEI grew 8 percentage points due to improved pricing during the completion of the last time buy orders which included extra requirements beyond those anticipated. Megnajet successfully grew gross margin by 18 percentage points, to 50% in 2024 (2023: 32%), due to operational improvements including labour utilisation and improved pricing decisions. We anticipate gross margin at Megnajet to normalise at c.40% in the medium term.

Research & Development

Gross R&D investment was £5.3 million (2023: £5.6 million), or 8.6% of revenue, slightly above the prior year (2023: 8.0%). We are continuing to invest, having reached our target ratio of 8-10% for R&D investment as a percentage of revenue.

While historical R&D investment has focussed on widening our product offering, we are currently directing the majority of R&D investment towards helping OEM companies integrate our technology into their machines. This includes, but is not limited to, the recent development of a successful complete turnkey solution which proved successful for M&R in the textiles market.

Operating Expenses

While we have continued to face inflationary headwinds in areas such as energy costs, we have been successful in our efforts to manage expenses across the Group. The sales and marketing expense was £4.6 million (2023: £5.4 million), reflecting the continued focus on cost management. General and administrative expenses decreased to £11.6 million from £14.6 million in 2023. This reduction reflects the progress made throughout 2023 and as some efficiency projects were only finished at the end of the year, these savings were realised in 2024. As previously mentioned, FFEI printbar manufacturing transitioned to Huntington during the first half of the year and the Hemel Hempstead site has since been closed.

Profit for the year

Adjusted profit before tax was £0.3 million, a decrease from £2.9 million in 2023. This was principally due to reduced profitability in the Printhead and EPS businesses, as a consequence of lower sales volumes putting downward pressure on margin. All businesses continue to generate meaningful profit. We are making progress managing head office costs (on an adjusted basis) of £5.9 million in 2024 compared to £6.5 million in 2023. These savings have been achieved because of reductions in employee, travel and insurance costs.

In calculating the adjusted profit before tax, the following significant items, which management consider to be one-off or non-recurring in nature, have been excluded from the £11.4 million loss before tax (2023: £2.7 million loss); fair value losses on financial assets of £5.6 million (2023: £0.4 million) arising due to an expected reduction in third-party revenues underlying the Xaar 3D contingent consideration earn-out; costs relating to the rationalisation of the Digital Imaging business (£1.2 million, 2023: £nil); £1.0 million redundancy costs (2023: £0.8 million); share-based payment charges of £1.1 million (2023: £1.9 million); impairment of contract assets recognised in prior years not expected to be collected in full (£0.5 million, 2023: £nil); and £2.2 million amortisation of acquisition intangibles, inclusive of an impairment to Digital Imaging customer relationships asset (2023: £1.4 million).

Adjusted EBITDA in the period was £3.7 million (2023: £6.4 million).

Cash flow and balance sheet

The Group retains a strong balance sheet, with a net cash position at 31 December 2024 of £8.7 million, representing a net cash inflow of £1.6m during the period (2023: £7.1 million). This improved cash balance is reflective of the Group's ongoing focus on careful liquidity management. This was driven by £6.6 million positive cash flow from operating activities, offset by deferred consideration payments of £2.1 million (2023: £1.7 million), lease payments of £1.2 million (2023: £1.1 million), capital expenditure of £0.9 million (2023: £1.5 million) and movements on receivables finance borrowings resulting in £0.9 million cash outflow (2023: £0.9 million inflow).

The Group works hard to manage working capital efficiently and it is pleasing that 2024 saw an overall reduction in trade balances of £3.5 million to £30.4 million (2023: £33.9 million), which contributed to the cash inflows from operating activities. Inventory reduced by £3.8 million to £27.2 million (2023: £31.0 million) and trade receivables decreased by £1.3 million to £5.9 million (2023: £7.2 million), whilst trade creditors reduced by £1.5 million to £2.8 million (2023: £4.3 million).

The Group has a Revolving Credit Facility (RCF) of £5 million in place with our lead bank, HSBC, to ensure we have adequate resources to invest in the Group and our operational capability when required. To date, our effective cash management has meant the facility remains undrawn. During Q1 2025 the term of the facility was extended by one year, to June 2026.

Non-current assets of £33.4 million decreased by £12.2 million during the year. As the Group's cash focus continued, there was a £2.0 million reduction in property, plant and equipment as new purchases were controlled and prioritised. The consideration receivable balance related to the earn- out following the divestment of Xaar 3D was revalued to £4.9 million in the year, with the non-current element of this reducing from £8.3 million to £3.1 million. This revaluation was driven by a downward re-estimate of third-party revenues underpinning the earn-out. The remaining significant movements in the carrying value of non-current assets predominantly related to annual depreciation and amortisation of assets in line with their useful economic life for the business, as well as a modification and impairment of the FFEI property lease under IFRS16, resulting in a reduction in the right of use asset value.

Current assets reduced by £4.5 million from £51.7 million as at 31 December 2023 to £47.2 million. As described above, working capital asset balances reduced year-on-year, due to proactive management, directly improving cash flows from operating activities, and contributing to the £1.6m increase in cash and cash equivalents. The revaluation of contingent consideration assets resulted in a £0.4 million reduction in the current element to £1.9 million (2023: £2.3 million), with the next significant milestone payment assumed to have been delayed by one year but with an expectation of an overall reduction in short-term royalties receivable. Contract assets reduced by £1.2 million since 31 December 2023 to £1.0 million (2023: £2.2 million) due to the discontinuation of the Life Sciences product lines at FFEI and a smaller project pipeline at EPS.

Non-current liabilities totalled £5.0 million, a year-on-year reduction of £2.2 million, all relating to lease liabilities payable in more than one year. The change predominantly reflects the modification of the lease for FFEI's property in Hemel Hempstead, bring the end date in line with the break clause when we plan to exit.

Current liabilities of £13.5 million have reduced by £5.1 million compared to the prior year (2023:

£18.6 million). This majority of this movement is driven by a £0.8 million reduction trade and other payables, £0.8 million reduction in amounts borrowed against the Group's receivables financing

facilities, £0.4 million lower provisions balance resulting from increases in legal provisions offset by utilised restructuring provisions, and £2.1 million of deferred consideration paid in the period.

The business has a clear plan and strategy, which its healthy balance sheet and cash position will support. At present, we are focusing investment internally to ensure we have the operational capacity and efficiency to meet future demand, alongside investment in our product roadmap development. We remain focussed on capitalising on market opportunities, ensuring we are able to rapidly response to demand requirements. We will continue to review our approach to inventory levels, with a medium-term aim to reduce it as demand becomes more stable.

Dividend

No dividend has been declared in respect of the year. The Board regularly reviews its capital allocation policy and believes that prioritising investment to enable profitable growth for the Group is currently the most appropriate use of capital, achieving the best medium-term return for shareholders.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED
31 DECEMBER 2024

		Year ended 31 December 2024			Year ended 31 December 2023 (restated)**		
	Notes	**Adjusted £'000**	**Adjusting Items* £'000**	**Total £'000**	Adjusted £'000	Adjusting Items* £'000	Total £'000
Revenue	2	**61,408**	**-**	**61,408**	70,241	-	70,241
Cost of sales		**(39,191)**	**-**	**(39,191)**	(43,350)	-	(43,350)
Gross profit		**22,217**	**-**	**22,217**	28,891	-	28,891
Research and development expenses	4	**(5,256)**	**228**	**(5,028)**	(5,642)	179	(5,463)
Sales, general and administrative expenses	4	**(16,294)**	**(11,959)**	**(28,253)**	(20,093)	(5,780)	(25,873)
Other income	5	**-**	**-**	**-**	2,201	-	2,201
Operating (loss) / profit		**667**	**(11,731)**	**(11,604)**	3,357	(5,601)	(2,244)
Finance income		**134**	**-**	**134**	89	-	89
Finance costs		**(495)**	**-**	**(495)**	(562)	-	(562)
(Loss) / profit before tax		**306**	**(11,731)**	**(11,425)**	2,822	(1,998)	(2,717)
Tax		**236**	**497**	**733**	867	100	309
(Loss) / profit for the year attributable to the equity shareholder of the parent		**542**	**(11,234)**	**(10,692)**	2,820	(5,228)	(2,408)
(Loss)/earnings per share							
Basic	3	**0.7p**		**(13.5)p**	3.6p		(3.0)p
Diluted	3	**0.7p**		**(13.5)p**	3.5p		(3.0)p

* Further information on adjusting items is included in Note 4

** Further information in prior year restatement is included in Note 8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Year ended 31 December 2024	Year ended 31 December (restated)

	£'000	2023 £'000
Loss for the year attributable to the equity of the shareholder of the parent	**(10,692)**	(2,408)
Items that may be reclassified to the income statement in subsequent years		
Exchange gains/(losses) on translation of foreign operations	**122**	(308)
Other comprehensive expense for the year	**(10,570)**	(2,716)
Total comprehensive expense for the year	**(10,570)**	(2,716)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	31 December 2024 £'000	31 December 2023 (restated) £'000	31 December 2022 (restated) £'000
Non-current assets			
Goodwill	**6,959**	6,873	7,163
Other intangible assets	**5,136**	7,366	8,681
Property, plant and equipment	**12,490**	14,529	16,104
Right of use asset	**4,734**	7,826	8,068
Financial asset at fair value through profit or loss	**3,063**	8,277	11,089
Deferred tax asset	**951**	580	753
Non-current financial assets	**104**	136	136
	33,437	45,587	51,994
Current assets			
Inventories	**27,236**	31,035	29,148
Trade and other receivables	**8,084**	8,802	10,027
Contract assets	**1,018**	2,156	1,500
Current tax receivable	**346**	306	735
Financial asset at fair value through profit or loss	**1,854**	2,322	517
Cash and cash equivalents	**8,711**	7,135	8,546
	47,249	51,756	50,473
Total assets	**80,686**	97,343	102,467
Current liabilities			
Trade and other payables	**(8,782)**	(9,568)	(13,216)
Deferred consideration	**-**	(2,115)	(1,646)
Provisions	**(951)**	(1,385)	(535)
Contract liabilities	**(1,986)**	(2,369)	(3,799)
Borrowings	**(557)**	(1,403)	(379)
Lease liabilities	**(1,218)**	(1,800)	(1,032)
	(13,494)	(18,640)	(20,607)
Net current assets	**33,755**	33,116	29,866
Non-current liabilities			
Lease liabilities	**(4,710)**	(6,898)	(7,800)
Provisions	**(300)**	(300)	(300)
Deferred consideration	**-**	-	(2,094)
	(5,010)	(7,198)	(10,194)
Total liabilities	**(18,504)**	(25,838)	(30,801)
Net assets	**62,182**	71,505	71,666
Equity			
Share capital	**7,948**	7,923	7,844
Share premium	**30,011**	29,950	29,427
Own shares	**(566)**	(566)	(775)
Translation reserves	**1,440**	1,318	1,626
Other reserves	**6,256**	6,256	6,256
Retained earnings	**17,093**	26,624	27,288
Total equity	**62,182**	71,505	71,666

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital £'000	Share premium £'000	Own shares £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023	7,844	29,427	(775)	1,628	6,256	27,389	71,769

Correction of error (net of tax)	-	-	-	(2)	-	(101)	(103)
Balance at 1 January 2023 (restated)	7,844	29,427	(775)	1,626	6,256	27,288	71,666
Profit for the year	-	-	-	-	-	(2,408)	(2,408)
Other comprehensive income	-	-	-	(308)	-	-	(308)
Total comprehensive income	-	-	-	(308)	-	(2,408)	(2,716)
Issue of ordinary shares	79	523	-	-	-	-	602
Own shares disposed of on exercise of share options	-	-	209	-	-	-	209
Exercise of share options	-	-	-	-	-	(194)	(194)
Share-based payments	-	-	-	-	-	1,938	1,938
Balance at 31 December 2023 (restated)	7,923	29,950	(566)	1,318	6,256	26,624	71,505
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(10,692)**	**(10,692)**
Other comprehensive income	**-**	**-**	**-**	**122**	**-**	**-**	**122**
Total comprehensive expense	**-**	**-**	**-**	**122**	**-**	**(10,692)**	**(10,570)**
Issue of ordinary shares	**25**	**61**	**-**	**-**	**-**	**-**	**86**
Exercise of share options	**-**	**-**	**-**	**-**	**-**	**(18)**	**(18)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**1,179**	**1,179**
Balance at 31 December 2024	**7,948**	**30,011**	**(566)**	**1,440**	**6,256**	**17,093**	**62,182**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	**Year ended 31 December 2024 £'000**	Year ended 31 December 2023 £'000
Cash generated/(utilised) by operations	6	**5,993**	(1,537)
Net income taxes received		**605**	1,088
Net cash inflow/(outflow) from operating activities		**6,598**	(449)
Investing activities			
Interest income received		**134**	89
Purchases of property, plant and equipment		**(936)**	(1,510)
Proceeds from sale of property, plant and equipment		**-**	24
Purchases of intangible assets		**(86)**	(430)
Proceeds from sale of intangible assets		**-**	1,760
Cash earn-out received from financial assets at FVTPL		**120**	637
Net cash (outflow)/inflow from investing activities		**(768)**	570
Financing activities			
Proceeds from sale of own shares		**-**	15
Proceeds from issue of shares		**69**	602
Lease payments		**(1,197)**	(1,075)
Interest paid		**(87)**	(59)
Utilisation of revolving credit facility		**-**	1,700
Repayment of revolving credit facility		**-**	(1,700)
Net inflows from invoice discounting facility		**(941)**	915
Payment of deferred consideration		**(2,133)**	(1,746)
Net cash outflow in financing activities		**(4,289)**	(1,348)
Net increase/(decrease) in cash and cash equivalents		**1,541**	(1,227)
Cash and cash equivalents at beginning of year		**7,135**	8,546
Effect of foreign exchange rates		**35**	(184)
Cash and cash equivalents at end of year		**8,711**	7,135

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2024

1. Presentation of the financial information

a) Basis of preparation

The financial information, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and extracts from the notes to the consolidated financial statements for the year ended 31 December 2024, has been prepared in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006.

The financial information incorporates the results of the Company and the entities under its control (together the 'Group').

The financial information has been presented in Sterling and has been prepared under the historical cost convention as modified for the revaluation of certain financial instruments. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The financial information does not constitute statutory financial statements within the meaning of Sections 434 to 436 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2023 have been filed with the Registrar of Companies and those for the year ended 31 December 2024 were approved by the Board of Directors on 24 March 2025 and will be delivered in due course. The Auditor has reported on the financial statements for the year ended 31 December 2024 and their Report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

b) Alternative performance measures

The alternative performance measures (APMs) used by the Group adjust for both recurring and non-recurring items that the Directors consider are not reflective of the underlying performance of the Group. Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment.

The Directors believe that the 'adjusted profit before tax' and 'adjusted earnings per share' measures presented provide a consistent presentation of the Group's underlying operational performance. They also present shareholders with a clearer insight of performance metrics used by the Chief Operating Decision Maker and mitigate volatility, for example resulting from exchange rate fluctuations, resulting from external factors that are not influenced by the Group.

These measures are not defined under IFRS; therefore, they may not be directly comparable with the 'adjusted' profit measures of other companies.

Adjusting items are defined as follows:

+ fair value gains or losses on financial assets at FVTPL;

+ restructuring and transaction expenses;

+ amortisation of intangible assets arising on business combinations;

+ foreign exchange gains or losses arising on intra-group transactions;

+ research and development expenditure credits;

+ share-based payments charges and employer's tax contributions thereon;

+ asset impairment outside of the ordinary course of business;

+ legal provisions; and

+ the tax effect of the aforementioned adjusting items

c) Going Concern

The consolidated financial statements are prepared on a going concern basis. Having considered the Group's forecast financial performance and cash flows, and after making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future and for at least one year from the date that these consolidated financial statements are signed. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

In preparing forecasts Xaar considers all external factors that could impact on financial performance and makes appropriate allowances for these. The forecast informing the decision to prepare the consolidated financial statements on a going concern basis considered, among other things; the ongoing impact on sales to China due to local economic issues, the likelihood of inflationary pressures resulting from macro-economic factors, and the wars in Ukraine & Gaza. Furthermore, forecasts have been subject to sensitivities to assess the impact on revenue generation, profitability and liquidity of wider market disruption in certain customer and supplier markets and uncertainty in timing of revenues expected from significant strategic opportunities.

A reverse stress test has been performed to model the circumstances required to eliminate available liquidity during the going concern period, this includes reducing revenues. This reverse stress scenario would require a reduction in Group revenue in excess of 22% in comparison to the base case, before considering any significant mitigating actions, which would be below the actual reported result for the year ended 31 December 2024 (on a like-for-like basis). The Directors believe the possibility of this combination of severe downsides arising to be remote given the recurring revenue base, visibility of committed orders and expected new revenue streams secured from products known to be launching by OEMs throughout 2025.

In the unlikely event of such a scenario materialising, the Group has a range of mitigating actions, focused on reducing the Group's cost base, that could be taken to avoid a liquidity shortfall. Namely, deferring non-committed capital expenditure, delaying, or suspending research and development expenditure, and/or ultimately even making headcount reductions. It is worth noting that such actions would only be required in the event of an extreme downside scenario.

The Group is continuously monitoring and mitigating, where possible, the impacts of such risks. There is a high degree of predictability within the Group's short-term cash flows as they reflect existing technologies and products, existing OEM adoption and the committed order pipeline. The level of sensitivity testing, and reverse stress testing performed is proportionate to this level of predictability.

The Group continues to have a net current assets position and maintains sufficient financial resources as at 31 December 2024. These consist of cash and cash equivalents of £8,711,000 as well as £5,000,000 of committed, but undrawn, banking facilities made available under a revolving credit facility agreement which currently expires in June 2026. The revolving credit facility is subject to leverage, interest cover and capital expenditure threshold covenants. In addition, to support the Group's working capital position, alongside the above core banking facilities, the Group also has access to ancillary funding arrangements in the form of an invoice discounting facility; of which £557,000 of the total £3,000,000 committed facility was utilised as at 31 December 2024.

2. Operating segments

The Group's operating segments are determined based on the internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Chief Executive Officer, with support from the other members of the Board of Directors, being the individual who is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The principal activities of the Group are presented in the following segments: 'Printhead', 'Product Print Systems', 'Digital Imaging' and 'Ink Supply Systems'. This presentation reflects how the Group's operating performance is reviewed internally by management.

By the end of 2024 the Digital Imaging business has been restructured. The printbar business has been transferred to Printhead and the remainder of the business has ceased.

Year ended 31 December 2024	**Printhead £'000**	**Product Print Systems £'000**	**Digital Imaging £'000**	**Ink Supply Systems £'000**	**Head Office Entities £'000**	**Total £'000**
Revenue - total	**34,615**	**16,807**	**10,114**	**3,417**	**-**	**64,593**
Revenue - intra segment	**(1,143)**	**(731)**	**(765)**	**(906)**	**-**	**(3,545)**
Revenue - external	**33,472**	**16,076**	**9,349**	**2,511**	**-**	**61,408**
Adjusted operating (loss)/profit	**2,816**	**1,211**	**1,502**	**1,093**	**(5,955)**	**667**
Adjusting items	**(533)**	**(705)**	**(3,720)**	**(363)**	**(6,410)**	**(11,731)**
Operating (loss)/profit	**2,283**	**506**	**(2,218)**	**730**	**(12,365)**	**(11,064)**

Year ended 31 December 2023	**Printhead £'000**	**Product Print Systems £'000**	**Digital Imaging £'000**	**Ink Supply Systems £'000**	**Head Office Entities £'000**	**Total £'000**
Revenue - total	37,857	22,063	8,748	3,140	-	71,808
Revenue - intra segment (restated)*	(771)	-	-	(796)	-	(1,567)
Revenue - external	37,086	22,063	8,748	2,344	-	70,241
Adjusted operating (loss)/profit	3,636	3,195	2,207	822	(6,503)	3,357
Adjusting items (restated)*	(1,808)	(152)	(1,166)	(349)	(2,126)	(5,601)
Operating (loss)/profit	1,828	3,043	1,041	473	(8,629)	(2,244)

*Refer note 8 for prior year restatement. Additionally, the share-based payment charge and management recharges elimination have been allocated and Head Office separated from Printhead

3. Earnings per share - basic and diluted

Basic EPS and adjusted basic EPS are calculated by dividing the earnings attributable to the equity shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted EPS and adjusted diluted EPS are calculated on the same basis as basic EPS but with a further adjustment to the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. Such potentially dilutive ordinary shares comprise share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and any unvested shares which have met, or are expected to meet, the performance conditions at the end of the year.

The calculation of basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 (restated) £'000
Earnings		
Profit attributable to equity shareholders of the parent - adjusted	**542**	2,820
Adjusting items	**(11,234)**	(5,228)
Loss attributable to equity shareholders of the parent - reported	**(10,692)**	(2,408)
	Number	Number
Number of shares		
Weighted average number of ordinary shares in issue	**79,377,941**	78,584,418
Less: ordinary shares held by Xaar Trustee Limited and the Xaar Plc ESOP Trust	**(313,201)**	(335,556)
Weighted average number of ordinary shares for the purposes of basic EPS	**79,064,740**	78,248,862
Effect of potentially dilutive ordinary shares - share options and awards	**2,581,021**	2,613,007
Weighted average number of ordinary shares for the purposes of diluted EPS	**81,645,761**	80,861,869
	Pence per share	Pence per share
Basic EPS	**(13.5)p**	(3.0)p
Diluted EPS	**(13.5)p**	(3.0)p
Adjusted Basic EPS	**0.7p**	3.6p
Adjusted Diluted EPS	**0.7p**	3.5p

4. Adjusting items		**Year ended 31 December 2024 £'000**	Year ended 31 December 2023 (restated) £'000
Share-based payment charges	(i)	**(1,097)**	(1,882)
Exchange (losses)/gains on intra-group transactions	(ii)	**110**	(364)
Restructuring and transaction expenses	(iii)	**(2,505)**	(1,501)
Research and development expenditure tax credits	(iv)	**228**	179
Fair value losses on financial assets at FVTPL	(v)	**(5,561)**	(369)
Amortisation of intangible assets arising on business combinations	(vi)	**(2,201)**	(1,368)
Impairment of contract assets	(vii)	**(514)**	-
Legal provision	(viii)	**(191)**	(296)
Affecting operating profit and profit before tax		**(11,731)**	(5,601)
Tax effect of adjusting items		**497**	373
Total adjusting items after tax		**(11,234)**	(5,228)

(i) Comprises share-based payment charges of £1,182,000 (2023: £1,937,000) partially offset by an accrual release of £85,000 (2023: release of £55,000) for the associated employer's social security contributions and are included in selling, general and administrative expenses.

(ii) Comprises exchange gains or losses as a result of USD denominated intra-group loans between UK and US entities. Such costs are included in selling, general and administrative expenses.

(iii) Comprises restructuring costs of £1,132,000 (2023: £1,501,000), M&A transaction costs of £182,000 (2023: £nil), £1,205,000 (2023: £nil) related to the rationalisation of the Digital Imaging business and subsequent asset review and a

£14,000 credit (2023: £740,000 expense) relating from the Group's operational efficiency program. Restructuring costs include provision for redundancy costs £994,000 (2023: £761,000), £121,000 TUPE related bonuses and £17,000 redundancy related legal fees. Such costs are included in selling, general and administrative expenses.

(iv) Comprises UK corporation tax relief relating to qualifying research and development expenditure. £134,000 relates to XaarJet Limited and £81,000 relates to FFEI Limited for the year ended 31 December 2024. £13,000 relates to Xaar Technology prior year adjustments.

During year ended 31 December 2023, £15,000 related to XaarJet Limited and £164,000 related to FFEI Limited. These credits are included in research and development expenses.

(v) Comprises the fair value movement on contingent consideration that arose on the Group's divestment of Xaar 3D Limited. Such amounts are included in selling, general and administrative expenses. Refer to Note 7 for further information.

(vi) The intangible assets consist of the software, patents and customer relationships recognised on acquisition of FFEI Limited in 2021 and the customer relationships and brand value recognised on acquisition of Megnajet Limited in 2022. These costs are included in selling, general and administrative expenses.

(vii) During the year it became apparent that we will be unable to collect the full contract value on a contract which commenced in 2021 in our Product Print systems business segment. This contract is therefore impaired to the expected recoverable amount. No profits have been recognised in adjusted profits on this contract in the current or preceeding year.

(viii) In January 2025, we identified a historical breach of employment law regulations within one of our operations dating back to 2021. Following a comprehensive investigation, we have assessed the potential liability associated with this matter to be approximately £613,000 excluding any legal fees. £191,000 has been recognised as an expense the current year (£296,000 in 2023). Refer note 8 for the prior period restatement.

5. Other operating income

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Profit on disposal of intangible assets	**-**	2,036
Settlements received	**-**	164
Total other operating income	**-**	2,201

In June 2023 the Group entered into a series of transactions in the context of the integration of the recently acquired FFEI Limited business. These consisted in part of the disposal of the non-core Life Sciences activities and all associated patents, software and technological know-how. Consideration received for these intangible assets totalled £2,312,000, generating a profit of £2,036,000 after deduction of the asset's carrying value. The consideration was receivable in installments with
£1,760,000 having been received as at 31 December 2023 and £552,000 in the year ending 31 December 2024. Settlements received constitute compensation under legal claims.

6. Note to cash flow statement

	31 December 2024 £'000	31 December 2023 (restated) £'000
Loss before taxation	**(11,425)**	(2,717)
Adjustments for:		
Depreciation of property, plant and equipment	**2,863**	2,914
Depreciation of right-of-use assets	**1,322**	1,084
Amortisation of intangible assets	**2,321**	1,487
Research and development expenditure credit	**(228)**	(179)
Net interest expense	**361**	473
Unrealised currency translation (gains)/losses	**(130)**	426
Share-based payment charge	**1,096**	1,882
Fair value loss on financial assets at FVTPL	**5,561**	369
Loss on disposal of property, plant and equipment	**126**	24
Gain on disposal of intangible assets	**-**	(2,036)
(Decrease)/increase in provisions	**(434)**	568
Operating cash flows before movements in working capital	**1,433**	4,591
Decrease/(increase) in inventories	**3,846**	(2,057)
Decrease in receivables	**1,886**	942

Decrease in payables	**(1,172)**	(5,013)
Cash generated / (utilised) by operations	**5,993**	(1,537)

7. Fair value movement on contingent consideration

The Group has one financial instrument held at fair value, the contingent consideration that arose on the Group's divestment of its remaining interest in Xaar 3D Limited during the year ended 31 December 2021.

In 2021, Xaar 3D Holdings Limited completed the divestment of its remaining interest in the share capital of Xaar 3D Limited. The Group received net cash consideration of £9,272,000 as well as a potential entitlement to additional cash consideration of up to £10,863,000 calculated on an earn-out basis at 3% of revenue per annum, with additional amounts becoming receivable on meeting revenue milestones.

During 2024 the fair value of the contingent consideration has been considerably reduced to £4,918,000 (2023: £10,599,000). £120,000 was received during 2024 and a fair value loss of £5,561,000 was booked through profit and loss. This is due to a reduction in the revenue forecasts for the disposed business which have resulted in the final revenue milestone (Milestone 3) no longer being expected to be achieved before the milestone window closes on 6 Oct 2026. Management view is that Milestone 2 will be received in late 2025 or early 2026.

8. Restatement of prior period

In January 2025, we identified a historical breach of employment law regulations within one of our operations dating back to 2021. Following a comprehensive investigation, we have assessed the potential liability associated with this matter to be approximately £613,000 excluding any legal fees. Xaar has established appropriate provisions in our financial statements to address this obligation.

It was further identified that in preparing the 2023 consolidated financial statements intercompany revenues were not fully eliminated in the Ink Supply Systems CGU. This overstated Group revenues and cost of sales by £373,000 but had no net impact on profits. The error related solely to point in time revenues.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated statement of financial position (extract)	**31 December 2023**	**Increase/ decrease**	**31 December 2023 (restated)**	**31 December 2022**	**Increase/ decrease**	**31 December 2022 (restated)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current provisions	(972)	(413)	**(1,385)**	(405)	(130)	**(535)**
Deferred tax asset	493	87	**580**	726	27	**753**
Translation reserved	1,310	8	**1,318**	1,628	(2)	**1,626**
Retained Earnings	26,958	(334)	**26,624**	27,389	(101)	**27,288**
Total Equity	71,831	(326)	**71,505**	71,769	(103)	**71,666**

Consolidated income statement (extract)	**2023**	**Increase/ decrease**	**2023 (restated)**	**2022**	**Increase/ decrease**	**2022 (restated)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	70,614	(373)	**70,241**	72,782	-	**72,782**
Cost of sales	(43,723)	373	**(43,350)**	(44,138)	-	**(44,138)**
Selling, general and administrative expenses	(25,577)	(296)	**(25,873)**	(21,205)	(106)	**(21,311)**
Operating (loss)/profit	(1,948)	(296)	**(2,244)**	1,236	(106)	**1,122**
(Loss)/profit before tax	(2,421)	(296)	**(2,717)**	824	(106)	**718**
Tax credit	247	62	**309**	967	22	**989**
(Loss)/profit for the year - continuing operations	(2,174)	(234)	**(2,408)**	1,791	(84)	**1,707**
(Loss) / profit for the year attributable to the equity shareholder of the parent	(2,174)	(234)	**(2,408)**	1,632	(84)	**1,548**
Basic (loss)/earnings per share	(2.8)p	(0.2)p	**(3.0)p**	2.1p	(0.1)p	**2.0p**
Diluted (loss)/earnings	(2.8)p	(0.2)p	**(3.0)p**	2.0p	(0.1)p	[illegible]

Diluted (loss)/earnings per share	(2.8)p	(0.2)p	**(3.0)p**	2.0p	(0.1)p	**1.9p**

Statement of comprehensive income (extract)	**2023**	**Increase/ decrease**	**2023 (restated)**	**2022**	**Increase/ decrease**	**2022 (restated)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
(Loss)/profit for the year attributable to the equity shareholder of the parent	(2,174)	(234)	**(2,408)**	1,632	(84)	**1,548**
Exchange (losses)/gains on translation of foreign operations	(318)	10	**(308)**	617	(2)	**615**
Total Comprehensive (expense)/income for the year	(2,492)	(224)	**(2,716)**	2,249	(86)	**2,163**

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