

Registered number: 01186329

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 DECEMBER 2021

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ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

COMPANY INFORMATION

Directors	G B Tayler (appointed 9 February 2021) G E Fitz (appointed 9 February 2021)
Registered number	01186329
Registered office	Bowling Old Lane Bradford West Yorkshire BD5 7JL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Whitehall Riverside Whitehall Road Leeds LS1 4BN

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

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ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 DECEMBER 2021**

Principal activity

The Company's main activities cover the supporting of its group companies in the Netherlands and the USA with Selling & Marketing activities on the group's products. These activities are done from multiple locations. The Company started an ink production plant in 2015 to serve our textile printing business. Following the acquisition of Rialco Limited in 2016, the Company also has a second manufacturing activity, being the importing and manufacturing of dye powders and colour products for digital print and industrial manufacturing industries.

The business is organised into two operating segments, Industrial Inkjet and Fiery, as follows:

Industrial Inkjet consists of our VUTEk super-wide and wide format display graphics, Nozomi corrugated packaging and display, Reggiani textile, and Cretaprint ceramic tile decoration and building material industrial inkjet printers; digital UV curable, LED curable, ceramic, water-based, and thermoforming and specialty ink, as well as a variety of textile ink including dye sublimation, pigmented, reactive dye, acid dye, pure disperse dye, water-based dispersed printing ink, and coatings; digital inkjet printer parts; and professional services.

Fiery consists of Fiery and FFPS Digital Front Ends ("DFEs"), which transform digital copiers and printers into high performance networked printing devices for the office, commercial, and industrial printing markets. This segment is comprised of (i) standalone DFEs connected to digital printers, copiers, and other peripheral devices, (ii) embedded DFEs and design-licensed solutions used in digital copiers and multi-functional devices, (iii) optional software integrated into our DFE solutions, (iv) Fiery Self Serve, our self-service and payment solution, and (v) stand-alone software-based solutions such as our proofing, textile, and scanning solutions.

Business review and key performance indicators

The result for the year shows profit before tax of £17,978,000 (2020: £1,276,000), an operating profit of £4,629,000 (2020: £2,025,000) and a turnover of £42,484,000 (2020: £40,943,000). The current year results have been impacted by the disposal of the Eprod business with a profit on disposal of £13,961,000.

The Company continues to carry out sales & marketing activities and development to support the Dutch and the American companies and is remunerated for these efforts.

Further, the Company performs research and development activities for affiliated companies. The Company receives an at arm's length remuneration for this activity.

We are very pleased with the activities of our ink production facilities. We can produce high quality and demand is rising. In 2020, the company expanded the Rialco Ink manufacturing operations with significant investment in plant and machinery and also started to sell Vutek Ink in the Rialco division of the Company.

During the year the Company disposed of the trade and assets of its Productivity software business, as set out on page 6, and is prioritising technology investments to accelerate growth in its fast growing industrial EFI™ Inkjet business to continue to lead the industry in the analog-to-digital transition, as well as in its market-leading Fiery® business.

The discontinued Productivity Software segment consisted of complete software suites that enable efficient and automated end-to-end business and production workflows for the print and packaging industries. Customers were provided the financial and technical flexibility to deploy locally within their business or to be hosted in the cloud. The Productivity Suites addressed all segments of the print industry. On 30 December 2021, we closed the sale of this former operating segment to an outside party ("Buyer"). As a result, this operating segment has been classified as discontinued operations in the financial statements for all periods presented.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 DECEMBER 2021

Principal risks and uncertainties

The Company has maintained its established risk management process throughout the reporting period. Risks and uncertainties are assessed and formally evaluated. Actions are taken to mitigate the adverse effects of unplanned events. The Company is also required to comply with a set of internal control requirements to ensure compliance with the Internal control elements of the holding company in the US.

Our key risks and uncertainties to which the business is exposed are summarised as follows:

Interest rate risk

The Company finances its operations through a mixture of inter-company accounts and retained earnings. The Company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts.

Currency risk

The Company is exposed to transaction and translation foreign exchange risk. The company has stopped hedging arrangements.

Going concern

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a global pandemic. The pandemic continues to randomly affect geographic locations in which we operate and could further impact our operations and the operations of our customers as a result of any actions taken including quarantines, various local, state, and federal government public health orders, facility and business closures, and travel and logistics restrictions. With our COVID-19 safety plans, work-from-home and return-to-office policies and restricted employee travel to essential, business-critical trips, we were able to maintain strong customer relationships and generally deliver our products and services to customers. In addition, global supply chains for various products were constrained during the year ended 30 December 2021 as the global economy recovered from the downturn. Due to disruptions in the supply chain for certain critical components, delivery of certain products to our customers were delayed during the year ended 30 December 2021 and additionally, during that year we faced increases in certain costs as inflation accelerated sharply.

In February 2022, Russia commenced military actions against Ukraine. Historically our revenue and business activities in the two countries have been limited and not considered material to the Company's financial position and results of operations. However, we expect that this conflict may put additional pressure on recent price inflation, particularly with respect to certain chemicals and other raw materials used in the manufacture of our products. We also anticipate increased freight costs due to potential disruptions to global supply chains. We also may experience other disruptions to our business as a result of this conflict, particularly if the duration is long or if the geographic scope expands.

While the potential future financial impacts for any changes to these events cannot be estimated, management believes the EFI Group is in a sound financial position to manage through any negative impacts. With the sale of the Productivity Software Business and the subsequent paydown of a material portion of outstanding Group debt, as well as sufficient liquidity and continued underlying revenue growth in key segments of the Group.

On the basis of these actions and forecasts and having received confirmation from Group that amounts owed to Group companies will not be required to be repaid until the Company has sufficient support to ensure that the Company has the resources to repay its liabilities as they fall due for at least the period ending twelve months after the date of approval of these financial statements.

The directors are therefore satisfied the financial statements of the Company continue to be prepared on a

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 DECEMBER 2021

going concern basis.

Failure to maintain a competitive product range

With its worldwide network within the EFI Group and constant research & development we are confident that our products can meet competition.

Financial instruments

The Company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risks arising from the Company financial Instruments are interest rate risk, liquidity risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Section 172(1) Statement

Under s172 of the Companies Act, Directors of UK Companies are required to explain how they considered the interests of key stakeholders when performing their duty to promote the success of the Company:

- **S172(1) (a) The likely consequences of any decision in the long term**
The Directors understand the challenging environment in which the business is operating considering the global economic scenario and have taken steps to build a strong, resilient business by putting customers at the centre stage and innovating the products and solutions.
- **S172(1) (b) The interests of the company's employees**
The Directors understand that the success of any business is the human talent and has been taking all measures to attract, retain and motivate the talent and reward them fairly for their efforts.
- **S172(1) (c) The need to foster the company's business relationships with suppliers, customer and others**
The Directors believe for any business to grow, the long-term relationship with stakeholders such as Customers, Suppliers and Government need to be strong and mutually beneficial.
- **S172(1) (d) The impact of the company's operations on the community and the environment**
The Company complies with all safety and environment performance. Considering the company is in the business of manufacturing Inks, the requires measures are taken to reduce the organisation's carbon footprint.
- **S172(1) (e) The desirability of the company maintaining a reputation for high standards of business conduct**
The Company has a commitment to conduct business ethically and in compliance with all applicable laws. The Company launched an Anti-Bribery & Anti-Corruption (Foreign Corrupt Practices Act) training course and had every Employee and Contractor attend one. The belief is that every EFI employee and contractor must be committed to the goal of executing at the highest ethical standards and with good corporate governance.
- **S172(1) (f) The need to act fairly as between members of the company**
Our directors do the best to act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders. This can sometimes mean that certain stakeholder interests may not be fully aligned.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 DECEMBER 2021**

This report was approved by the board on 7/2/2023 and signed on its behalf.

G B Tayler
Director

Gregory Tayler

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 DECEMBER 2021

The directors present their report and the financial statements for the year ended 30 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £17,170,000 (2020 - £943,000).

No dividends have been paid or proposed in respect of the current or previous financial years.

Directors

The directors who served during the year and up to the date of this report were:

G B Tayler (appointed 9 February 2021)

G E Fitz (appointed 9 February 2021)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 DECEMBER 2021

Discontinued Productivity Software

On 1 October 2021, the assets and liabilities of the Productivity Software operating segment of the Company as set out in note 27 to the financial statements, were transferred to a fellow subsidiary undertaking, Eprod Software UK Ltd, in return for 10,600,000 ordinary shares of £1 each in Eprod Software UK Ltd. The gain arising from this transaction has been calculated as follows:

Consideration for Transfer and Gain on Transfer (in £'000s)

Consideration for transfer	10,600
Net Assets Acquired	1,042
Gain on transfer	9,558

On 30 December 2021, as part of a worldwide disposal for consideration in cash by its parent company, Electronics for Imaging Inc., the Company disposed of its investment in Eprod Software UK Ltd and received an allocation of the total consideration of £15,003,000. The profit on sale of £4,403,000 has been included in profit on disposal of operations in the Statement of Comprehensive Income.

The Company Statement of Comprehensive Income shows the results of the Productivity Software division of the Company from 1 January 2021 to 30 September 2021 as discontinued operations.

Streamlined Energy and Carbon Reporting

The table below represents the Company's energy use and associated Greenhouse Gas emissions from electricity and fuel in the UK for the year 2021 calculated with reference to the Greenhouse Gas Protocol. The data covers 4 manufacturing sites and 5 non-manufacturing sites based in the UK.

We have had energy efficiency audits done with Third party providers for our Ink plants and based on their report would take appropriate measures to link the greenhouses requirements, including the CO2 emissions and carbon footprint.

UK Operations	2021	2020
Electricity (kWh)	698,948	507,709
Gas and Power (kWh)	283,015	223,428
Co2 emissions from Natural GAS (tonnes CO2)	6.43	15.51
Co2 emissions from Electricity (tonnes CO2)	109.66	122.46

The Co2 emissions intensity ratio for natural gas usage per FTE is 0.03 per Ton (2020: 0.07).

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 DECEMBER 2021**

Future developments

The Group headed by Electronics For Imaging, Inc., of which the Company is a member, is prioritising technology investments to accelerate growth in its fast-growing industrial EFI™ Inkjet business to continue to lead the industry in the analog-to-digital transition, as well as in its market-leading Fiery® business.

As part of this focused strategy, EFI has completed a sale of its eProductivity Software ("EPS") packaging and print productivity software business to an affiliate of Symphony Technology Group ("STG"). EFI and EPS will continue to collaborate with their joint customers and partners to ensure mutual success.

This realignment allows EFI to accelerate investment into its Inkjet and Fiery business units to capitalise on the growth opportunities available in existing segments the company serves, as well as drive expansion into markets that are beginning the transformation toward digital.

EPS' new owner, STG, is a leading private equity firm that focuses on investing in software, data analytics, and software-enabled technology services companies, and will support EPS to deliver enhanced value to its packaging and print customers and accelerate global growth. STG completed this acquisition on December 30, 2021. The price and terms of the deal were not disclosed.

Business relationships

The Directors believe for any business to grow, the long-term relationship with external stakeholders such as Customers, Suppliers and others need to be very strong. They have ensured that appropriate efforts are taken to build solid relationship and engaging them at periodical intervals receiving periodic feedback, as well taking note of any concerns, issues raised and then and assured they are solved.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the board on

7/2/2023

and signed on its behalf.

Gregory Tayler

G B Tayler
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

Opinion

We have audited the financial statements of Electronics For Imaging United Kingdom Limited (the 'Company') for the year ended 30 December 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as the invasion of Ukraine, the increased cost of living and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED (CONTINUED)

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Financial Reporting Standard 102, the Companies Act 2006 and the Health and Safety Act 1974;
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors, and from inspection of the company's legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the directors;



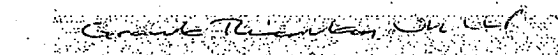
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED (CONTINUED)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- We assessed the appropriateness of the collective competence and capabilities of the engagement team including the consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation and knowledge of the industry in which the Company operates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Hobson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
Date: 7/2/2023

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 DECEMBER 2021

	Note	Continuing operations 2021 £000	Discontinued operations 2021 £000	Total 2021 £000	Continuing operations 2020 £000	Discontinued operations 2020 £000	Total 2020 £000
Turnover	4	30,694	11,790	42,484	27,031	13,912	40,943
Cost of sales		(23,328)	(1,104)	(24,432)	(21,989)	(1,055)	(23,044)
Gross profit		7,366	10,686	18,052	5,042	12,857	17,899
Administrative expenses		(5,582)	(8,020)	(13,602)	(5,238)	(10,784)	(16,022)
Other operating income	5	85	94	179	470	-	470
Impairment of investments		-	-	-	(322)	-	(322)
Operating profit	6	1,869	2,760	4,629	(48)	2,073	2,025
Profit on disposal of operations	27	-	13,961	13,961	-	-	-
Interest payable	9	(245)	(367)	(612)	(358)	(391)	(749)
Profit before tax		1,624	16,354	17,978	(406)	1,682	1,276
Tax on profit	10	(73)	(735)	(808)	106	(439)	(333)
Profit for the financial year		1,551	15,619	17,170	(300)	1,243	943

There was no other comprehensive income for 2021 (2020: £Nil).

The notes on pages 15 to 33 form part of these financial statements.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED
REGISTERED NUMBER:01186329

STATEMENT OF FINANCIAL POSITION
AS AT 30 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	11	2,361	2,604
Investments	12	11,554	11,554
		<u>13,915</u>	<u>14,158</u>
Current assets			
Stocks	13	6,093	7,217
Debtors: amounts falling due within one year	14	19,185	4,194
Cash at bank and in hand	15	2,697	3,884
		<u>27,975</u>	<u>15,295</u>
Creditors: amounts falling due within one year	16	(33,171)	(37,755)
Net current liabilities		<u>(5,196)</u>	<u>(22,460)</u>
Total assets less current liabilities		<u>8,719</u>	<u>(8,302)</u>
Provisions for liabilities			
Deferred tax	18	(177)	(112)
Other provisions	17	-	(214)
		<u>(177)</u>	<u>(326)</u>
Net assets/(liabilities)		<u><u>8,542</u></u>	<u><u>(8,628)</u></u>
Capital and reserves			
Called up share capital	21	750	750
Profit and loss account	20	7,792	(9,378)
		<u><u>8,542</u></u>	<u><u>(8,628)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7/2/2023

Gregory Tayler

G B Tayler
 Director

The notes on pages 15 to 33 form part of these financial statements.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 31 December 2020	750	(9,378)	(8,628)
Comprehensive income for the year			
Profit for the year	-	17,170	17,170
Total comprehensive income for the year	-	17,170	17,170
At 30 December 2021	750	7,792	8,542

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 DECEMBER 2020**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2020	750	(10,321)	(9,571)
Comprehensive income for the year			
Profit for the year	-	943	943
Total comprehensive income for the year	-	943	943
At 30 December 2020	750	(9,378)	(8,628)

The notes on pages 15 to 33 form part of these financial statements.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2021

1. Company information

Electronics For Imaging United Kingdom Limited is a private company limited by shares & incorporated in England and Wales. Its registered head office is located at Bowling Old Lane, Bradford, West Yorkshire, United Kingdom, BD5 7DT.

The Principal activity of the Company is customer-centric digital printing innovation focused on the transformation of the printing, packaging, ceramic tile decoration, and textile industries from the use of traditional analog based printing to digital on-demand printing.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The financial statements contain information about Electronics for Imaging United Kingdom Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its intermediate parent undertaking, Electronics for Imaging Inc., a company incorporated in the USA. Consolidated financial statements for Electronics for Imaging Inc. are available from Bowling Old Lane, Bradford West, Yorkshire, United Kingdom, BD5 7DT.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Electronics For Imaging Inc. as at 31 December 2021 and these financial statements may be obtained from Bowling Old Lane, Bradford West, Yorkshire, United Kingdom, BD5 7DT.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

2. Accounting policies (continued)

2.3 Going concern

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a global pandemic. The pandemic continues to randomly affect geographic locations in which we operate and could further impact our operations and the operations of our customers as a result of any actions taken including quarantines, various local, state, and federal government public health orders, facility and business closures, and travel and logistics restrictions. With our COVID-19 safety plans, work-from-home and return-to-office policies and restricted employee travel to essential, business-critical trips, we were able to maintain strong customer relationships and generally deliver our products and services to customers. In addition, global supply chains for various products were constrained during the year ended 30 December 2021 as the global economy recovered from the downturn. Due to disruptions in the supply chain for certain critical components, delivery of certain products to our customers were delayed during the year ended 30 December 2021 and additionally, during that year we faced increases in certain costs as inflation accelerated sharply.

In February 2022, Russia commenced military actions against Ukraine. Historically our revenue and business activities in the two countries have been limited and not considered material to the Company's financial position and results of operations. However, we expect that this conflict may put additional pressure on recent price inflation, particularly with respect to certain chemicals and other raw materials used in the manufacture of our products. We also anticipate increased freight costs due to potential disruptions to global supply chains. We also may experience other disruptions to our business as a result of this conflict, particularly if the duration is long or if the geographic scope expands.

While the potential future financial impacts for any changes to these events cannot be estimated, management believes the EFI Group is in a sound financial position to manage through any negative impacts. With the sale of the Productivity Software Business and the subsequent paydown of a material portion of outstanding Group debt, as well as sufficient liquidity and continued underlying revenue growth in key segments of the Group.

On the basis of these actions and forecasts and having received confirmation from Group that amounts owed to Group companies will not be required to be repaid until the Company has sufficient support to ensure that the Company has the resources to repay its liabilities as they fall due for at least the period ending twelve months after the date of approval of these financial statements.

The directors are therefore satisfied the financial statements of the Company continue to be prepared on a going concern basis.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

2. Accounting policies (continued)**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue that is not with external customers is recognised on a 'cost plus basis' and recharged to the fellow group company.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 40 years
Leasehold improvements	- over the term of lease
Equipment and motor vehicles	- 2 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

2. Accounting policies (continued)**2.7 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of income and retained earnings.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling (GBP).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2021

2. Accounting policies (continued)

2.15 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Warranties and claims

The cost of work carried out under hardware and software warranties is charged to operating costs in the period in which it is incurred. Provision is made for claims where it is probable that a liability will arise.

2.17 Business combinations

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued, plus the costs directly attributable to the business combination. Where control is achieved in stages, the cost is the consideration at the date of each transaction.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

2. Accounting policies (continued)

2.19 Current and deferred taxation (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Management believes that the assumptions made in the preparation of the financial statements are appropriate, and that the financial statements therefore present fairly in accordance with the Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006, in all material respects, the entity's financial position and performance. However, the application of assumptions and estimates means that any selection of different assumptions would cause our reported results to differ.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The following are the key estimates and judgements made in preparing these financial statements:

Fixed assets

Management considers the carrying value of intangible and tangible fixed assets (including investments) by reference to the underlying trading results, forecasts and net assets of the relevant income stream/subsidiary. Based on these judgements a suitable level of impairment is applied.

Going concern

The directors are required to assess whether it is appropriate to prepare the financial statements on a going concern basis. The assessment of going concern is set out in note 2.3.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

3. Judgements in applying accounting policies (continued)**Stock valuation**

Management has used their knowledge and experience in determining the level and rates of provisioning required to calculate the appropriate stock carrying values. Stock is carried in the financial statements at the lower of cost and net realisable value. There is a risk that the cost of stock exceeds its net realisable value. Management calculates the stock provision on the basis of the ageing profile of what is in stock. Management also updates the standard costs at a minimum once per year. Adjustments are made where appropriate based on management's knowledge and experience to calculate the appropriate stock carrying values.

4. Turnover

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	7,099	6,268
Rest of Europe	27,280	25,107
Rest of the World	8,105	9,568
	<u>42,484</u>	<u>40,943</u>

5. Other operating income

	2021 £000	2020 £000
Rents receivable	94	89
Coronavirus Job Retention Scheme	85	381
	<u>179</u>	<u>470</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of tangible fixed assets	444	508
Exchange differences	(12)	(101)
Other operating lease rentals	420	581
Bad debt expense	(9)	(31)
	<u></u>	<u></u>

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

7. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	73	53
Fees payable to the Company's auditor in respect of:		
Accounting services	10	9
Taxation compliance services	18	12
Tax advisory services	20	-
	48	21

The above auditor's remuneration relates to services rendered by the auditor of the group of companies headed by Golfline Limited, and are payable by the Company.

8. Employees

Staff costs were as follows:

	2021 £000	2020 £000
Wages and salaries	8,203	9,762
Social security costs	959	1,180
Cost of defined contribution scheme	438	648
	9,600	11,590

None of the directors receive remuneration from the Company or its fellow group companies in the UK.

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Technical, sales & production	173	194
Administrative	10	14
Management	6	7
	189	215

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

9. Interest payable

	2021 £000	2020 £000
Loans from group undertakings	612	749

10. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profit for the year	741	332
Adjustments in respect of previous periods	2	(3)
Total current tax	743	329
Deferred tax		
Origination and reversal of timing differences	35	(11)
Adjustments in respect of prior years	(4)	2
Effect of tax charge on opening balance	34	13
Total deferred tax (note 18)	65	4
Taxation on profit on ordinary activities	808	333

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2020 - higher than)* the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	17,978	1,276
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%).	3,416	242
Effects of:		
Income not taxable for tax purposes	(2,653)	68
Expenses not deductible for tax purposes	5	(3)
Adjustments to tax charge in respect of prior years	(2)	(1)
Fixed asset differences	-	20
Group relief	-	(6)
Rate differences - deferred tax	-	13
Remeasurement of deferred tax for changes in tax rates	42	-
Total tax charge for the year	808	333

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021

11. Tangible fixed assets

	Freehold property £000	Leasehold improvements £000	Equipment & Motor Vehicles £000	Total £000
Cost				
At 31 December 2020	1,516	353	2,346	4,215
Additions	-	-	325	325
Transfers to fellow subsidiary undertaking (note 27)	-	-	(875)	(875)
Disposals	(17)	(31)	(16)	(64)
At 30 December 2021	1,499	322	1,780	3,601
Depreciation				
At 31 December 2020	188	271	1,152	1,611
Charge for the year	36	43	365	444
Transfers to fellow subsidiary undertaking (note 27)	-	-	(751)	(751)
Disposals	(17)	(31)	(16)	(64)
At 30 December 2021	207	283	750	1,240
Net book value				
At 30 December 2021	1,292	39	1,030	2,361
At 30 December 2020	1,328	82	1,194	2,604

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

12. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 31 December 2020	37,396
Additions	10,600
Disposals	(11,173)
At 30 December 2021	<u>36,823</u>
Impairment	
At 31 December 2020	25,842
Disposals	(573)
At 30 December 2021	<u>25,269</u>
Net book value	
At 30 December 2021	<u><u>11,554</u></u>
At 30 December 2020	<u><u>11,554</u></u>

Investment additions of £10,600,000 relates to shares received in Eprod Software UK Limited in consideration for the transfer of certain assets and liabilities relating to the Productivity Software operating software segment on 1 October 2021 (see note 27). On 30 December 2021, the shares were sold to a third party and are therefore shown as investment disposals in the year.

Investment disposals also includes the disposal of the fully impaired investment in CDM Solutions Limited due to this entity being dissolved.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company at 30 December 2021:

Name	Principal activity	Class of shares	Holding
Escada Innovations Limited	Dormant company	Ordinary	100%
Escada Systems Limited*	Dormant company	Ordinary	100%
Escada Systems (Europe) Limited*	Dormant company	Ordinary	100%
Rialco Limited	Dormant company	Ordinary	100%
Shuttleworth Business Systems Limited	Holding company	Ordinary	100%
Prism Group Holdings Limited	Holding company	Ordinary	100%

All subsidiaries are held directly other than those marked *.

The registered office of all the above companies is Bowling Old Lane, Bradford, West Yorkshire, United Kingdom, BD5 7DT.

13. Stocks

	2021	2020
	£000	£000
Raw materials and consumables	6,093	7,217

There is no significant difference between the replacement cost of raw materials and consumables and their carrying amounts. Stocks are stated after provisions for impairment of £333,381 (2020: £378,201).

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021

14. Debtors

	2021 £000	2020 £000
Trade debtors	-	196
Amounts owed by group undertakings	18,072	3,259
Other debtors	603	279
Accrued income	36	36
Tax recoverable	474	424
	<u>19,185</u>	<u>4,194</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

Trade debtors are stated after a provision for impairment of £7.8k (2020: £12k).

15. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	<u>2,697</u>	<u>3,884</u>

16. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	1,316	1,271
Amounts owed to group undertakings	29,960	34,888
Other taxation and social security	5	150
Other creditors	743	156
Accruals and deferred income	1,147	1,290
	<u>33,171</u>	<u>37,755</u>

Amounts owed to group undertakings consist of trade balances and loan balances. Trade balances are unsecured, repayable on demand and interest free. Loan balances are unsecured and repayable on demand or repayable within one year. Interest is charged on the loan balances at rates between 2.68% and 4.16%.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

17. Provisions

	Dilapidations provision £000
At 31 December 2020	214
Release of provision	(24)
Transfer to fellow subsidiary undertaking (note 27)	(190)
At 30 December 2021	-

Certain provisions were assumed by a fellow subsidiary undertaking on the transfer of certain obligations, as set out in note 27. Remaining provisions were released to the Statement of Comprehensive Income as the directors consider there were no remaining obligations at the year end.

18. Deferred taxation

	2021 £000	2020 £000
At beginning of year	112	108
Charge for the year (note 10)	65	4
At end of year	177	112

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	180	129
Short term timing differences	(3)	(17)
	177	112

19. Contingent liabilities

In the opinion of the directors, the Company had no contingent liabilities at 30 December 2021 (2020: £Nil).

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

20. Reserves

Profit & loss account

Includes all current and prior period retained profits and losses.

21. Share capital

	2021	2020
	£000	£000
Allotted and fully paid		
750,000 (2020 - 750,000) Ordinary shares of £1 each	750	750

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

22. Capital commitments

There were no capital commitments at 30 December 2021 or 30 December 2020.

23. Pension commitments

The Company provides pensions on a defined contribution basis and in the period made employer contributions amounting to £438,000 (2020: £648,000).

24. Commitments under operating leases

At 30 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	£000	£000
Not later than 1 year	208	414
Later than 1 year and not later than 5 years	127	498
	335	912

25. Related party transactions

As a wholly owned subsidiary, the Company is exempt from disclosing transactions within the group under section 33 of FRS 102.

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

26. Controlling party

The Company's immediate parent undertaking is Radius Solutions Limited, a company registered in England and Wales, which owns 100% of the Company's issued share capital. The immediate parent undertaking of Radius Solutions Limited is Golfane Limited, a company registered in England and Wales, which owns 100% of the issued share capital.

The intermediate parent undertaking, and the undertaking comprising the smallest and largest group accounts for which publicly available consolidated accounts including the Company are drawn up, is Electronics for Imaging Inc, incorporated in the United States of America. Consolidated financial statements for Electronics for Imaging Inc. are available from Bowling Old Lane, Bradford, West Yorkshire, United Kingdom, BD5 7DT.

The registered address of Electronics for Imaging Inc. is 6453 Kaiser Drive, Fremont, CA 94555. United States of America.

The ultimate parent undertaking is Siris Capital Group, LLC, incorporated in the United States of America, by virtue of its 100% holding in the issued share capital of Electronics for Imaging Inc.

27. Disposals

	£'000s
Gain on transfer of assets and liabilities to subsidiary	9,558
Gain on sale of subsidiary	4,403
Profit on disposal of operations	<u>13,961</u>

On 1 October 2021, the assets and liabilities of the Productivity Software operating segment of the Company were transferred to a fellow subsidiary undertaking, Eprod Software UK Ltd, in return for 10,600,000 ordinary shares of £1 each in Eprod Software UK Ltd. The gain arising from this transaction has been calculated as follows:

	£'000s
Consideration for transfer	10,600
Net assets sold	<u>(1,042)</u>
Gain on transfer	<u>9,558</u>

ELECTRONICS FOR IMAGING UNITED KINGDOM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2021**

27. Disposals (continued)

The net assets sold to Eprod Software UK Ltd were as follows:

	£'000s
Tangible fixed assets	124
Trade debtors	102
Stocks	1,656
Trade and other creditors	(333)
Accruals and deferred income	(317)
Provisions for liabilities	(190)
Net assets sold	<u>1,042</u>

On 30 December 2021, as part of a worldwide disposal for consideration in cash by its parent company, Electronics for Imaging Inc., the Company disposed of its investment in Eprod Software UK Ltd and received an allocation of the total consideration of £15,003,000. The profit on sale of £4,403,000 has been included in profit on disposal of operations in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the results of the Productivity Software division of the Company from 1 January 2021 to 30 September 2021 as discontinued operations.

ELECTRONICS FOR IMAGING, INC.

Consolidated Financial Statements

**As of and for the Years Ended
December 31, 2021 and 2020,
and Independent Auditor's Report**

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders and the Board of Directors of Electronics For Imaging, Inc.:

Opinion

We have audited the consolidated financial statements of Electronics For Imaging, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income (loss), stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the sale of the eProductivity Software business ("EPS") to a buyer closed on December 30, 2021. As a result, the EPS business was classified as discontinued operations in the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

San Jose, California
April 21, 2022

Electronics For Imaging, Inc.
Consolidated Balance Sheets

(in thousands, except where otherwise noted)	As of December 31,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 514,743	\$ 112,522
Accounts receivable, net of allowances of \$24.5 and \$29.4 million, respectively	125,531	110,734
Inventories	114,946	118,377
Income taxes receivable	4,924	9,331
Assets held-for-sale	7,011	7,576
Other current assets	27,405	24,676
Current assets of discontinued operations	—	38,054
Total current assets	794,560	421,270
Property and equipment, net	19,215	27,881
Goodwill	234,593	241,367
Intangible assets, net	12,396	19,370
Deferred tax assets	8,777	11,795
Operating lease right-of-use assets	44,403	54,369
Other assets	17,676	22,579
Noncurrent assets of discontinued operations	—	166,851
Total assets	\$ 1,131,620	\$ 965,482
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 93,704	\$ 76,389
Accrued and other liabilities	68,027	71,598
Deferred revenue	20,988	22,974
Current maturities of long-term debt	19,490	15,959
Revolving credit facility	—	9,000
Operating lease liabilities – current	11,746	12,114
Income taxes payable – current	11,870	2,474
Current liabilities of discontinued operations	—	40,189
Total current liabilities	225,825	250,697
Long-term first and second lien term debt, net	964,690	998,688
Other long-term debt, net	33,312	41,567
Operating lease liabilities – noncurrent	35,032	44,899
Other liabilities	4,387	5,923
Deferred tax liabilities	2,682	4,240
Income taxes payable – noncurrent	4,838	5,607
Noncurrent liabilities of discontinued operations	—	6,416
Total liabilities	1,270,766	1,358,037
Commitments and contingencies (see Note 13)		
Stockholders' deficit:		
Common stock	—	—
Additional paid-in capital	238,698	238,698
Accumulated other comprehensive income	3,144	12,939
Accumulated deficit	(396,255)	(644,192)
Total EFI deficit	(154,413)	(392,555)
Minority interest in subsidiary	15,267	—
Total stockholders' deficit	(139,146)	(392,555)
Total liabilities and stockholders' deficit	\$ 1,131,620	\$ 965,482

See accompanying Notes to Consolidated Financial Statements.

Electronics For Imaging, Inc.
Consolidated Statements of Operations

(in thousands)	For the Year Ended December 31,	
	2021	2020
Revenue	\$ 668,845	\$ 534,708
Cost of revenue	358,533	278,299
Gross profit	310,312	256,409
Operating expenses:		
Research and development	88,475	83,173
Sales and marketing	99,600	89,867
General and administrative	51,779	75,565
Amortization of identified intangibles	6,507	13,230
Restructuring and other	5,315	13,804
Asset impairment charges	—	1,668
Total operating expenses	251,676	277,307
Operating income (loss) from continuing operations	58,636	(20,898)
Interest expense	(69,740)	(83,155)
(Loss) gain on early extinguishment of debt	(1,482)	13,127
Interest and other income, net	4,531	3,200
Loss from continuing operations before income taxes	(8,055)	(87,726)
Provision for (benefit from) income taxes	9,055	(12,222)
Loss from continuing operations	(17,110)	(75,504)
Discontinued operations:		
Operating results of discontinued operations	40,389	37,983
Gain on sale of discontinued operations	268,406	—
Tax provision for discontinued operations	18,881	2,263
Income from discontinued operations	289,914	35,720
Net income (loss)	\$ 272,804	\$ (39,784)

See accompanying Notes to Consolidated Financial Statements.

Electronics For Imaging, Inc.
Consolidated Statements of Comprehensive Income (Loss)

(in thousands)	For the Year Ended December 31,	
	2021	2020
Net income (loss)	\$ 272,804	\$ (39,784)
Currency translation adjustment gains	2,298	22,362
Comprehensive income (loss)	\$ 275,102	\$ (17,422)

See accompanying Notes to Consolidated Financial Statements.

Electronics For Imaging, Inc.
Consolidated Statements of Stockholders' Deficit

(Amounts in thousands, except shares)	Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings Accumulated (Deficit)	Minority Interest	Total Stockholders' (Deficit)
	Shares	Amount					
Balance as of December 31, 2019	100	\$ —	\$ 238,769	\$ (9,423)	\$ (604,408)	\$ —	\$ (375,062)
Comprehensive loss, net of tax	—	—	—	22,362	(39,784)	—	(17,422)
Stock-based compensation expense	—	—	(71)	—	—	—	(71)
Balance as of December 31, 2020	100	\$ —	\$ 238,698	\$ 12,939	\$ (644,192)	\$ —	\$ (392,555)
Sale of discontinued operations	—	—	—	(12,093)	—	—	(12,093)
Cash dividend paid	—	—	—	—	(9,600)	—	(9,600)
Reorganization of Fiery business	—	—	—	—	(15,267)	15,267	—
Comprehensive income, net of tax	—	—	—	2,298	272,804	—	275,102
Balance as of December 31, 2021	100	\$ —	\$ 238,698	\$ 3,144	\$ (396,255)	\$ 15,267	\$ (139,146)

See accompanying Notes to Consolidated Financial Statements.

Electronics For Imaging, Inc.
Consolidated Statements of Cash Flows

(in thousands)	For the Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 272,804	\$ (39,784)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	20,334	29,995
Deferred taxes	(139)	(4,650)
Provisions for bad debt and sales-related allowances	(2,282)	11,676
Provision for inventory obsolescence	6,200	6,907
Non-cash accretion of interest expense	8,150	7,172
Change in fair value of contingent consideration, including accretion	(99)	(254)
Contingent consideration payments related to businesses acquired	(1,802)	(2,391)
Impairment of assets held-for-sale	—	1,668
Loss gain on early extinguishment of debt	1,482	(13,127)
Other non-cash charges and changes	47	249
Gain on sale of discontinued operations	(268,406)	—
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Accounts receivable	(11,966)	55,947
Inventories	(3,932)	14,597
Other assets	681	8,787
Accounts payable and other accrued liabilities	11,059	(50,836)
Income taxes receivable and payable, net	15,494	(13,302)
Net cash provided by operating activities	47,625	12,654
Cash flows from investing activities:		
Purchases of property and equipment	(6,127)	(11,892)
Proceeds from sales of discontinued operations	431,348	3,684
Proceeds from sale of businesses	—	6,081
Net cash provided by (used in) investing activities	425,221	(2,127)
Cash flows from financing activities:		
Net borrowing (repayment) under revolving credit facility	(9,000)	9,000
Repayment of short-term debt	—	(7,875)
Repayment of principal under first and second lien term loans	(43,700)	(23,250)
Borrowing of other long-term debt	1,789	39,718
Repayment of other long-term debt	(3,108)	—
Contingent consideration payments related to businesses acquired	(4,136)	(4,400)
Dividends paid	(9,600)	—
Net cash provided by (used in) financing activities	(67,755)	13,193
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash equivalents	(4,364)	5,854
Increase in cash, cash equivalents, and restricted cash equivalents	400,727	29,574
Cash, cash equivalents, and restricted cash equivalents at beginning of period	115,047	85,473
Cash, cash equivalents, and restricted cash equivalents at end of period	\$ 515,774	\$ 115,047

See accompanying Notes to Consolidated Financial Statements.

Electronics For Imaging, Inc.
Notes to Consolidated Financial Statements

Note 1. Merger With Affiliate of Siris

On July 23, 2019 (the "Effective Time"), pursuant to the terms of the Agreement and Plan of Merger, dated as of April 14, 2019 (the "Merger Agreement"), by and among Electronics For Imaging, Inc., a Delaware corporation ("EFI", the "Company", or "We"), East Private Holdings II, LLC, a Delaware limited liability company ("Parent"), and East Private Merger Sub, Inc., a Delaware corporation ("Merger Sub"), and a wholly-owned subsidiary of Parent, Merger Sub was merged with and into EFI (the "Merger"), with EFI surviving the Merger as a wholly owned subsidiary of Parent. Parent is owned by affiliates of Siris Capital Group, LLC ("Siris").

At the Effective Time, each share of EFI's common stock, par value \$0.01 per share (the "Company Common Stock"), issued and outstanding immediately prior to the Effective Time was cancelled and converted into the right to receive \$37.00 in cash (the "Merger Consideration"). The aggregate purchase price paid for all equity securities of EFI was approximately \$1.7 billion. In conjunction with the Merger, the Company's outstanding stock awards were modified significantly, including changes in vesting schedules and performance criteria, and were converted into cash-settled awards. See additional discussion in Note 14 – Stock-Based Compensation and Other Employee Benefits.

As of December 31, 2021, and 2020, the Company has 100,000 shares of \$0.01 par value preferred stock authorized with no shares outstanding, and 500,000 shares of \$0.01 par value common stock authorized, with 100 shares outstanding. These 100 shares are owned by our Parent and the remainder of the Company's previously outstanding common stock was eliminated in a reverse stock split on July 23, 2019.

For the years ended December 31, 2021 and 2020, the Company paid \$2.0 million annually to Siris and Affiliates for monitoring fees.

Note 2. The Company and Summary of Significant Accounting Policies

The Company

We are a world leader in customer-centric digital printing innovation focused on the transformation of the printing, packaging, ceramic tile decoration, and textile industries from the use of traditional analog based printing to digital on-demand printing. We organize our business in two operating segments.

Industrial Inkjet consists of our VUTEk super-wide and wide format display graphics, Nozomi corrugated packaging and display, Reggiani textile, and Cretaprint ceramic tile decoration and building material industrial inkjet printers; digital UV curable, LED curable, ceramic, water-based, and thermoforming and specialty ink, as well as a variety of textile ink including dye sublimation, pigmented, reactive dye, acid dye, pure disperse dye, water-based dispersed printing ink, and coatings; digital inkjet printer parts; and professional services.

Fiery consists of Fiery and FFP5 Digital Front Ends ("DFEs"), which transform digital copiers and printers into high performance networked printing devices for the office, commercial, and industrial printing markets. This segment is comprised of (i) standalone DFEs connected to digital printers, copiers, and other peripheral devices, (ii) embedded DFEs and design-licensed solutions used in digital copiers and multi-functional devices, (iii) optional software integrated into our DFE solutions, (iv) Fiery Self Serve, our self-service and payment solution, and (v) stand-alone software-based solutions such as our proofing, textile, and scanning solutions.

Discontinued Productivity Software segment consisted of complete software suites that enable efficient and automated end-to-end business and production workflows for the print and packaging industries. Customers were provided the financial and technical flexibility to deploy locally within their business or to be hosted in the cloud. The Productivity Suites addressed all segments of the print industry. On December 30, 2021, we closed the sale of this former operating segment to an outside party ("Buyer"). As a result, this operating segment has been classified as discontinued operations in our consolidated financial statements for all periods presented. See further detail in Note 3 – Discontinued Operations.

Electronics For Imaging, Inc.
Notes to Consolidated Financial Statements

Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of EFI and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany accounts and transactions have been eliminated in consolidation. See Note 3 – Discontinued Operations for additional information.

Use of Estimates

The preparation of consolidated financial statements requires estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, comprehensive income, cash flows, and disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to revenue recognition, bad debts, inventory valuation, purchase commitment reserves, warranty obligations, litigation expenses, restructuring activities, fair value of financial instruments, income taxes, valuation of goodwill and intangible assets, business combinations, lease accounting and measurement, functional currency determination, contingent consideration in acquisitions, and contingencies on an ongoing basis. Estimates are based on historical and current experience, the impact of the current economic environment, and various other assumptions believed to be reasonable under the circumstances at the time of the estimate, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recognition of revenues and expenses that are not readily apparent from other sources. Actual results may differ materially from these estimates.

Discontinued Operations

We consider assets to be held for sale when management commits to a formal plan to actively market the assets for sale at a price reasonable in relation to fair value; it is unlikely that significant changes will be made to the plan, the assets are available for immediate sale in their present condition, an active program to locate a buyer and other actions required to complete the sale have been initiated and the sale of the assets is expected to be completed within one year. Upon designation as held for sale, we record the carrying value of the net assets at the lower of the then current carrying value or estimated fair value, less costs to sell. Fair value is determined based on external data available or management estimates, depending upon the nature of the assets and liabilities. If the disposal of the component of an entity, or group of components, represents a strategic shift that has a major effect on an entity's operations and financial results, it meets the criteria for discontinued operations. The results of discontinued operations, as well as any gain or loss on the disposal transaction, are presented separately, net of tax, from the results of continuing operations for all periods presented. The revenue and expenses included in the results of discontinued operations are the revenue and direct operating expenses of the discontinued operation that can be reasonably segregated from the revenue and costs of the ongoing operations of the Company. The assets and liabilities for the Productivity Software business have been accounted for as assets and liabilities of discontinued operations in our Consolidated Balance Sheets. A long-lived asset is not depreciated or amortized while it is classified as held-for-sale.

Business Combinations

We allocate the fair value of purchase consideration for acquisitions to the tangible assets acquired, liabilities assumed, and intangible assets acquired, based on their estimated fair values at the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. We may adjust provisional amounts during the measurement period, which may be up to one year following the acquisition date and recognize any such adjustments in the reporting period in which the adjustment amounts are determined. Adjustments recorded during the measurement period affect the amount of goodwill recognized, while adjustments after the measurement period are recorded in our Consolidated Statements of Operations. We did not apply push-down accounting for the acquisition of the Company in 2019 by Siris.

When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to identifiable intangible assets. Significant assumptions used in valuing identifiable intangible assets include, but are not limited to, expected long-term market growth, customer retention, future expected operating expenses, costs of capital, and appropriate discount rates.

Foreign Currency Translation

The Company's reporting currency is the U.S. Dollar. The functional currencies of many of the Company's foreign subsidiaries are their local currencies as these local currencies represent the monetary unit of account of the principal economic environment in which they operate. Foreign currency assets and liabilities are remeasured from the transaction currency into the functional

Electronics For Imaging, Inc.
Notes to Consolidated Financial Statements

currency at current exchange rates, except for non-monetary assets, non-monetary liabilities, and capital accounts, which are remeasured at historical exchange rates. Revenue and expenses are remeasured at monthly exchange rates, which approximate average exchange rates in effect during each period. Net gains and losses resulting from foreign currency transactions, including currency hedging gains and losses, are reported in interest income and other income, net, and were gains of \$3.3 and \$1.4 million for the years ended December 31, 2021 and 2020, respectively.

Translation adjustments are reported as a separate component of Accumulated Other Comprehensive Income ("AOCI"). The cumulative translation adjustment balances were unrealized gains of \$3.1 million and \$12.9 million as of December 31, 2021 and 2020, respectively.

Risks and Uncertainties; COVID-19 and War in Ukraine

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a global pandemic. The pandemic led to a global economic downturn. We operate in geographic locations that have been significantly impacted by COVID-19. The pandemic has impacted, and could further impact, our operations and the operations of our customers as a result of quarantines, various local, state, and federal government public health orders, facility and business closures, and travel and logistics restrictions. With our COVID-19 safety plans, work-from-home and return-to-office policies and restricted employee travel to essential, business-critical trips, we were able to maintain strong customer relationships and generally deliver our products and services to customers. However, due to the impacts of the pandemic, we experienced a sharp downturn in our revenues during the year ended December 31, 2020. In addition, global supply chains for various products were constrained during the year ended December 31, 2021 as the global economy recovered from the downturn. Due to disruptions in the supply chain for certain critical components, delivery of certain products to our customers were delayed during the year ended December 31, 2021. Additionally, we faced increases in certain costs as inflation accelerated sharply during the year ended December 31, 2021.

Governments and businesses may take additional actions or extend existing actions to respond to the risks of the COVID-19 pandemic, including any recurrence of the virus or its variants. We continue to actively monitor the impacts and potential impacts of the COVID-19 pandemic in all aspects of our business. Although we are unable to predict the impact of the COVID-19 pandemic on our business, results of operations, liquidity, or capital resources at this time, we may be negatively affected if the pandemic and related public health measures further result in substantial supply chain problems, disruptions in local and global economies, volatility in the global financial markets, overall reductions in demand, delays in payment, or other ramifications.

In February 2022, Russia commenced military actions against Ukraine. Historically our revenue and business activities in the two countries have been limited and not considered material to the Company's financial position and results of operations. However, we expect that this conflict may put additional pressure on recent price inflation, particularly with respect to certain chemicals and other raw materials used in the manufacture of our products. We also anticipate increased freight costs due to potential disruptions to global supply chains. We also may experience other disruptions to our business as a result of this conflict, particularly if the duration is long or if the geographic scope expands, the impacts of which cannot be estimated at this time.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. Typically, the cost of these investments has approximated fair value.

Allowance for Doubtful Accounts and Sales-related Allowances

We establish an allowance for doubtful accounts to ensure that trade receivables are not overstated due to uncollectability. We record specific reserves for individual accounts when we become aware of specific customer circumstances, such as bankruptcy filings, deterioration in the customer's operating results or financial position, or potential unfavorable outcomes from disputes with customers or vendors.

We perform ongoing credit evaluations of the financial condition of our customers and require collateral, such as letters of credit and bank guarantees, in certain circumstances. The past due or delinquency status of a receivable is based on the contractual payment terms. Balances are written off when we deem it probable that the receivable will not be recovered. We make provisions for sales rebates and revenue adjustments based on analysis of current sales programs and revenue in accordance with our revenue recognition policy.

Electronics For Imaging, Inc.
Notes to Consolidated Financial Statements

Fair Value of Financial Instruments

We assess the fair value of our financial instruments each reporting period. The carrying amounts of cash, cash equivalents, accounts receivable, accounts payable, and accrued and other liabilities approximate their respective fair values due to their short maturities and because accounts receivable are reduced by an allowance for doubtful accounts. Determination of the fair values of contingent consideration liabilities and the self-insurance liability are described in more detail in Note 12 – Fair Value Measurements.

Concentration of Risk

We have cash deposits held at banks which may exceed the amount of insurance provided on such deposits.

We are exposed to credit risk in the event of default by any of our customers to the extent of amounts recorded on the Consolidated Balance Sheets. We perform ongoing evaluations of the collectability of accounts receivable balances for our customers and maintain allowances for estimated credit losses. Actual losses have not historically been significant but have increased over the past several years as our customer base has grown through acquisitions.

We generally have experienced longer accounts receivable collection cycles in our Industrial Inkjet operating segment compared to our Fiery operating segment as, historically, the leading printer manufacturers have paid on a more-timely basis. Down payments are generally required from Industrial Inkjet customers to help ensure payment. One customer accounted for approximately 12% of accounts receivable, net as of December 31, 2021 and less than 10% of accounts receivable, net as of December 31, 2020.

No customer accounted for more than 10% of our revenue for the year ended December 31, 2021. One customer accounted for approximately 11% of our revenue for the year ended December 31, 2020. Our Fiery products, which constituted approximately 25% and 31% of revenue for the years ended December 31, 2021 and 2020, respectively, are sold primarily to a limited number of leading printer manufacturers. We expect that we will continue to depend on a relatively small number of leading printer manufacturers for a significant portion of our revenue in this operating segment.

Inventories

Inventories are generally stated at standard cost, which approximates the lower of actual cost, using the first-in, first-out (“FIFO”) cost flow assumption, and net realizable value. We periodically review our inventories for potential excess or obsolete items and write down specific items to net realizable value as appropriate. Work-in-process inventories consist of our product at various stages of assembly and include materials, labor, and manufacturing overhead. Finished goods inventory represents completed products available for sale or awaiting shipment.

We estimate potential inventory obsolescence and purchase commitments to evaluate the need for inventory reserves. Current economic trends, changes in customer demand, historical sales experience, product design changes, product life cycles, demand, and the acceptance of our products are analyzed to evaluate the adequacy of such reserves.

Property and Equipment, Net

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows: equipment and purchased software (two to seven years), furniture (five years), leasehold improvements (the shorter of the useful life or lease term), land and building improvements (five to ten years), and purchased buildings (forty years).

When assets are retired or disposed, the asset and accumulated depreciation are removed from our Consolidated Balance Sheets, with any gain or loss recognized in our Consolidated Statements of Operations. Repairs and maintenance expenditures are expensed as incurred, unless they are improvements that extend the useful life of the asset.

Goodwill

Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of net tangible and identified intangible assets acquired. We perform a goodwill impairment analysis in the fourth quarter of each year. In our goodwill impairment assessment, we compare the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired and the excess of the reporting unit’s carrying value over the fair value is

Electronics For Imaging, Inc.
Notes to Consolidated Financial Statements

recognized as an impairment loss. The results of our annual goodwill impairment analyses indicated that no impairment of goodwill existed as of December 31, 2021 or 2020.

Long-lived Assets, including Intangible Assets

Purchased intangible assets are amortized on a straight-line basis over their estimated economic lives of two to six years for existing technology, three to nine years for customer contracts/relationships, and three to sixteen years for trademarks and trade names, as we believe this method most closely reflects the pattern in which the economic benefits of the assets are consumed.

We review the carrying values of long-lived assets whenever events and circumstances, such as reductions in demand, lower projections of profitability, significant changes in the manner of use, or significant negative industry or economic trends, indicate that the net book value of an asset may not be recovered through expected future cash flows from its use and eventual disposition. An asset is considered impaired if its carrying amount exceeds the undiscounted future cash flows the asset is expected to generate. If this review indicates that an impairment has occurred, the impaired asset is written down to its fair value, which is typically calculated using quoted market prices and/or discounted expected future cash flows. Our estimates regarding future anticipated net revenue and cash flows, the remaining economic life of the products and technologies, or both, may differ from those used to assess the recoverability of assets. In that event, impairment charges or shortened useful lives of certain long-lived assets may be required, resulting in charges to our Consolidated Statements of Operations when such determinations are made.

Warranty Reserves

Our Industrial Inkjet printers are generally accompanied by a 13-month limited warranty commencing on the installation date, which covers both parts and labor. Our Fiery DFE limited warranty is 12 to 15 months. Estimated future hardware and software warranty costs are recorded as a cost of product revenue when the related revenue is recognized based on historical and projected warranty claim rates, historical and projected cost-per-claim, and knowledge of specific product failures or performance issues that are outside our typical experience. Factors that affect our warranty liability include the number of installed units subject to warranty protection, product failure rates, and estimated material, distribution, and labor costs. We have agreed to continue to provide warranty coverage for certain expired FFPS warranties for five years subsequent to the acquisition date of the FFPS business from Xerox in 2017.

Restructuring Reserves

Restructuring liabilities are established when the costs have been incurred. Severance and other employee separation costs are incurred when management commits to a plan of termination identifying the number of employees impacted, their termination dates, and the terms of their severance arrangements. The liability is accrued at the employee notification date unless service is required beyond the greater of 60 days or the legal notification period, in which case the liability is recognized ratably over the service period. Facility downsizing and closure costs are accrued at the earlier of the lessor notification date, if the lease agreement allows for early termination, or the cease use date. Relocation costs are incurred when the related relocation services are performed. Costs related to contracts without future benefit are incurred at the earlier of the cease use date or the contract cancellation date.

Revenue Recognition

We account for revenue under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, ("ASC 606"). ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. Sales and usage-based taxes are excluded from revenue. We account for contract acquisition costs, primarily sales commissions, under ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, ("ASC 340-40"). Additional discussion is included in Note 5 – Revenue, and in Note 6 – Supplemental Financial Statement Information. Payment terms vary by product and customer. For Industrial Inkjet, our standard payment terms for equipment sales are typically a 20%-30% down payment with the remaining balance due in 90 days from shipment, and net 30 days for consumables and services. For our Fiery products, standard payment terms are typically net 45 days from shipment.

The nature of our products and services are as follows:

Hardware. Our hardware, such as Industrial Inkjet printers and Fiery DFEs, is generally sold with software that is integral to the functionality of the product. In these cases, the hardware and software license are accounted for as a single performance obligation. The contract consideration is generally in the form of a fixed fee at contract inception and revenue is recognized at the

Electronics For Imaging, Inc.
Notes to Consolidated Financial Statements

point in time when control is transferred to the customer. Consideration received from customers may include trade-in printers, which are valued at the lower of cost or net realizable value.

We offer shipping and handling services to customers related to the sale of hardware. We have elected the practical expedient to account for shipping and handling activities performed after transferring control of goods to our customer as a cost to fulfill the contract. The cost of shipping and handling is accrued at the point in which control transfers to the customer and revenue is recognized.

Ink. We typically enter into contracts with our existing customer base of installed printers to purchase ink that is not bundled with other deliverables within the contract. The ink is accounted for as a single performance obligation and revenue is recognized at the point in time when control of the ink is transferred to the customer.

Licenses. Our license arrangements provide the customer with the right to install and use functional intellectual property (as it exists at the point in time at which the license is granted) for the duration of the contract term (perpetual or term license). Revenue from distinct software licenses is recognized at the point in time when the software is made available to the customer for download.

Maintenance. Our license arrangements typically include an initial (bundled) post contract customer support (maintenance or "PCS") term. Our promise to those customers who elect to purchase PCS represents a distinct, stand-alone performance obligation. Contract consideration is allocated to the PCS based on its relative standalone selling price ("SSP") and revenue is recognized over the PCS term.

Professional Services. We provide various professional services to customers, primarily project management, software implementation, non-recurring engineering design, productivity consultations, and training. Revenues from arrangements to provide professional services are generally distinct from the other promises in the contract(s). Most of our professional services contracts are billed on a time and materials basis and revenue is recognized over time as the services are performed. For certain custom products that require engineering and development based on customer specifications, we recognize revenue over time using a cost-to-cost measure of progress which we believe reasonably depicts the transfer of control of the goods or services to the customer.

Software as a Service ("SaaS"). Our SaaS-based arrangements provide customers with continuous access to our software solutions in the form of a service hosted in the cloud. These arrangements may include initial implementation and setup and/or on-going support that represents a single promise (i.e. each individual promised component was not distinct) to provide continuous access to the software solution. As the customer simultaneously receives and consumes the benefits as access is provided, our performance obligation under our SaaS-based arrangements is comprised of a series of distinct components delivered over time.

Extended Service Plans ("ESP"). For our hardware systems, we enter into contracts with certain customers to provide services to maintain and repair the hardware for an extended period. ESPs are classified as service-type warranties under ASC 606 as they are sold separately and provide services which are incremental to the assurance that the product will perform to the agreed upon standards. The ESPs are accounted for as a separate performance obligation. Revenue from ESPs is recognized ratably over the contract period as the service is provided.

Contracts With Multiple Performance Obligations. For customer arrangements that include multiple products or services, judgment is required to determine the SSP for each distinct performance obligation. Where an observable price is not available, we gather all reasonable available data points, consider adjustments based on market conditions, entity-specific factors, and the need to stratify selling prices into meaningful groups (e.g., geographic region) in determining SSP. We allocate the total contract consideration to each distinct performance obligation on a relative SSP basis. Revenue is then recognized in accordance with the timing of the transfer of control to the customer for each performance obligation.

Assessing Collectability. We apply judgment in determining the customer's ability and intention to pay. Judgments are made after considering a variety of factors including the customer's historical payment experience, current creditworthiness, current economic impacts on the customer, past due balances, and significant one-time events or, in the case of a new customer, published credit and financial information.

Contract Acquisition Costs. Management exercises judgment to determine the period of benefit to amortize contract acquisition costs by considering factors such as estimated economic life, duration of customer relationships and our technology development life cycle. Although we believe that the historical assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. Amortization of deferred contract

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acquisition costs is included in sales and marketing expense in the Consolidated Statements of Operations. We periodically review these deferred costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred contract acquisition costs.

Shipping and Handling Costs. Amounts billed to customers for shipping and handling costs are included in revenue. Shipping and handling costs are charged to cost of revenue as incurred.

Significant Financing Component. For contracts with extended payment terms greater than 12 months, we determine whether the implicit financing component is significant or not. If significant, we defer the portion of the revenue represented by the significant financing component and recognize it as interest income over the term of the contract using the effective interest method.

Leasing Arrangements. We account for leases of our products in accordance with ASC 842, *Leases*. If the sales arrangement is classified as a sales-type lease, then revenue is recognized upon shipment. Leases that are not classified as sales-type leases are accounted for as operating leases with revenue recognized ratably over the lease term.

Under ASC 842 a lease is classified as a sales-type lease with revenue recognized upon shipment if any of the following criteria are satisfied:

- The lease transfers ownership to the lessee by the end of the lease term,
- The lease contains a bargain purchase option allowing the lessee to purchase the printer at the end of the lease term for which the lessee is reasonably certain to exercise,
- The lease term is for the major part of the estimated economic life of the leased property,
- The present value at the beginning of the lease term of the minimum non-cancellable lease payments and any residual value guaranteed by the lessee not reflected in those lease payments equals or exceeds substantially all the fair value of the leased property,
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

Deferred Revenue. Timing of revenue recognition may differ from timing of invoicing to customers. Payment terms and conditions vary by contract. Deferred revenue represents amounts received in advance or invoiced in advance of revenue recognition for product support contracts, software support contracts, consulting and integration projects, or product sales. Product support contracts include standalone product support packages, routine maintenance service contracts, and upgrades or extensions to standard product warranties. We defer these amounts when we invoice the customer and generally recognize revenue either ratably over the support contract life, upon performing the related services, under the percentage of completion method, or in accordance with our revenue recognition policy.

Research and Development

Research and development costs are expensed as incurred and include salaries and benefits of employees performing research and development activities and supplies and other expenses incurred in research and development efforts. We expense research and development costs associated with new software products as incurred until technological feasibility is established. We do not typically capitalize research and development costs associated with software for resale due to the proximity and immateriality of costs incurred between achieving technological feasibility and market launch of the software product. We capitalize research and development equipment that has been acquired or constructed for research and development activities and that has alternative future uses (in research and development projects or otherwise). Research and development equipment is depreciated on a straight-line basis over its useful life, subject to a 3-year maximum.

Advertising

Advertising costs are expensed as incurred. Total advertising and promotional expenses were \$2.2 and \$1.6 million for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, which requires that deferred tax assets and liabilities be determined based on the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. We estimate our actual current tax expense including permanent charges and benefits and the temporary differences resulting from differing treatment of items for tax and financial

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accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included on our Consolidated Balance Sheets. In some cases, provisional amounts are recorded based on reasonable estimates. We allocate our consolidated tax provision between continuing and discontinued operations based on stand-alone calculations for the results of discontinued operations.

We assess the likelihood that our deferred tax assets will be recovered from future taxable income by considering both positive and negative evidence relating to their recoverability. If we believe that recovery of these deferred tax assets is not more likely than not, we establish a valuation allowance. Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. We account for uncertainty in income taxes by recognizing a tax position only when it is more likely than not that the tax position, based on its technical merits, will be sustained upon ultimate settlement with the applicable tax authority. The tax benefit to be recognized is the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with the applicable tax authority that has full knowledge of all relevant information. Tax benefits that are deemed to be less than fifty percent likely of being realized are recorded in noncurrent income taxes payable until the uncertainty has been resolved through either examination by the relevant taxing authority or expiration of the pertinent statutes of limitations. In addition, we have made an accounting policy election to record GILTI tax impacts as a period expense and not record deferred tax assets associated with GILTI.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 21, 2022, which is the date that the financial statements were available to be issued.

Recently Adopted Accounting Pronouncements

In the first quarter of 2021, we adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2021-03, *Intangibles—Goodwill and Other (Topic 350) Accounting Alternative for Evaluating Triggering Events*, which provides private companies with an accounting alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. The implementation of this guidance did not have a material impact to our consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

Reference Rate Reform. In March 2020, the Financial Accounting Standards Board (the "FASB") issued ASU 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04") and subsequently ASU No. 2021-01, *Reference Rate Reform (Topic 848)* in January 2021. The guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference London Interbank Offered Rate ("LIBOR") or other reference rate expected to be discontinued in 2022 or potentially 2023 (pending possible extension). The optional expedients within ASU 2020-04 are effective as of March 12, 2020 through December 31, 2022 and may be applied prospectively. The Company is currently evaluating the impact of adopting the guidance on its consolidated financial statements.

Goodwill. In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating Step 2 from the goodwill impairment test. Under the current guidance in ASC 350, impairment of goodwill is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. To determine the implied fair value of goodwill, an entity must assign the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination. ASU 2017-04 will require companies to perform annual or interim goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 will be effective on January 1, 2022. We do not expect the implementation of this guidance to have a material impact to our consolidated financial statements.

Financial Instruments. In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires credit losses on financial assets be measured with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. We will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments. ASU

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2016-13 will be effective on January 1, 2023. We do not expect the implementation of this guidance to have a material impact to our consolidated financial statements.

Note 3. Discontinued Operations

On December 30, 2021, we closed the sale of our discontinued Productivity Software business to Buyer in exchange for the base purchase price of \$437.5 million, subject to certain net working capital adjustments. Net cash received at closing was \$431.3 million, reflecting the Closing Purchase Price of \$438.5 million less \$2.2 million of cash transferred to Buyer and \$5.0 million to establish an escrow account for potential indemnification claims occurring within approximately six months from the transaction close date.

The following table presents the gain associated with this sale of Productivity Software, reported within Income from discontinued operations in the Consolidated Statements of Operations:

Closing Purchase Price and Gain on Sale (in thousands)	
Base purchase price	\$ 437,500
Working capital adjustments (1)	1,037
Closing Purchase Price	438,537
Transaction costs (2)	(10,228)
Carrying value of net assets sold	(159,903)
Pre-tax gain on sale of Productivity Software business	268,406
Income tax provision on gain on sale	14,850
Net gain on sale of Productivity Software business	\$ 253,556

- (1) Includes adjustments for the closing cash balances of Productivity Software, a preliminary estimate of the net working capital adjustment, and certain indebtedness transferred to Buyer upon sale. The purchase price is subject to a final net working capital adjustment.
- (2) Transaction costs consist primarily of broker fees, legal fees, and other third-party consulting and accounting fees.

The following table summarizes the carrying value of the assets and liabilities sold:

Carrying Value of Assets and Liabilities Sold (in thousands)	As of December 29, 2021
Cash and cash equivalents	\$ 2,189
Accounts receivable, net of allowances of \$3.4 million	30,789
Inventory	3,188
Other current assets	2,732
Property and equipment, net	717
Goodwill	139,332
Intangible assets, net	2,561
Operating lease right-of-use assets	4,371
Other assets	12,836
Accounts payable	(4,117)
Accrued liabilities	(7,199)
Deferred revenue	(32,033)
Operating lease liabilities	(4,655)
Other liabilities	(2,901)
Cumulative currency translation adjustment	12,093
Net assets sold	\$ 159,903

At the closing of the sale of Productivity Software business on December 30, 2021, we entered into a Transition Services Agreement ("TSA") with Buyer. The TSA is designed to ensure and facilitate an orderly transfer of business operations. The services provided by us under the TSA include certain support for IT, facilities, human resources, finance, legal, and marketing functions for up to 12 months (with limited services extending up to 24 months) following the transaction close date. Buyer may terminate any or all services delivered pursuant to the TSA upon written notice, with such termination becoming effective the last

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day of the month following delivery of such notice. The TSA provides that Buyer will pay us a variable fee each month based on the specific services we have provided to it in the previous month.

The following table presents the aggregate amounts of the major classes of assets and liabilities of the Productivity Software business classified as discontinued operations:

Assets and Liabilities of Discontinued Operations (in thousands)	December 31, 2020
Cash and cash equivalents	\$ 1,799
Accounts receivable, net of allowances	30,728
Inventories	3,173
Other current assets	2,354
Current assets of discontinued operations	38,054
Property and equipment, net	1,184
Goodwill	141,550
Intangible assets, net	6,189
Operating lease right-of-use assets	5,600
Other assets	12,328
Noncurrent assets of discontinued operations	166,851
Total assets of discontinued operations	\$ 204,905
Accounts payable	\$ 3,006
Accrued and other liabilities	8,980
Income taxes payable – current	575
Deferred revenue	25,894
Operating lease liabilities – current	1,734
Current liabilities of discontinued operations	40,189
Operating lease liabilities - noncurrent	4,480
Other liabilities	1,936
Noncurrent liabilities of discontinued operations	6,416
Total liabilities of discontinued operations	\$ 46,605

The following table summarizes the results of discontinued operations:

Income from Discontinued Operations (in thousands)	January 1 through December 29, 2021	Year Ended December 31, 2020
Revenue from discontinued operations	\$ 140,637	\$ 138,508
Cost of revenue	34,216	33,406
Gross profit	106,421	105,102
Research and development	19,719	20,665
Sales and marketing	29,337	30,023
General and administrative	12,936	10,619
Amortization of intangibles	3,613	2,911
Restructuring and other	342	2,901
Asset impairment charges	85	—
Operating income from discontinued operations	40,389	37,983
Gain on sale of discontinued operations	268,406	—
Income from discontinued operations before income taxes	308,795	37,983
Provision for income taxes	18,881	2,263
Income from discontinued operations	\$ 289,914	\$ 35,720

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The following table presents significant non-cash operating items and capital expenditures of discontinued operations:

(in thousands)	Years Ended December 31,	
	2021	2020
Depreciation	\$ 1,024	\$ 757
Amortization	3,613	2,911
Capital Expenditures	671	340

Note 4. Debt

Our debt is summarized as follows:

Debt (in thousands)	As of December 31,	
	2021	2020
First lien term loan principal amount	\$ 857,500	\$ 866,250
Second lien term loan principal amount	161,000	196,000
Total first and second lien term loan principal	1,018,500	1,062,250
Less unamortized debt discount and debt issuance costs	(45,060)	(54,812)
Less current maturities of long-term first and second lien term debt	(8,750)	(8,750)
Long-Term First and Second Lien Term Debt, Net	\$ 964,690	\$ 998,688
Other long-term debt	\$ 44,052	\$ 48,776
Less current maturities of other long-term debt	(10,740)	(7,209)
Other Long-Term Debt, Net	\$ 33,312	\$ 41,567
Current maturities of first and second lien term debt	\$ 8,750	\$ 8,750
Current maturities of other long-term debt	10,740	7,209
Current Maturities of Long-Term Debt	\$ 19,490	\$ 15,959
Revolving Credit Facility	\$ —	\$ 9,000

Scheduled principal payments on all long-term debt are summarized as follows:

Long-Term Debt Principal Due by Year (in thousands)	As of December 31, 2021
2022	\$ 19,490
2023	19,948
2024	19,462
2025	15,992
2026 (1)	824,603
Thereafter (2)	163,057
Total long-term debt principal, including current maturities	\$ 1,062,552

(1) Includes \$220.0 million of First Lien Term Loan principal that was prepaid on January 11, 2022.

(2) Includes \$161.0 million of Second Lien Term Loan principal that was paid in full on February 8, 2022.

First Lien Term Loan

On July 23, 2019, we entered into a First Lien Credit Agreement (the "First Lien Agreement") with a group of lenders and Royal Bank of Canada ("Royal Bank") serving as the administrative agent, the collateral agent, the letter of credit issuer and a lender. The First Lien Agreement included Initial Term Loans in an aggregate principal amount of \$875.0 million (the "First Lien Term Loans"). These First Lien Term Loans bear interest at variable rates which are set for either one, three or six-month periods with

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interest due at the end of each interest period, except for six-month period elections which are due in three-month intervals. The variable interest rate is based upon a reference rate which is the highest of (i) the rate of interest per annum determined by Royal Bank from time to time as its prime commercial lending rate for U. S. Dollar loans in the U. S. for such day, (ii) the Federal Funds Effective Rate plus 1/2 of 1% per annum and (iii) the one month Adjusted LIBOR Rate for Dollars plus 1.00% per annum; and (b) for any Canadian Dollar denominated loans, the Canadian Prime Rate. An Applicable Margin rate is added to the reference rate and was initially set at 5.00% on loans with a reference rate based on LIBOR, and 4.00% with an alternative reference rate. These Applicable Margin rates remain the same as of December 31, 2021. The Applicable Margin rate varies based upon the Company's Ratio Level (see below) as follows:

Pricing Level	Ratio Level	Commitment Fee	ABR Rate Loans	LIBOR Loans/CDOR Rate Loans
I.	> 3.50:1.00	0.50%	4.00%	5.00%
II	≤ 3.50:1.00 but > 3.00:1.00	0.38%	3.75%	4.75%
III	≤ 3.00:1.00	0.25%	3.50%	4.50%

The Ratio Level is based upon the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio ("First Lien EBITDA Ratio") of the Company calculated on a trailing 12-month basis. As of December 31, 2021 and 2020, the rate in effect on the First Lien Term Loans was 5.10% and 5.15%, respectively. The First Lien Term Loans require principal payments of \$8.8 million per year, paid in quarterly installments of \$2.2 million, and mature on July 23, 2026. Additional principal payments may be required if certain events occur. The First Lien Loans are secured by substantially all of the equity in all of our subsidiaries and require us to comply with certain financial covenants, including maintaining a First Lien EBITDA Ratio of not more than 6.60 to 1.0 if the Company has borrowed 40% or more of the borrowing capacity under the Revolving Credit Facility. As of December 31, 2021 and 2020, the Company had not borrowed 40% or more of the borrowing capacity under the Revolving Credit Facility.

The net proceeds from issuance of the First Lien Term Loans were \$821.7 million. The discount of \$53.3 million and the debt issuance costs of \$1.2 million are being amortized over the term of the loan under the effective interest method. The unamortized discount and debt issuance costs are deducted from the loan principal on the Consolidated Balance Sheets.

On January 11, 2022, the Company extinguished \$220.0 million of principal outstanding under this loan.

Revolving Credit Facility

On July 23, 2019, we also entered into a Revolving Credit Facility under the First Lien Agreement. The Revolving Credit Facility provides for borrowing up to \$100.0 million subject to certain limitations including a reduction for any Letters of Credit outstanding and terminates on July 23, 2024. Interest is variable with a premium applied to a base rate. The base rate was initially set at 0.84%. The amount of the premium varies based on our net leverage ratio in a similar manner as the First Lien Term Loans. Interest on the Revolving Credit Facility can be set for either one, three or six-month periods with interest due at the end of each interest period except for six-month period elections which are due in three-month intervals. As of December 31, 2020, the interest rate in effect on borrowings under the Revolving Credit Facility was 5.15%. A Commitment Fee of 0.50% is assessed on the portion of the facility that is not utilized. This credit facility is secured by the same collateral as the First Lien Agreement. As of December 31, 2021, the Company had zero in principal outstanding and had up to \$58.0 million available to borrow under the Revolving Credit Facility. As of December 31, 2021, the Company had \$42.0 million in outstanding Letters of Credit under this facility. The Revolving Credit Facility is subject to certain customary financial covenants similar to those of the First Lien Loans described above.

The issuance cost of \$0.2 million incurred on this facility was recorded in other assets and is being amortized to interest expense on a straight-line basis over the 5-year term of this agreement.

Second Lien Term Loan

On July 23, 2019, we entered into a Second Lien Credit Agreement (the "Second Lien Agreement") with a group of lenders and KKR Loan Administration Services LLC as the administrative agent and Deutsche Bank Trust Company Americas as the collateral agent. Affiliates of the administrative and collateral agents were also lenders under the Second Lien Agreement. The Second Lien Agreement included Initial Term Loans in an aggregate principal amount of \$225.0 million (the "Second Lien Term Loans"). These Second Lien Term Loans bear interest at variable rates based upon a similar rate as under the First Lien Agreement and an Applicable Margin rate of 9.00%. As of December 31, 2021 and 2020, the rate in effect on the Second Lien

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Term Loans was 9.10% and 9.15%, respectively. The Second Lien Term Loans require no fixed principal payments prior to maturity and mature on July 23, 2027. Additional principal payments may be required if certain events occur. The Second Lien Loans are secured by substantially all the equity in all subsidiaries of the Company and is subject to certain customary financial covenants similar to those of the First Lien Loans described above.

The net proceeds from issuance of the Second Lien Term Loans were \$213.7 million. The discount of \$11.3 million and the debt issuance costs of \$0.3 million were being amortized over the term of the loan under the effective interest method. The unamortized discount and debt issuance costs are deducted from the loan principal on the Consolidated Balance Sheets.

In March and June of 2021, the Company extinguished \$35.0 million of principal outstanding under the Second Lien Term Loans in two transactions. We paid a total of \$35.0 million and recognized losses on early extinguishment of debt totaling \$1.5 million on these early extinguishments. In June and July 2020, the Company extinguished \$29.0 million of principal outstanding under the Second Lien Term Loans in two transactions, paying a total of \$14.5 million with recognized gains on early extinguishment of debt totaling \$13.1 million. On February 8, 2022 the entire then outstanding principal of \$161.0 million under the Second Lien Term Loan was paid in full.

The Company may borrow up to \$155.0 million in additional term loans under the First Lien Agreement and the Second Lien Agreement subject to certain restrictions and financial covenants. As of December 31, 2021, the Company was in compliance with all financial covenants under these loan agreements.

Other Long-Term Debt

During 2020, the Company borrowed under government-sponsored loan programs implemented in Israel, Italy, and Spain in response to the economic downturn caused by the global COVID-19 pandemic. These multiple bank loans are partially guaranteed by the respective government entities and carry interest rates ranging from 0.88% to 3.10%. Principal is due under varying amortization schedules as these loans mature from 2023 through 2026. An additional loan is outstanding in Spain under a government-sponsored Research & Development funding program, which requires principal payments from 2023 through 2030 and is interest free. The principal payments for all of these loans are included in the schedule of debt principal payments shown above. These loans are not secured by assets of the Company.

Note 5. Revenue

We derive our revenue primarily from product revenue, which includes industrial inkjet printers, ink, and parts; and DFEs. We also receive service revenue from printer maintenance agreements, customer support, training, software development, and consulting.

The following table presents our disaggregated revenue by source (in thousands).

Disaggregated Revenue (in thousands)	For the Year Ended December 31,	
	2021	2020
Revenue by Major Product and Service Lines:		
<i>Industrial Inkjet</i>		
Printers and parts	\$ 309,660	\$ 191,249
Ink, supplies, and maintenance	192,843	176,160
<i>Fiery</i>		
Digital front ends and related products	153,401	153,055
Maintenance and subscriptions	12,941	14,244
Total Revenue	\$ 668,845	\$ 534,708
Timing of Revenue Recognition:		
Transferred at a point in time	\$ 630,854	\$ 496,220
Transferred over time	37,991	38,488

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Remaining Performance Obligations

Revenue allocated to remaining performance obligations includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods ("backlog"). Remaining performance obligations were \$107.9 million as of December 31, 2021, of which we expect to recognize approximately 80% as revenue over the next 12 months.

Contract Balances

Our contracts generally do not include a right of return. Unbilled accounts receivable represent contract assets for revenue that has been recognized in advance of billing the customer. Billing requirements vary by contract but are generally structured around timing from contract or shipment date, or the completion of certain development milestones.

The following table reflects the balances and activity in unbilled accounts receivable:

Unbilled Accounts Receivable			
(in thousands)			
		2021	2020
Beginning balance as of January 1		\$ 8,846	\$ 13,981
Unbilled receivables transferred to accounts receivable during the period		(6,171)	(8,379)
Unbilled receivables generated during the period		7,712	3,244
Ending Balance as of December 31		\$ 10,387	\$ 8,846
		As of December 31,	
Ending Balances:		2021	2020
Unbilled accounts receivable – current		\$ 9,463	\$ 7,474
Unbilled accounts receivable – noncurrent		924	1,372
Total		\$ 10,387	\$ 8,846

Unbilled accounts receivable is included in accounts receivable and other noncurrent assets on the Consolidated Balance Sheets.

The following table reflects the balances and activity in deferred revenue:

Deferred Revenue			
(in thousands)			
		2021	2020
Beginning balance as of January 1		\$ 22,974	\$ 27,571
Previously deferred revenue recognized as revenue during the period		(18,384)	(21,484)
Revenue deferred to future periods		19,423	16,887
Ending Balance as of December 31		\$ 24,013	\$ 22,974
		As of December 31,	
Ending Balances:		2021	2020
Deferred revenue – current		\$ 20,988	\$ 22,974
Deferred revenue – noncurrent		3,025	—
Total		\$ 24,013	\$ 22,974

Deferred revenue – noncurrent is included in other noncurrent liabilities on the Consolidated Balance Sheets.

Included in accounts payable on the Consolidated Balance Sheets as of December 31, 2021 and 2020 are customer deposits totaling approximately \$16.1 and \$15.3 million, respectively.

Major Customers

No customer accounted for more than 10% of our revenue for the year ended December 31, 2021. One customer accounted for approximately 11% of our revenue for the year ended December 31, 2020.

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Note 6. Supplemental Financial Statement Information

Restricted Cash

In accordance with ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts in the Consolidated Statement of Cash Flows. Restricted cash equivalents are included in other assets on the Consolidated Balance Sheets. A reconciliation of cash, cash equivalents, and restricted cash equivalents is as follows:

Cash, Cash Equivalents, and Restricted Cash Equivalents (in thousands)	As of December 31,	
	2021	2020
Cash of discontinued operations	\$ —	\$ 1,799
Cash of continuing operations	514,743	112,522
Cash and cash equivalents	514,743	114,321
Restricted cash equivalents	1,031	726
Cash, Cash Equivalents, and Restricted Cash Equivalents	\$ 515,774	\$ 115,047

Inventories

Inventories consisted of the following:

Inventories (in thousands)	As of December 31,	
	2021	2020
Raw materials	\$ 64,064	\$ 51,903
Work-in-process	9,218	15,852
Finished goods	41,664	50,622
Total inventories	\$ 114,946	\$ 118,377

Deferred Contract Acquisition Costs

Some of our sales incentive programs meet the definition of an incremental cost of obtaining a customer contract; and therefore, are required to be capitalized under ASC 340-40. We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. Sales commissions for ink sales may not be commensurate with the commissions paid for the acquisition of the initial printer contract because commissions are generally not paid on consumables. Sales commissions for initial contracts are deferred and then amortized generally on a straight-line basis over a period of benefit that we have determined to be four years. We determined the period of benefit by taking into consideration our customer contracts, our technology, and other factors.

For contracts that have durations of less than one year, we follow the practical expedient and expense these costs as incurred. During the years ended December 31, 2021 and 2020, we amortized \$1.9 and \$2.0 million of deferred contract acquisition costs, respectively, and we recognized no impairment losses in relation to costs capitalized. During the years ended December 31, 2021 and 2020, we capitalized \$2.0 and \$1.3 million of contract acquisition costs, respectively. Deferred contract acquisition costs of \$3.9 and \$3.8 million as of December 31, 2021 and 2020, respectively, were included within other non-current assets on our Consolidated Balance Sheets.

Equipment Leased to Customers Under Operating Leases, Net

Equipment leased to customers under operating leases, which is included in property and equipment, net on the Consolidated Balance Sheets, was as follows:

Equipment Leased to Customers (in thousands)	As of December 31,	
	2021	2020
Equipment leased to customers under operating leases	\$ 4,203	\$ 6,398
Accumulated depreciation	(3,514)	(3,359)
Equipment leased to customers under operating leases, net	\$ 689	\$ 3,039

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Accrued and Other Liabilities

Accrued and other liabilities are as follows:

Accrued and Other Liabilities (in thousands)	As of December 31,	
	2021	2020
Accrued compensation and benefits	\$ 38,641	\$ 32,962
Restructuring and other	965	2,568
Warranty provision – current	9,177	8,086
Contingent consideration – current	—	6,219
Accrued royalty payments	3,532	4,522
Accrued professional fees	4,219	4,225
Foreign pension liability	1,787	1,655
Sales and property tax liabilities	436	1,006
Financial guarantees	1,186	2,833
Agency commissions payable	3,057	2,204
Other accrued liabilities	5,027	5,318
Total Accrued and Other Liabilities	\$ 68,027	\$ 71,598

Supplemental Disclosure of Cash Flow Information

Supplemental disclosures about cash flow information are as follows:

Supplemental Cash Flows (in thousands)	For the Year Ended December 31,	
	2021	2020
Net cash paid for income taxes	\$ 11,208	\$ 5,750
Cash paid for interest expense	61,590	76,702
Property and equipment received, but not paid for	137	575
Cash paid for operating lease liabilities	15,084	14,335
Lease liabilities associated with new right-of-use assets	3,165	24,876

Note 7. Accounts Receivable

The accounts receivable allowance consisted of the following:

Accounts Receivable Allowance (in thousands)	As of December 31,	
	2021	2020
Allowance for doubtful accounts	\$ 16,368	\$ 20,250
Allowance for returns	5,072	6,582
Allowance for trade-ins	1,740	1,239
Allowance for sales rebates and incentives	1,336	1,302
Total Accounts Receivable Allowance	\$ 24,516	\$ 29,373

Accounts Receivable Sales Arrangements

In accordance with ASC 860-20, *Transfers and Servicing*, trade receivables are derecognized from our Consolidated Balance Sheets when sold to third parties upon determining that such receivables are presumptively beyond the reach of creditors in a bankruptcy proceeding. Any servicing obligation is determined based on the fair value that a third party would charge to service these receivables. These liabilities were determined to not be material at December 31, 2021 and 2020.

We have facilities in Europe that enable us to sell to third parties, on an ongoing basis, certain trade receivables without recourse. Trade receivables sold without recourse are generally short-term receivables secured by international letters of credit. Trade receivables sold under these facilities were \$12.4 and \$8.7 million during the years ended December 31, 2021 and 2020,

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respectively, which approximates the cash received. We report proceeds from the sale of trade receivables to third parties as operating cash flows in the Consolidated Statements of Cash Flows.

Financing Receivables

Our financing receivables consist of sales-type lease and trade receivables that have an original contractual maturity in excess of one year. Sales-type lease receivables are included in other current assets and other noncurrent assets, while trade receivables are included in accounts receivable, net and in other noncurrent assets. Our financing receivables are summarized as follows:

Financing Receivables (in thousands)	As of December 31,	
	2021	2020
Sales-type lease receivables	\$ 10,516	\$ 16,954
Trade receivables	8,271	13,440
Total Financing Receivables	\$ 18,787	\$ 30,394
Scheduled to be received in excess of one year	\$ 9,638	\$ 14,736

Note 8. Property and Equipment, Net

Property and equipment, net, is as follows:

Property and Equipment, Net (in thousands)	As of December 31,	
	2021	2020
Land, buildings, and improvements	\$ 1,565	\$ 1,611
Equipment and purchased software	88,174	91,930
Furniture and leasehold improvements	18,939	18,447
Gross	108,678	111,988
Less accumulated depreciation and amortization	(89,463)	(84,107)
Property and equipment, net	\$ 19,215	\$ 27,881

Depreciation expense was \$8.9 and \$12.9 million for the years ended December 31, 2021 and 2020, respectively.

Assets held-for-sale of \$7.0 million as of December 31, 2021 consisted of two properties that we determined met the held-for-sale criteria of ASC 360-10. During the second quarter of 2020, management approved a plan to sell a land parcel located in Bergamo, Italy. The parcel, approximately 57 thousand square meters of land area, was purchased by the Company in July 2019 for a site to construct a new facility for our textile products headquarters. In January 2022, we entered into a sale leaseback agreement with a financial institution that purchased the land parcel and agreed to finance the construction of the new headquarters facility. Upon completion of the building, EFI will lease the land and building under a 12-year finance lease, with total future minimum lease payments of \$14.9 million. At the end of the lease, we will have the option to exercise a purchase option to acquire the land and building for an amount equal to approximately ten percent of fair value. The land is included in Assets held-for-sale in the amount of \$6.6 million on the Consolidated Balance Sheet as of December 31, 2021. During the third quarter of 2020, management approved a plan to sell our facility in Leeds, UK and listed the building for sale. The building is included in Assets held-for-sale in the amount of \$0.4 million on the Consolidated Balance Sheet as of December 31, 2021.

Eagan, Minnesota. During the second quarter of 2020, management approved a plan to sell our facility in Eagan, Minnesota, consisting of a 44,000-square-foot building on a 5.6 acre parcel of land. Upon reclassifying the building and land to assets held-for-sale, we recognized an impairment loss of \$1.6 million. On August 14, 2020, we sold this facility for \$2.0 million, recognizing an additional loss of less than \$0.1 million.

Meredith, New Hampshire. On February 6, 2020, we sold the land and building located at One Vutek Place in Meredith, New Hampshire for net proceeds of \$1.9 million and recognized a loss of approximately \$0.1 million.

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Note 9. Leases

We lease facilities and equipment under non-cancellable operating leases that have remaining lease terms of one month to 34 years, and 2 months to 5 years, respectively. Generally, each leased facility is subject to an individual lease or sublease, certain of which may provide options to extend or terminate the lease agreement. Facilities primarily consist of corporate offices, manufacturing sites, administrative offices, and storage facilities. Equipment primarily consists of vehicles, warehouse equipment, and office equipment. Certain lease agreements also include variable lease payments that are primarily comprised of common area maintenance and utility charges, along with fuel and maintenance charges for vehicles. Short-term leases and sublease income are not material for the periods presented.

The components of our lease expense were as follows (in thousands):

Lease Expense (in thousands)	For the Year Ended December 31,	
	2021	2020
Operating lease expense	\$ 13,320	\$ 13,255
Variable lease expense	303	2,888
Total Lease Expense	\$ 13,623	\$ 16,143

Additional information about our leases is presented as follows:

Additional Lease Information	As of December 31,	
	2021	2020
Weighted average remaining lease term (years)	8.8	8.1
Weighted average discount rate	2.2%	2.2%

Future minimum lease payments under noncancellable operating leases for each of the next five years ending December 31 and thereafter as of December 31, 2021 are as follows:

Future Minimum Lease Payments (in thousands)	As of December 31, 2021
2022	\$ 12,683
2023	10,580
2024	5,903
2025	3,684
2026	2,738
Thereafter	18,633
Total Lease Payments	54,221
Less imputed interest	(7,443)
Total Lease Liabilities	\$ 46,778

Note 10. Business Acquisitions and Dispositions

During 2021, we sold our Productivity Software business. See Note 3 – Discontinued Operations for further discussion.

Reorganization of Fiery Business in 2021

On December 31, 2021, we completed a reorganization of the U.S. portion of our Fiery operating segment. The reorganization consisted of the creation of a new U. S. subsidiary, Fiery, LLC, which we control by virtue of our majority voting interest. The Fiery, LLC agreement specifies that EFI is the Managing Member of Fiery, LLC, and through its contribution of all of the material U.S. assets and liabilities of its Fiery business unit, is the 100% owner of the one thousand Preferred Units issued and outstanding, and the 5% owner of the 200 Common Units issued and outstanding, providing EFI with a majority voting interest. We also declared a dividend of \$24.9 million, \$9.6 million of which was paid in cash and the remainder of \$15.3 million was evidenced by a note payable which was then contributed to Fiery, LLC by the new external minority interest in that entity. Fiery, LLC is included in the Consolidated Financial Statements of the Company due to EFI's controlling interest in the entity.

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Sale of Optitex and Generation Digital Businesses in 2020

On April 7, 2020, we closed the sale of 100% of the issued and outstanding shares of the Optitex Ltd. and Generation Digital Services businesses for a price of \$7.5 million, subject to a working capital adjustment, and an indemnification escrow holdback of approximately \$1.5 million. During 2020, we received net sales proceeds of \$6.1 million, derecognized all assets and liabilities transferred to the buyer of these businesses upon sale, settled the working capital adjustment, and paid all transaction costs, realizing a gain on disposition of less than \$0.1 million. We received \$0.9 million of escrow funds when the indemnification escrow account expired on October 6, 2021, representing the initial holdback amount less a \$0.6 million working capital adjustment.

Note 11. Goodwill and Intangible Assets

Our purchased intangible assets are as follows:

Purchased Intangible Assets	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(in thousands, except for weighted average useful life)				
As of December 31, 2021:				
Customer relationships and other	5.7	\$ 20,998	\$ (12,654)	\$ 8,344
Existing technology	1.4	123,355	(123,310)	45
Trademarks and trade names	3.3	59,070	(55,233)	3,837
In process research and development ("IPR&D")	—	170	—	170
Amortizable intangible assets as of December 31, 2021	3.7	\$ 203,593	\$ (191,197)	\$ 12,396
Goodwill	—	\$ 234,593	—	\$ 234,593
As of December 31, 2020:				
Customer relationships and other	2.9	\$ 50,362	\$ (40,656)	\$ 9,707
Existing technology	2.0	143,304	(140,360)	2,943
Trademarks and trade names	4.3	63,232	(56,696)	6,536
IPR&D	—	184	—	184
Amortizable intangible assets as of December 31, 2020	3.5	\$ 257,082	\$ (237,712)	\$ 19,370
Goodwill	—	\$ 241,367	—	\$ 241,367

Acquired customer relationships, existing technology, and trademarks and trade names are amortized over their estimated useful lives of 1 to 16 years using the straight-line method, which approximates the pattern in which the economic benefits of the identified intangible assets are realized. There were no changes to the useful lives of intangible assets during the years ended December 31, 2021 and 2020. Aggregate amortization expense for purchased intangible assets was \$6.5 and \$13.2 million during the years ended December 31, 2021 and 2020, respectively. There were no impairments of intangible assets recognized during the years ended December 31, 2021 and 2020.

IPR&D is subject to amortization after product completion over the estimated product life or otherwise assessed for impairment in accordance with acquisition accounting guidance. There were no impairments of IPR&D recognized during the years ended December 31, 2021 and 2020.

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Future estimated amortization expense of intangible assets as of December 31, 2021 is as follows:

Future Amortization Expense for the Years Ended December 31,

(in thousands)

2022	\$ 5,231
2023	2,434
2024	1,439
2025	1,422
2026	1,422
Thereafter	448
Total Future Amortization Expense	\$ 12,396

The goodwill rollforward for the years ended December 31, 2021 and 2020 is as follows:

Goodwill Rollforward

(in thousands)

As of December 31, 2019	\$ 230,172
Foreign currency adjustments	11,195
As of December 31, 2020	\$ 241,367
Foreign currency adjustments	(6,774)
As of December 31, 2021	\$ 234,593

Note 12. Fair Value Measurements

Fair Value Measurements

Our fair value hierarchy, as defined in ASC 820, is as follows:

Level 1: Inputs that are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date:

Level 2: Inputs that are other than quoted prices included within Level 1, that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life or by comparison to similar instruments; and

Level 3: Inputs that are unobservable or that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. These include management's own judgments about market participant assumptions developed based on the best information available in the circumstances.

We invested certain of our excess cash on deposit with major banks in money market accounts. The fair value of investments in certain money market funds maintained a net asset value of \$1 per share and, as such, was priced at the expected market price. We are exposed to credit risk in the event of default by the financial institutions to the extent of amounts recorded in our Consolidated Balance Sheets.

Liabilities measured at fair value are presented in accordance with the fair value hierarchy described above as follows:

(in thousands)	As of December 31, 2021		As of December 31, 2020	
	Level 3	Total	Level 3	Total
Contingent consideration, current and noncurrent	\$ —	\$ —	\$ 6,219	\$ 6,219

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Liabilities for Contingent Consideration

Acquisition-related liabilities for contingent consideration (i.e., earnouts) are related to the purchase business combinations of BDR Boya Kimya San. Tic. A.S. ("BDR"), acquired in 2019, and CDM Solutions Limited ("CDM") and Corrugated Technologies Inc. ("CTI"), both acquired in 2015.

We had no earnout liabilities as of December 31, 2021. The fair value of earnout liabilities was estimated to be \$6.2 million as of December 31, 2020. The fair value of contingent consideration liabilities decreased by \$6.2 million during the year ended December 31, 2021, due primarily to the payment of final earnout amounts for BDR, CDM, and CTI. Key assumptions include risk-free discount rates, as well as probability-adjusted revenue and earnings levels. Probability-adjusted revenue, gross margin, and earnings are significant inputs that are not observable in the market and were therefore classified as Level 3 inputs. Contingent consideration liabilities are reflected in the Consolidated Balance Sheet as Accrued and other liabilities.

Changes in the fair value of the contingent consideration liability are summarized as follows:

(in thousands)	
Fair value of contingent consideration at December 31, 2019	\$ 12,856
Changes in valuation	(254)
Payments	(6,791)
Foreign currency translation adjustment	408
Fair value of contingent consideration at December 31, 2020	\$ 6,219
Changes in valuation	(99)
Payments	(5,938)
Foreign currency translation adjustment	(182)
Fair value of contingent consideration at December 31, 2021	\$ —

Fair Value of Long-Term Debt

The fair value of the First and Second Lien Term Loans as of December 31, 2021 approximates the principal amount because the interest rates are variable.

Note 13. Commitments and Contingencies

Contingent Consideration

We were required to make payments to the former owners of acquired companies based on the achievement of specified performance targets as more fully explained in Note 12 – Fair Value Measurements. All such obligations were completed and satisfied as of December 31, 2021.

Purchase Commitments

We subcontract with other companies to manufacture certain of our products. During the normal course of business, our subcontractors procure components based on orders placed by us. If we cancel all or part of our orders, we may still be liable to the subcontractors for the cost of the components they purchased to manufacture our products. We periodically review the potential liability compared to the adequacy of the related allowance. The amount of potential liability was not material as of December 31, 2021 or 2020.

Guarantees and Product Warranties

Our Industrial Inkjet printers are generally accompanied by a 13-month limited warranty, commencing on the installation date, which covers both parts and labor. Our Fiery DFE products limited warranty is generally 12 to 15 months. In accordance with ASC 450-30, an accrual is established when the warranty liability is estimable and probable based on historical experience. A provision for the estimated warranty costs relating to products that have been sold is recorded in cost of revenue upon recognition of revenue and the resulting accrual is reviewed regularly and adjusted to reflect changes in warranty estimates.

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The changes in product warranty reserve were as follows:

Product Warranty Reserve (in thousands)	For the Year Ended December 31,	
	2021	2020
Beginning Balance	\$ 11,903	\$ 18,381
Provision, net of releases	7,925	4,552
Settlements	(9,381)	(11,030)
Ending Balance	\$ 10,447	\$ 11,903

The ending balance includes \$1.3 and \$3.8 million classified within other noncurrent liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively.

Indemnifications

In the normal course of business and to facilitate the sales of our products, we sometimes indemnify other parties, including customers, lessors, and others. When we indemnify these parties, typically those provisions protect other parties against losses arising from our infringement of third-party intellectual property rights or other claims made by third parties arising from the use or distribution of our products. Those provisions often contain various limitations including limits on the amount of protection provided.

As permitted under Delaware law, pursuant to our bylaws, charter, and indemnification agreements with our current and former executive officers, directors, and general counsel, we are required, subject to certain limited qualifications, to indemnify our executive officers, directors, and general counsel for certain events or occurrences while the executive officer, director, or general counsel is or was serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the executive officer's, director's, or general counsel's lifetime. The maximum potential future payments we may be obligated to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that limits our exposure and may enable us to recover a portion of any future amounts paid.

Legal Proceedings

We may be involved, from time to time, in a variety of claims, lawsuits, investigations, or proceedings relating to contractual disputes, securities laws, intellectual property rights, employment, or other matters that may arise in the normal course of business. We assess our potential liability in each of these matters by using the information available to us. We develop our views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential outcomes and various combinations of appropriate litigation and settlement strategies. We accrue estimated losses from contingencies if a loss is deemed probable and can be reasonably estimated.

As of December 31, 2021, we are subject to the matters discussed below.

Reggiani MTS. On February 14, 2018, M.T.S. – Officine Meccaniche di Precisione S.p.A. ("MTS") filed a proceeding in the Court of Bergamo, Italy, seeking payment from Reggiani Macchine S.p.A. ("Reggiani") of approximately \$1.9 million. This proceeding arises from an agreement made in November 2017 (the "Agreement") to resolve an indemnification claim made by EFI against the Reggiani sellers relating to three prototype machines that EFI believes were misclassified as fixed assets prior to the closing of the Reggiani acquisition. As part of that agreement, MTS agreed to purchase the three machines for \$2.0 million in exchange for EFI reducing its indemnity claims against the Reggiani sellers. MTS alleges that Reggiani did not timely deliver the prototypes and, as a result, demanded repayment of \$1.9 million, plus interest and legal fees, and sought a declaration that the November 2017 agreement is terminated. We do not believe there is any merit to the claims made in the proceeding filed by MTS, and we filed our response on April 2, 2018 disputing any liability to MTS arising from the Agreement and arguing that the Italy court does not have jurisdiction. On January 18, 2020 the Italian court ruled that Reggiani's sale of the prototypes to MTS was not governed by the Agreement, since Reggiani is not specifically a party to that Agreement, but rather must have been governed by a verbal agreement between Reggiani and MTS that MTS validly terminated due to Reggiani's failure to deliver the prototypes within the deadline set by MTS. We believe this ruling is incorrect for a number of reasons and filed an appeal with the Court of Bergamo, Italy. Nevertheless, Reggiani was obligated to repay to MTS the original purchase price, plus attorney's fees and court costs in the amount of \$0.1 million, for a total amount of \$2.0 million pending the outcome of any appeal. Accordingly, we recognized a charge and accrued a liability for this expense as of December 31, 2019. This amount was paid to MTS in the first half of 2020 and final resolution of our appeal is pending.

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Other Matters. As of December 31, 2021, we were subject to various other claims, lawsuits, investigations, and proceedings in addition to the matters discussed above. The Company has recorded an immaterial amount related to all outstanding litigation matters as of December 31, 2021. There is at least a reasonable possibility that additional losses may be incurred in excess of the amounts that we have accrued for such matters. However, we believe that these claims are not material to our consolidated financial statements, or the range of reasonably possible losses is not reasonably estimable. Litigation is inherently unpredictable, and while we believe that we have valid defenses with respect to legal matters pending against us, our financial statements could be materially affected in any particular period by the unfavorable resolution of one or more of these contingencies or because of the diversion of management's attention and the incurrence of significant expenses.

Note 14. Stock-Based Compensation and Other Employee Benefits

Equity Incentive Plans

Impact of the Merger on Equity Awards

At the Effective Time of the Merger, each of the Company's outstanding restricted stock units that were subject to time-based vesting requirements only (a "Company RSU") and each of the Company's outstanding restricted stock units that were subject to both time-based and performance-based vesting requirements (a "Company PSU") were treated, as follows: (1) each Company RSU that was outstanding as of the date of the Merger Agreement that was vested or scheduled to vest within 12 months after the closing of the Merger (the "Closing") was converted into the right to receive the Merger Consideration (\$37.00 per share) promptly following the Closing; (2) each other Company RSU was assumed by Parent and converted into the right to receive the Merger Consideration, subject to applicable tax withholding, in accordance with its existing vesting schedule and applicable terms and conditions immediately prior to the Effective Time, including the holder's continued employment or service through the applicable vesting date; (3) each Company PSU granted pursuant to the Company's 2019 annual bonus program was assumed by Parent and converted into the right to receive the Merger Consideration, subject to applicable tax withholding, in accordance with its existing vesting schedule and applicable terms and conditions immediately prior to the Effective Time, including achievement of the applicable performance goals and the holder's continued employment or service through the applicable vesting date; (4) each other Company PSU (a "Company LTIP PSU"), to the extent it would vest if the target level of performance established for the award had been attained, was assumed by Parent and converted into a right to receive the Merger Consideration, subject to applicable tax withholding, in accordance with the time-based vesting schedule for the award (but in no event earlier than the end of the applicable performance period) and the applicable terms and conditions immediately prior to the Effective Time (other than the performance-based vesting conditions), including the holder's continued employment through the applicable vesting date; and (5) each Company LTIP PSU, to the extent eligible to vest only if the target level of performance under the award was exceeded and held by an individual employed by the Company or one of its subsidiaries at the Effective Time, was assumed by Parent and converted into the right to receive the Merger Consideration, subject to applicable tax withholding, in accordance with the applicable terms and conditions immediately prior to the Effective Time, including the time-based and performance-based vesting requirements applicable to the award, and any such Company LTIP PSU held by an individual not employed by the Company or one of its subsidiaries at the Effective Time was cancelled without payment.

Any Company PSUs as to which the applicable performance period has ended prior to the Effective Time and that remain subject only to time-based vesting conditions were treated as Company RSUs as described above. In addition, at the Effective Time, each of the Company's stock options (whether vested or unvested) were cancelled and converted into the right to receive, for each share subject to the option, the Merger Consideration less the per-share exercise price of the option (with any option that has a per-share exercise price equal to or greater than the Merger Consideration being cancelled without payment at the Effective Time), subject to applicable tax withholding. In each case, any existing provisions for accelerated vesting of Company equity awards in connection with the transaction or in connection with a severance event under an employment or similar agreement continued in effect in accordance with their terms.

As of December 31, 2021 and 2020, there were no outstanding equity awards to be settled in stock, since all outstanding awards were converted to cash settled awards and either paid in conjunction with the Merger or continue to vest as described above. The impacts of these amended awards continue to be reported as stock-based compensation in the following disclosures.

Stock-based Compensation Expense

We measure and recognize compensation expense for all equity awards granted to our employees and directors, including employee stock options and Restricted Stock Units ("RSUs") based on the fair value of such awards on the date of grant or the date of modification, whichever is lower. The changes that occurred on July 23, 2019 described above were considered a modification of the awards outstanding as of that date. We amortize stock-based compensation cost on a straight-line basis over

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the vesting period, reduced by actual forfeitures. Stock-based compensation cost is recognized over the requisite service period for each separately vesting tranche of the award as though the award were, in substance, multiple awards. We used the Black-Scholes-Merton ("BSM") option pricing model to value stock-based compensation for stock options prior to the Merger, when all outstanding awards were converted into cash-settled awards based on the Merger Consideration share price of \$37.00. We valued RSUs at the closing market price on the date of grant prior to the Merger.

We recognized stock-based compensation expense during the years ended December 31, 2021 and 2020 in the Consolidated Statements of Operations within the following line items:

Stock-Based Compensation Expense (in thousands)	For the Year Ended December 31,	
	2021	2020
Cost of revenue	\$ 112	\$ 255
Research and development	426	1,967
Sales and marketing	558	3,030
General and administrative	996	2,649
Total Stock-Based Compensation Expense	\$ 2,092	\$ 7,901

We paid \$6.7 and \$18.1 million in cash settlement of equity awards during the years ended December 31, 2021 and 2020, respectively. These awards were cash-settled in an amount equal to \$37.00 per share. Any incremental stock-based compensation expense above \$37.00 per share is included in the expense amounts presented above and treated as a contribution to additional paid-in capital.

Non-vested RSUs

Non-vested RSUs generally vest over a service period of one to four years. The compensation expense incurred for these service-based awards was based on the closing market price of our stock on the date of grant and is amortized on a graded vesting basis over the requisite service period. No RSUs were granted during the years ended December 31, 2021 or 2020. Non-vested RSUs, including performance-based and market-based RSUs, as of December 31, 2021 and 2020 and activity for each of the years then ended, are summarized as follows:

Restricted Stock Units	Shares
Non-Vested as of December 31, 2019	928,696
Restricted stock units vested	(584,847)
Restricted stock units forfeited	(120,657)
Non-Vested as of December 31, 2020	223,192
Restricted stock units vested	(180,634)
Restricted stock units forfeited	(20,731)
Non-Vested as of December 31, 2021	21,827

On July 23, 2019 the then outstanding non-vested RSUs were amended to become cash-settled awards at \$37.00 per share in conjunction with the Merger as described above. As of December 31, 2021, the unvested awards shown above represented a potential total cash settlement of \$0.8 million, and all of them are scheduled to vest during the year ending December 31, 2022.

Employee 401(k) Plan

We sponsor a 401(k) Savings Plan ("401(k) Plan") that provides retirement and incidental benefits for our U.S. employees. Employees may contribute from 1% to 75% of their annual compensation to the 401(k) Plan, limited to a maximum annual amount as set periodically by the IRS. We match 50% of U.S. employee contributions, up to a maximum of the first 4% of the employee's compensation contributed to the plan, subject to IRS limitations. Matching contributions vest on a straight-line basis over four years starting with the hire date of the individual employee. Our matching contributions to the 401(k) Plan totaled \$1.1 and \$0.5 million during the years ended December 31, 2021 and 2020, respectively. The employees' contributions and our contributions are invested in mutual funds managed by a fund manager, or in self-directed retirement plans. The Company suspended its match of employee contributions to the 401(k) Plan from April 1, 2020 through February 15, 2021.

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Note 15. Restructuring and Other

During the years ended December 31, 2021 and 2020, we continued to analyze and re-align our cost structure following the Merger and our prior business acquisitions. These charges primarily relate to integrating recently acquired businesses, consolidating facilities, eliminating redundancies, and lowering our operating expense run rate. Restructuring and other consists primarily of restructuring, severance, short-term retention costs, facility downsizing and relocation, and acquisition integration expenses. Our restructuring and other plans are accounted for in accordance with ASC 420, ASC 712, and ASC 820, as applicable.

Restructuring and other costs for the years ended December 31, 2021 and 2020 were \$5.3 and \$13.8 million, respectively, and included severance and termination costs, facilities relocation and downsizing expenses, and integration expenses. Severance and termination costs were \$2.1 and \$8.6 million, respectively, during the years ended December 31, 2021 and 2020. Severance and termination costs include severance payments, related employee benefits, outplacement fees, recruiting, and employee relocation costs.

Facilities relocation and downsizing expenses for the years ended December 31, 2021 and 2020 were \$1.0 and \$1.6 million, respectively. Facilities restructuring and other expenses are primarily related to the relocation of certain manufacturing and administrative locations to consolidate, streamline, or improve operations. Integration expenses for the years ended December 31, 2021 and 2020 of \$1.6 and \$2.9 million, respectively, represented costs to integrate our business acquisitions. Restructuring and other reserve activities are summarized as follows:

Restructuring And Other Reserve (in thousands)	For the Year Ended December 31,	
	2021	2020
Reserve balance at January 1	\$ 2,568	\$ 18,229
Restructuring charges	3,380	10,762
Other charges	1,936	3,042
Non-cash restructuring and other	(1,232)	(1,912)
Cash payments	(5,687)	(27,553)
Reserve balance at December 31	\$ 965	\$ 2,568

Note 16. Income Taxes

The components of loss before income taxes are as follows:

Loss Before Income Taxes (in thousands)	For the Year Ended December 31,	
	2021	2020
U.S.	\$ (53,372)	\$ (57,420)
Foreign	45,317	(30,306)
Total loss before income taxes	\$ (8,055)	\$ (87,726)

The provision for (benefit from) income taxes is summarized as follows:

Provision For (Benefit From) Income Taxes (in thousands)	For the Year Ended December 31,	
	2021	2020
Current:		
U.S. Federal	\$ 349	\$ (8,057)
U.S. State	(252)	(1,035)
Foreign	7,497	3,119
Total current	7,594	(5,973)
Deferred:		
U.S. Federal	—	—
U.S. State	—	—
Foreign	1,461	(6,249)
Total deferred	1,461	(6,249)
Provision for (benefit from) income taxes	\$ 9,055	\$ (12,222)

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The reconciliation of the income tax provision (benefit) computed at the federal statutory rate to the actual tax provision follows:

Rate Reconciliation (in thousands)	For the Year Ended December 31,			
	2021		2020	
Tax provision (benefit) at U.S. federal statutory rate	\$ (1,692)	21.0%	\$ (18,422)	21.0%
U.S. State income taxes, net of federal benefit	(199)	2.5	560	(0.6)
Research and development credits	(1,840)	22.8	(1,363)	1.6
Effect of foreign operations	3,900	(48.4)	(23,162)	26.4
Valuation allowance	8,708	(108.1)	36,754	(41.9)
Increase (reduction) in accrual for estimated potential tax	100	(1.2)	(6,624)	7.5
Other	78	(1.0)	35	(0.1)
Provision for (benefit from) income taxes	\$ 9,055	(112.4)%	\$ (12,222)	13.9%

Due to a cumulative loss from continuing operations in the U.S. incurred over a three-year period ended on both December 31, 2021 and 2020, we determined that it is more likely than not that our U.S. and state deferred tax assets will not be realized. In 2021 and 2020, we recorded a charge of \$8.7 million and \$36.8 million, respectively, to increase the valuation allowance on our U.S. and state deferred tax assets.

We are subject to a U.S. minimum tax on certain foreign earnings, also known as the GILTI provision. In the years ended December 31, 2021 and 2020, we recorded a net U.S. tax charge of \$1.1 million and a tax benefit of \$19.8 million, respectively. The benefit in 2020 is primarily related to the transfer of intellectual property rights to the U.S. from a foreign subsidiary in a taxable transaction in the year ended December 31, 2020.

The tax effects of temporary differences that give rise to deferred tax assets (liabilities) are as follows:

Deferred Income Taxes (in thousands)	As of December 31,	
	2021	2020
Tax credit carryforwards	\$ 41,642	\$ 84,110
Depreciation and amortization	54,415	82,956
Section 163(j) interest limitation	—	3,917
Net operating loss carryforwards	27,484	29,475
Operating lease liabilities	7,169	10,920
Reserves and accruals not currently deductible for tax purposes	11,338	5,509
Other	8,140	8,672
Gross deferred tax assets	150,188	225,559
Operating lease right-of-use assets	(7,898)	(10,550)
Gross deferred tax liabilities	(7,898)	(10,550)
Deferred tax valuation allowance	(136,195)	(207,454)
Net deferred tax assets	\$ 6,095	\$ 7,555
As shown on Consolidated Balance Sheets:		
Deferred tax assets	\$ 8,777	\$ 11,795
Deferred tax liabilities	(2,682)	(4,240)
Net deferred tax assets	\$ 6,095	\$ 7,555

As of December 31, 2021, we have \$4.2 million (\$168.5 million for state tax purposes) and \$13.5 million (\$37.8 million for state tax purposes) of loss and credit carryforwards, respectively. A majority of these federal and state losses and credits will expire between 2022 and 2040. Utilization of these loss and credit carryforwards will be subject to an annual limitation under the U.S. Internal Revenue Code. In addition, due to our sale of the discontinued Productivity Software business in December 2021, our gross deferred tax assets decreased by \$75.4 million, primarily due to the utilization of tax credit and net operating loss carryforwards as well as favorable basis differences in amortizable assets held by the Productivity Software business.

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We assess the likelihood that our deferred tax assets will be recovered from future taxable income by considering both positive and negative evidence relating to their recoverability. If we believe that recovery of these deferred tax assets is not more likely than not, we establish a valuation allowance. Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we considered all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, recent operating results, projections of future taxable income, our ability to utilize loss and credit carryforwards, and the feasibility of tax planning strategies. Other than deferred tax assets recorded primarily in Italy, Spain, and India, we have determined that it is not more likely than not that we will realize the benefit related to all other deferred tax assets. To the extent we increase a valuation allowance, we will include an additional expense within the tax provision or benefit in the Consolidated Statement of Operations in the period in which such determination is made.

A reconciliation of the change in the gross unrecognized tax benefits is as follows:

Reconciliation of Unrecognized Tax Benefits (in thousands)	Federal, State, and Foreign Tax	Accrued- Interest and Penalties	Gross Unrecognized Income Tax Benefits
Balance as of December 31, 2019	\$ 33,342	\$ 1,098	\$ 34,440
Reductions for tax positions of prior years	(5,846)	171	(5,675)
Additions for tax positions related to 2020	858	-	858
Settlements	(7,477)	(907)	(8,384)
Reductions due to lapse of applicable statute of limitations	(682)	-	(682)
Balance as of December 31, 2020	\$ 20,195	\$ 362	\$ 20,557
Reductions for tax positions of prior years	(1,728)	(183)	(1,911)
Additions for tax positions related to 2021	1,372	-	1,372
Balance as of December 31, 2021	\$ 19,839	\$ 179	\$ 20,018

As of December 31, 2021 and 2020, gross unrecognized benefits that would affect the effective tax rate if recognized were \$15.3 and \$15.9 million, respectively. Over the next twelve months our existing tax positions will continue to generate increased liabilities for unrecognized tax benefits.

In accordance with Accounting Standards Update 2013-11, we recorded \$10.6 million of gross unrecognized tax benefits as an offset to deferred tax assets as of December 31, 2021, and the remaining \$4.7 million has been recorded as noncurrent income taxes payable. In 2020, we settled the 2016 IRS audit and as a result released \$8.4 million in previously unrecognized tax benefits and related interest.

We recognize potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2021 and 2020, we have accrued \$0.2 and \$0.4 million, respectively, for potential payments of interest and penalties.

We are subject to examination by the Internal Revenue Service for the 2018-2020 tax years, state tax jurisdictions for the 2017-2020 tax years, and tax authorities in the Netherlands, Spain, Israel, and Italy for the 2016-2020 tax years.