Global Graphics SE

Unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016

Company registration number: SE000077

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INTERIM MANAGEMENT REPORT

STRATEGY AND BUSINESS MODEL

Global Graphics is a leading developer of software technology used in printing, publishing, and electronic document systems. An expert in interpreting Page Description Languages ("PDLs"), notably PostScript®, PCL, the Portable Document Format ("PDF") and Microsoft's XPS (XML Paper Specification), Global Graphics has a broad technology portfolio that includes Raster Image Processors ("RIPs") that convert text and images into printable form, fonts, software for document conversion and manipulation and components for digital workflow and colour management. The Group is active in the graphic arts and commercial print, digital print, and digital document markets and has a long history of providing its customers with cross-platform, high-performance technology for the creation, distribution, printing and viewing of documents.

Revenue is principally derived by directly licensing technology to original equipment manufacturers ("OEMs") of pre-press equipment, digital printers and copiers, developers of applications that create, manipulate and manage electronic documents and system integrators. With the introduction of font technology into the Group through the acquisition of URW++ Design & Development GmbH ("URW"), the Group's digital typeface technology is found in leading brands ranging from household appliances to motor vehicles. Consequently, Global Graphics' technology lies at the heart of industry leading brands of digital pre-press systems, professional colour proofing devices, wide-format colour printers, digital production presses, digital multi-function copiers and printers for the office as well as a wide variety of software applications.

Global Graphics plays an active role on industry standards committees, and through its sustained program of research and development has a patent portfolio touching many areas of printing technology.

To date the Group has focussed our printing software mostly on publishing, commercial printing and wide-format printing. These are mature segments. We have focussed our digital document technology on document handling applications and enterprise productivity tools. OEMs licence our technology because it is reliable, helps them respond to emerging technical challenges and adds value to their product offerings. Independent Software Vendors ("ISVs") licence our technology to accelerate their time to market and to add new product features quickly.

Our strategy is to expand the use of Global Graphics technology into growth segments of the digital document and printing market where we have established our credentials, namely high-speed digital printing, light production printing and office printing.

With URW now part of the Group we aim to broaden the markets that we operate in and to enhance existing solutions to our customers.

BUSINESS REVIEW

Operational highlights

There has been no change to the structure of the Group since the year ended 31 December 2015.

Casio Computer Co., Ltd ("Casio") chose the Harlequin Embedded RIP to enhance their Japanese office colour printer SPEEDIA GE6000 by adding native PostScript and PDF support into its new optional unit. Using the Harlequin Embedded RIP, Casio has added native processing of PostScript data with full PostScript compatibility and a PC-less direct print feature for PDF files.

A strategic business relationship with Roland DG Corporation ("Roland"), a global, leading manufacturer of wide-format inkjet printers and printer/cutters, was signed. Roland chose the Harlequin RIP to provide their customers with the ability to efficiently handle ever larger and complicated colour files and to be able to collaborate with the experienced and talented team of Global Graphics engineers who specialise in colour management and screening technology to provide solid support for their customers. It will also allow Roland to reduce lead times for bringing products to market.

A major new release of the Harlequin RIP, the software engine that drives the printing industry's highest performing digital presses, was launched. Reputed for the quality of its output as well as its speed, the Harlequin RIP transforms design and pre-press data into a format that can be printed and feeds those pages to the press. It's compatible with a wide range of PDF design tools and compliant with industry standards. The new version, Harlequin 11, raises the bar in output quality by introducing features to improve inkjet output quality, offers more controls for variable data printing, and contains new features for labels and packaging applications.

A new generation of aqueous inkjet printers from Think Laboratory that will print onto plastic film for applications such as short-run food packaging, will be powered by the Harlequin RIP. Think Laboratory, a global supplier of advanced gravure engraving equipment based in Japan, has licenced Harlequin because it is faster than other vendors' technology and can produce optimal output quality thanks to Global Graphics' new multi-level screening technology.

The Company continued working jointly with Hybrid Software to provide digital press manufacturers with an unbeatable package of RIPs and workflow.

At the drupa trade show, which is held every 4 years in Dusseldorf, Germany, the Company unveiled a number of new tools and products, primarily targeted at inkjet press manufacturers to help them get to market sooner by overcoming the technical hurdles involved in developing a new press. Called Fundamentals, the service provides press manufacturers with a single source for the key software components and engineering knowhow that are essential to building a digital front end. It is aimed at label, packaging and commercial inkjet press manufacturers initially.

INTERIM MANAGEMENT REPORT (CONTINUED)

The software package includes the Harlequin RIP and Harlequin ColorPro, Cloudflow and other workflow components from Hybrid Software, Mellow Colour digital print quality management software and the Group's newly created ScreenPro multi-level screening engine.

Alongside the software package, the "BreakThrough" service provides engineering expertise by working side by side with the manufacturer to create a solution that is truly customised to their press and its operating environment. In doing so we give the manufacturer access to our tools and a unique pool of print scientists and engineers with decades of specialist knowledge exactly when they need it.

The proposition resonated well, in particular our new multi-level screening technology. The objectives of acquiring new leads and creating awareness of Fundamentals was achieved.

Also at the drupa trade show, RTI was based on the OKI stand and demonstrated Harlequin Direct Print driving the leading-edge OKI C941 and C942 digital production colour printers. A time-limited copy of Harlequin Direct Print is being shipped by OKI Europe with each C941 and C942 that is sold.

Outcome of the Annual General Meeting

All of the proposed resolutions were unanimously passed by the shareholders at the Company's Annual General Meeting ("AGM") on 19 April 2016.

At the meeting, the Company's Administrative Organ ("the board of directors" or "board") was appointed as follows:

- Guido Van der Schueren, Chairman
- Gary Fry, Chief Executive Officer
- Graeme Huttley, Chief Financial Officer
- Johan Volckaerts, Non-Executive Director

Under the Company's statutes, all directors must retire at every AGM.

More information about the resolutions passed at the AGM can be found on the investor's section of the Company's website at http://www.globalgraphics.com/investors/annual-shareholders-meeting/.

Sales

Sales for the period were €8.48 million, compared with €8.39 million for the same period in 2015, an increase of 1.1%. On a like for like basis, i.e. at 2015 exchange rates, sales during the period would have been approximately €0.11 million lower and totalled €8.37 million.

The net increase of €0.09 million in revenue during the period was due to:

- revenue from new customers of €2.97 million;
- revenue from URW customers of €1.29 million;
- an increase of €0.11 million due to the movement in exchange rates; and
- a decrease of €4.28 million due to net lower volumes from existing customers.

Of the €4.28 million decrease due to net lower volumes, €3.28 million is because there was no significant revenue to be recognised during this period from the contract that was announced on 4 March 2014 and €0.83 million is due to a timing difference in an annual customer order which is now expected to be received during the quarter ending 30 September 2016.

License fees accounted for 83.6% (2015: 88.7%) of revenue, maintenance and support accounted for 7.3% (2015: 7.8%), engineering services accounted for 4.4% (2015: 1.4%), hardware and consumables accounted for 3.9% (2015: 2.0%) and consultancy and other items accounted for 0.8% (2015: 0.1%).

On 4 March 2014, the Company announced that it had signed a contract to license its Harlequin technology to a global manufacturer of office printing devices to drive their single function, multi-function and production printers. The total revenue resulting from this contract is expected to be up to US$9 million during the term of the multi-year contract. During the period under review, US$0.21 million (€0.19 million) has been recognised as revenue, taking the total revenue recognised to 30 June 2016 under this contract to US$7.93 million (€6.55 million).

During the reporting period, the ten largest customers represented 70.6% (2015: 82.2%) of the Group's revenue, the five largest customers represented 57.3% (2015: 71.1%) of the Group's revenue and the single largest customer represented 34.0% (2015: 41.4%) of the Group's revenue. One customer in the Print segment represented more than 10% of the Group's revenue for the period (2015: one in Print, one in eDoc).

The Group's sales are made in a number of different currencies, and during the reporting period 48.0% (2015: 86.0%) were denominated in US dollars, 37.1% (2015: 12.5%) were in Japanese yen, 13.6% (2015: 0.7%) were in euros and 1.3% (2015: 0.8%) were in pounds sterling. This means that the Group's revenues can be affected significantly by currency fluctuations against the reporting currency of euro.

INTERIM MANAGEMENT REPORT (CONTINUED)

Management has identified four strategic printing markets in which the Group operates. They are:

- High-speed: for the increasing trend in the industry to move to high-speed inkjet printing, where the Group already provides its software technology to some of the market leaders;
- In-house: for the emerging trend of in-house production printing devices that allow staff to print low volume jobs on varying media in-house rather than sending out to a print service provider;
- Office: where existing office printer manufacturers are looking to reduce the costs of their hardware devices while at the same time creating new digital document software applications to build new revenue streams and differentiate their solutions from their competitors; and
- Traditional: for the Group's traditional graphics art printing business.

The following table shows the revenue attributable to each of the four printing markets and the Fonts market for the six months ended 30 June 2016 and 30 June 2015.

In thousands of euros *(unaudited)*	**2016**	**2015**
High-speed	851	1,110
In-house	22	30
Office	1,114	4,813
Traditional	5,192	2,434
Total Print and eDoc segment revenue	**7,179**	**8,387**
Fonts	1,303	-
Total revenue	**8,482**	**8,387**

Pre-tax result

The pre-tax result was a profit of €1.04 million for the period, compared with a profit of €2.08 million for the same period in 2015.

The reduction in profitability of €1.04 million is due to:

- the increase in revenue of €0.09 million as explained above;
- an increase in cost of sales of €0.27 million;
- an increase in selling, general and administrative expenses of €1.21 million;
- an increase in research and development expenses of €0.64 million;
- a reduction in other operating expenses of €0.15 million; and
- an increase in foreign exchange gains of €0.84 million.

On a like for like basis, i.e. at 2015 exchange rates, cost of sales and operating expenses during the period would have been approximately €0.24 million higher.

Included in research and development expenses is the net of capitalisation and amortisation of internally generated intangible assets. During the period there was a net expense of €0.89 million (2015: €0.52 million) related to these assets. The net expense was made up of €1.58 million (2015: €1.43 million) in amortisation expense offset by €0.69 million (2015: €0.91 million) in capitalisation of development expenses. Additionally, included in general and administrative expenses, amortisation of acquired intangibles related to the acquisitions in 2015 totalled €0.52 million (2015: €0.03 million).

The exchange rate gains are primarily due to the revaluation of currency balances held at the balance sheet date and the change in exchange rates during the period.

Cashflow

During the period there was a reduction in cash of €0.95 million, ending with cash balances valued at €3.29 million (31 December 2015: €4.24 million). The net reduction in cash is primarily due to timing differences between revenue recognition and cash received.

The Group continues to generate sufficient cash to fund its day to day operational expenditure and capital expenditure on property, plant and equipment. Capital expenditure in the period was €0.13 million (2015: €0.23 million).

A proportion of the cash flow from the aforementioned contract from March 2014 lags behind the recognition of revenue from that contract. As a result, US$1.5 million of the license fee recognised as revenue in prior years is expected to be paid by 31 December 2016.

Additionally, payment for €2.25 million of revenue recognised will be received more than one year after 30 June 2016. The receipts will be spread over the years ending 31 December 2017 through to 2020, with the latest payment due on or before 1 April 2020.

INTERIM MANAGEMENT REPORT (CONTINUED)

Adjusted financial results

Management believes that evaluating the Group's ongoing results may not be as useful if it is limited to reviewing only IFRS financial measures, particularly because management uses adjusted financial information to evaluate its ongoing operations and for internal planning and forecasting purposes.

Management does not suggest that investors should consider these adjusted financial results in isolation from, or as a substitute for, financial information prepared in accordance with IFRSs. The Group presents adjusted financial results in reporting its financial results to provide investors with an additional tool to evaluate the Group's results in a manner that focuses on what the Group believes to be its underlying business operations. The Group's management believes that the inclusion of adjusted financial results provides consistency and comparability with past reports and comparability to similar companies in the Group's industry, many of which present the same or similar adjusted financial information to investors. As a result, investors are encouraged to review the related IFRS financial measures and the reconciliation of these adjusted results.

Reported operating profit is adjusted as follows:

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2016**	**2015**
Reported operating profit	361	2,238
Add share based remuneration expense (see note 12)	214	60
Deduct capitalised development expense	(690)	(913)
Add amortisation and impairment of capitalised development	1,582	1,429
Add other operating expenses (see note 5)	-	154
Add amortisation of acquired intangibles	518	25
Deduct other income	-	(16)
Total adjustments to reported operating profit	1,624	739
Adjusted operating profit	**1,985**	**2,977**

Reported net profit is adjusted as follows:

	For the six months ended 30 June	
In thousands of euros, except per share data in euro *(unaudited)*	**2016**	**2015**
Reported net profit	1,157	2,664
Adjustments to operating result above	1,624	739
Tax effect of abovementioned adjustments	(325)	(105)
Total adjustments to reported net profit	1,299	634
Adjusted net profit	**2,456**	**3,298**
Adjusted net basic earnings per share (see note 13)	0.22	0.32

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties to the Group can be found on pages 6, 7 and 8 of the Company's annual report for the year ended 31 December 2015. For the remaining six months of this financial year, the principal risks are foreign exchange risk on the conversion of surplus currencies to functional currencies of subsidiaries, primarily US dollars to pounds sterling, and credit risk from trade receivables.

On 23 June 2016, the population of the UK voted on a referendum to leave the EU ("Brexit"). While there will be no immediate change to the Group's corporate structure and financial reporting requirements, the board will monitor events to determine how the Group will be affected over the long term. Other than the general macro-economic environment over which there is no control, it is the board's view that it will be business as usual for the coming months. The potential volatility of exchange rates, particularly the weakness of sterling against the euro, may have a positive effect on the Group's reported profitability, but a negative effect on the Group's asset value when translated to euros.

The Group does derive revenue from EU member states. During the year ended 31 December 2015, 4.0% of the Group's revenue was from EU member states, excluding the UK. For the 6 months ending 30 June 2016, EU member state revenue, excluding the UK, was 10.1% of the Group's total revenue, with 4.4% of that generated by the Company's subsidiary in Germany.

A longer term risk is that the UK will no longer recognise a Societas Europaea ("SE") as a legal entity. To mitigate this risk the board will start the process to convert the Company from a UK registered SE to a UK registered public limited company ("PLC") and for shareholders to vote on that change at the Annual General Meeting in 2017.

The board is committed to the Company's listing on Euronext Brussels and has no plans to change the listing or the reporting currency.

INTERIM MANAGEMENT REPORT (CONTINUED)

RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the appointed directors listed on page 2 of this report confirm that to the best of their knowledge that:

- the condensed consolidated interim financial statements, prepared in accordance with IAS 34 Interim Financial Reporting and applicable law, give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation taken as a whole; and
- the interim management report contains a fair review of the important events and major transactions between affiliated parties which have occurred during the first six months of the current financial year and of their impact on the summary of the financial statements as well as a description of the principal risks and uncertainties for the remaining six months of the current financial year.

By order of the board,

2030 Cambourne Business Park
Cambourne, CB23 6DW, UK
25 July 2016

Gary Fry
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
In thousands of euros, except per share data in euro *(unaudited)*	**Note**	**2016**	2015
Revenue	4	**8,482**	8,387
Cost of sales		**(676)**	(410)
Gross profit		**7,806**	7,977
Other income		**-**	16
Selling, general and administrative expenses		**(3,648)**	(2,438)
Research and development expenses		**(3,797)**	(3,163)
Other operating expenses	5	**-**	(154)
Operating profit		**361**	2,238
Finance income	6	**3**	2
Net finance income		**3**	2
Foreign currency exchange gains/(losses)	6	**679**	(164)
Profit before tax		**1,043**	2,076
Tax	10	**114**	588
Profit for the period attributable to equity holders		**1,157**	2,664
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(1,849)**	1,755
Other comprehensive (loss)/income for the period, net of tax		**(1,849)**	1,755
Total comprehensive (loss)/income for the period attributable to equity holders		**(692)**	4,419
Earnings per ordinary share			
Basic earnings per share	13	**0.10**	0.26
Diluted earnings per share	13	**0.10**	0.26

All activities of the Group in the current and comparative period are classed as continuing.

The notes on pages 10 to 16 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	30 June 2016 *(unaudited)*	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	7	**345**	374
Other intangible assets	8	**4,014**	5,726
Goodwill	9	**8,507**	9,370
Financial assets		**125**	132
Deferred tax assets	10	**727**	618
Trade receivables due after more than one year		**2,248**	-
Total non-current assets		**15,966**	16,220
Current assets			
Inventories		**18**	10
Current tax assets		**45**	110
Trade and other receivables		**3,833**	3,755
Other current assets		**49**	67
Prepayments		**486**	468
Cash and cash equivalents		**3,293**	4,235
Total current assets		**7,724**	8,645
TOTAL ASSETS		**23,690**	24,865
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	**4,546**	4,486
Share premium		**1,979**	1,879
Share-based payments reserve	12	**3,702**	3,488
Treasury shares	11	**(314)**	(353)
Accumulated profit		**21,686**	20,751
Foreign currency translation reserve		**(10,981)**	(9,132)
Total equity		**20,618**	21,119
Liabilities			
Deferred tax liabilities	10	**676**	822
Total non-current liabilities		**676**	822
Current liabilities			
Current tax liabilities		**195**	211
Trade and other payables		**360**	430
Other current liabilities		**1,025**	1,371
Customer advances and deferred revenue		**816**	912
Total current liabilities		**2,396**	2,924
Total liabilities		**3,072**	3,746
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**23,690**	24,865

The notes on pages 10 to 16 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros *(unaudited)*	**Note**	**Share capital**	**Share premium**	**Share-based payments reserve**	**Treasury shares**	**Accumul-ated profit/ (deficit)**	**Foreign currency translation adjustment**	**Total equity**
Balance at 1 January 2015		**4,116**	**249**	**3,380**	**(883)**	**19,280**	**(10,388)**	**15,754**
Total comprehensive income								
Net profit for the period		-	-	-	-	2,664	-	2,664
Total other comprehensive income		-	-	-	-	-	1,755	1,755
Total comprehensive income		**-**	**-**	**-**	**-**	**2,664**	**1,755**	**4,419**
Transactions with owners								
Share-based payment transactions	12	-	-	60	-	-	-	60
Own share grants	11	-	-	-	530	(430)	-	100
Total transactions with owners		**-**	**-**	**60**	**530**	**(430)**	**-**	**160**
Balance at 30 June 2015		**4,116**	**249**	**3,440**	**(353)**	**21,514**	**(8,633)**	**20,333**
Balance at 1 January 2016		**4,486**	**1,879**	**3,488**	**(353)**	**20,751**	**(9,132)**	**21,119**
Total comprehensive income								
Net profit for the period		-	-	-	-	1,157	-	1,157
Total other comprehensive loss		-	-	-	-	-	(1,849)	(1,849)
Total comprehensive income/(loss)		**-**	**-**	**-**	**-**	**1,157**	**(1,849)**	**(692)**
Transactions with owners								
Share options exercise	11	60	100	-	-	-	-	160
Share-based payment transactions	12	-	-	214	-	-	-	214
Own share grants (repurchases)	11	-	-	-	39	(222)	-	(183)
Total transactions with owners		**60**	**100**	**214**	**39**	**(222)**	**-**	**191**
Balance at 30 June 2016		**4,546**	**1,979**	**3,702**	**(314)**	**21,686**	**(10,981)**	**20,618**

The notes on pages 10 to 16 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
In thousands of euros *(unaudited)*	**Note**	**2016**	**2015**
Cash flows from operating activities			
Net profit for the period		**1,157**	2,664
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant and equipment	7	**121**	136
- Amortisation and impairment of other intangible assets	8	**2,134**	1,483
- Share-based remuneration expenses	12	**214**	60
- Net interest income	6	**(3)**	(2)
- Net foreign currency exchange (gains)/losses	6	**(679)**	164
- Tax benefit	10	**(114)**	(588)
Other items		**181**	(23)
Change in operating assets and liabilities :			
- Inventories		**(8)**	(14)
- Trade and other receivables		**(2,326)**	(3,186)
- Other current assets		**18**	(33)
- Prepayments		**(18)**	(215)
- Trade and other payables		**(70)**	(62)
- Other current liabilities		**(346)**	(180)
- Customer advances and deferred revenue		**(96)**	(373)
Cash received for interest income during the period		**3**	2
Cash (paid)/received during the period for current tax		**(158)**	435
Net cash flow from operating activities		**10**	268
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	7	**(129)**	(226)
Capital expenditures on other intangible assets	8	**(4)**	(113)
Capitalisation of development expenses	8	**(690)**	(913)
Net cash flow used in investing activities		**(823)**	(1,252)
Cash flows from financing activities			
New shares issued	11	**160**	-
Own share repurchases	11	**(183)**	-
Net cash flow used in financing activities		**(23)**	-
Net decrease in cash and cash equivalents		**(836)**	(984)
Cash and cash equivalents at 1 January		**4,235**	4,161
Effect of exchange rate fluctuations on cash held at 1 January		**(106)**	344
Cash and cash equivalents at 30 June		**3,293**	3,521

The notes on pages 10 to 16 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Global Graphics SE (the "Company") and its subsidiaries (together the "Group") is a leading developer of software platforms on which our partners create solutions for digital printing, digital document and PDF applications. It is also a leading supplier of digital typefaces and font technology.

The Company is a European Company, or 'Societas Europaea' (SE), registered in England and Wales, domiciled in the United Kingdom and is quoted on Euronext in Brussels. The Company's registered office address is 2030, Cambourne Business Park, Cambourne, Cambridge, CB23 6DW.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

The accounting policies and methods of computation adopted are consistent with those as described in the Company's consolidated financial statements for the year ended 31 December 2015.

There are no other new or amended interpretations or standards effective for the financial year commencing 1 January 2016 that have had a material impact on the Group.

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Company’s board of directors on 25 July 2016.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except, if applicable, for the revaluation of derivative instruments at fair value through profit or loss.

Non-current assets are stated at the lower of amortized cost and fair value less disposal costs when applicable. The methods used to measure fair value are discussed in note 4 of the Company's annual report for the year ended 31 December 2015.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in euros, which is the Company’s functional and presentation currency.

All information which is presented in the following notes has been rounded to the nearest thousand, unless otherwise specified.

Use of accounting estimates

The preparation of the condensed consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

Going concern

On the date these condensed consolidated interim financial statements were approved, based on their review of cash flow projections prepared by management for the years ending 31 December 2016 and 2017, the members of the Company’s board of directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group’s ability to continue as a going concern, primarily because of the cash position of €3.29 million as at 30 June 2016 (31 December 2015: €4.24 million) and the absence of any outstanding debt.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS

Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive Officer ("CEO") that are used for deciding how to allocate resources and also in assessing both operating and financial performance of each segment.

Three segments were identified, primarily due to the products sold and the markets they are sold into; the Print segment for printing software operations, the eDoc segment for digital document technology operations and the Fonts segment for digital typeface operations.

Performance of operating segments is assessed by the Company's CEO based on their respective gross margin contribution.

The following table provides information on sales, costs and gross profit for each of the Group's operating segments for the six months ended 30 June 2016 and 30 June 2015:

In thousands of euros *(unaudited)*	**Print**	**eDoc**	**Fonts**	**Unallocated**	**Total**
Six months ended 30 June 2016:					
Revenue from external customers	6,748	446	1,288	-	8,482
Inter-segment revenue	-	-	15	-	15
Cost of sales	(412)	(47)	(199)	(33)	(691)
Segment gross profit/(loss)	**6,336**	**399**	**1,104**	**(33)**	**7,806**
Six months ended 30 June 2015:					
Revenue from external customers	7,115	1,272	-	-	8,387
Inter-segment revenue	-	-	-	-	-
Cost of sales	(333)	(43)	-	(34)	(410)
Segment gross profit/(loss)	**6,782**	**1,229**	**-**	**(34)**	**7,977**

Inter-segment revenues are included in cost of sales for the reciprocal segment and are eliminated on consolidation.

Reconciliation of reportable segments' measure of profit or loss to profit before tax for the six months ended 30 June:

In thousands of euros *(unaudited)*	**2016**	**2015**
Gross profit from above	7,806	7,977
Other income	-	16
Selling, general and administrative expenses	(3,648)	(2,438)
Research and development expenses	(3,797)	(3,163)
Other operating expenses (see note 5)	-	(154)
Financial income/(expenses), net of financial expenses/income (see note 6)	682	(162)
Profit before tax	**1,043**	**2,076**

The following table provides information on assets and liabilities allocated to each of the Group's operating segments as at 30 June 2016 and 31 December 2015:

In thousands of euros	**Print**	**eDoc**	**Fonts**	**Unallocated**	**Total**
30 June 2016:					
Non-current assets	10,279	627	3,750	1,310	15,966
Current assets	3,491	142	1,242	2,849	7,724
Total assets *(unaudited)*	**13,770**	**769**	**4,992**	**4,159**	**23,690**
Non-current liabilities	-	-	676	-	676
Current liabilities	734	82	285	1,295	2,396
Total liabilities *(unaudited)*	**734**	**82**	**961**	**1,295**	**3,072**
31 December 2015:					
Non-current assets	9,986	707	4,242	1,285	16,220
Current assets	2,752	438	1,352	4,103	8,645
Total assets	**12,738**	**1,145**	**5,594**	**5,388**	**24,865**
Non-current liabilities	-	-	822	-	822
Current liabilities	782	130	539	1,473	2,924
Total liabilities	**782**	**130**	**1,361**	**1,473**	**3,746**

Unallocated assets and liabilities include cash and cash equivalents, deferred tax balances, current tax, VAT, prepaid expenses and trade payables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE

The Group typically sells its fonts and software through multi-year license and distribution agreements which provide for the periodic payment of license royalties and the provision of maintenance and after-sale support services over the duration of the agreement. Following the acquisition of RTI, the Group also has revenue from associated hardware and consumables sales. An analysis of sales by revenue type and geographical location of the Group's customers is shown below.

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2016**	**2015**
License royalties	7,091	7,441
Maintenance and after-sale support services	617	655
Engineering services	373	117
Printer hardware and consumables	333	166
Consultancy and other items	68	8
Total sales	**8,482**	**8,387**

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2016**	**2015**
United Kingdom	200	74
Europe, excluding United Kingdom	1,318	161
North America (United States and Canada)	3,314	3,253
Asia (including Japan)	3,650	4,899
Total sales	**8,482**	**8,387**

The Company announced in its quarterly trading update on 12 April 2016 that it would adopt IFRS 15 Revenue from Contracts with Customers ("IFRS 15") and would apply it when preparing its consolidated financial statements for the year ending 31 December 2016. At the date of approval of this half-yearly report, the EU's endorsement of IFRS 15 had been delayed and was not fully complete. The Company, therefore, was unable to apply IFRS 15 when preparing these condensed consolidated interim financial statements and has prepared them in accordance with EU-endorsed IFRS, namely IAS 18 for revenue recognition.

If IFRS 15 had been applied for the 6 months ending 30 June 2016, revenue would have been €0.07 million lower than has been reported above.

It is expected that the EU endorsement process will have been completed when the Company prepares its annual report for the year ending 31 December 2016.

5. OTHER OPERATING EXPENSES

Non-recurring expenses incurred during the six months ending 30 June were:

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2016**	**2015**
Legal expenses	-	154
Total other operating expenses	**-**	**154**

6. FINANCE INCOME AND FINANCE COSTS

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2016**	**2015**
Interest income	3	2
Finance income	**3**	**2**
Foreign currency exchange gains/(losses) on transactions and revaluations	679	(164)
Foreign currency exchange gains/(losses)	**679**	**(164)**
Net finance income/(costs)	**682**	**(162)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment	Office furniture	Other items	Total
Cost						
At 1 January 2015	653	1,704	26	330	859	3,572
Additions	7	171	-	5	81	264
Additions – business combinations	-	23	-	-	-	23
Effect of movement in exchange rates	41	116	3	25	54	239
At 31 December 2015	**701**	**2,014**	**29**	**360**	**994**	**4,098**
At 1 January 2016	701	2,014	29	360	994	4,098
Additions	83	45	-	-	1	129
Effect of movement in exchange rates	(79)	(183)	-	(29)	(103)	(394)
At 30 June 2016 *(unaudited)*	**705**	**1,876**	**29**	**331**	**892**	**3,833**
Accumulated depreciation						
At 1 January 2015	533	1,496	25	329	840	3,223
Charge for the year	84	171	1	2	32	290
Effect of movement in exchange rates	32	98	3	25	53	211
At 31 December 2015	**649**	**1,765**	**29**	**356**	**925**	**3,724**
At 1 January 2016	649	1,765	29	356	925	3,724
Charge for the period	40	63	-	1	17	121
Effect of movement in exchange rates	(71)	(160)	-	(29)	(97)	(357)
At 30 June 2016 *(unaudited)*	**618**	**1,668**	**29**	**328**	**845**	**3,488**
Net book value						
At 31 December 2015	52	249	-	4	69	374
At 30 June 2016 *(unaudited)*	**87**	**208**	**-**	**3**	**47**	**345**

8. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer contracts	Patents	Trade-marks	Know-how	Font Library	Total
Cost							
At 1 January 2015	35,189	15,479	2,919	665	162	-	54,414
Additions – internally developed	1,736	-	-	-	-	-	1,736
Additions – purchased	119	-	-	-	-	-	119
Additions – business combinations	211	104	-	-	388	2,465	3,168
Effect of movement in exchange rates	2,094	930	175	40	10	-	3,249
At 31 December 2015	**39,349**	**16,513**	**3,094**	**705**	**560**	**2,465**	**62,686**
At 1 January 2016	39,349	16,513	3,094	705	560	2,465	62,686
Additions – internally developed	690	-	-	-	-	-	690
Additions – purchased	4	-	-	-	-	-	4
Effect of movement in exchange rates	(4,382)	(1,821)	(343)	(78)	(19)	-	(6,643)
At 30 June 2016 *(unaudited)*	**35,661**	**14,692**	**2,751**	**627**	**541**	**2,465**	**56,737**
Accumulated amortisation and impairment							
At 1 January 2015	31,293	15,479	2,877	665	162	-	50,476
Charge for the year	3,168	77	9	-	97	143	3,494
Effect of movement in exchange rates	1,836	931	173	40	10	-	2,990
At 31 December 2015	**36,297**	**16,487**	**3,059**	**705**	**269**	**143**	**56,960**
At 1 January 2016	36,297	16,487	3,059	705	269	143	56,960
Charge for the year	1,692	25	4	-	146	267	2,134
Effect of movement in exchange rates	(4,114)	(1,821)	(339)	(78)	(19)	-	(6,371)
At 30 June 2016 *(unaudited)*	**33,875**	**14,691**	**2,724**	**627**	**396**	**410**	**52,723**
Net book value							
At 31 December 2015	3,052	26	35	-	291	2,322	5,726
At 30 June 2016 *(unaudited)*	**1,786**	**1**	**27**	**-**	**145**	**2,055**	**4,014**

The amortisation of patents is included in cost of sales and the amortisation charge for software technology which has been capitalised in accordance with IAS 38 is included in research and development expenses. The amortisation of customer contracts is included in Selling, general and administrative expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. OTHER INTANGIBLE ASSETS (CONTINUED)

Intangible assets that are subject to amortisation (i.e. those arising from the capitalisation of development costs in accordance with criteria set in IAS 38 Intangible Assets) are reviewed for impairment whenever events or changes in accounting estimates indicate that the carrying amount may not be recoverable.

There was no significant change during the period to the calculations and assumptions used at 31 December 2015 to identify any requirement to impair any of these intangible assets. It was concluded that no impairment was required for the six months ended 30 June 2016 (2015: €nil).

The software technology is allocated to the following technology and segments and has the following net book value and remaining amortisation periods:

In thousands of euros	Remaining amortisation period	30 June 2016 *(unaudited)*	31 December 2015
Harlequin RIP	Between 0.1 years and 2.6 years	944	1,700
Jaws RIP	0.7 years	201	354
Total Print segment		**1,145**	**2,054**
EDL	1.0 years	190	321
gDoc applications	1.6 years	372	519
Total eDoc segment		**562**	**840**
Ikarus	Less than 1 year	79	158
Total Font segment		**79**	**158**
Total software technology		**1,786**	**3,052**

Customer contracts are allocated to the Print segment and Know-how and the Font Library are both allocated to the Font segment.

9. GOODWILL

In thousands of euros	Harlequin asset purchase	Ansyr asset purchase	RTI asset purchase	Acquisition of URW++ Design & Development GmbH	Total
Cost					
At 1 January 2015	13,831	15	-	-	13,846
Additions – business combinations	-	-	137	1,467	1,604
Effect of movement in exchange rates	831	2	(2)	-	831
At 31 December 2015	**14,662**	**17**	**135**	**1,467**	**16,281**
At 1 January 2016	14,662	17	135	1,467	16,281
Effect of movement in exchange rates	(1,625)	-	(2)	-	(1,627)
At 30 June 2016 *(unaudited)*	**13,037**	**17**	**133**	**1,467**	**14,654**
Accumulated amortisation or impairment					
At 1 January 2015	6,503	15	-	-	6,518
Effect of movement in exchange rates	391	2	-	-	393
At 31 December 2015	**6,894**	**17**	**-**	**-**	**6,911**
At 1 January 2016	6,894	17	-	-	6,911
Effect of movement in exchange rates	(764)	-	-	-	(764)
At 30 June 2016 *(unaudited)*	**6,130**	**17**	**-**	**-**	**6,147**
Net book value					
At 31 December 2015	7,768	-	135	1,467	9,370
At 30 June 2016 *(unaudited)*	**6,907**	**-**	**133**	**1,467**	**8,507**

The Group is required to test annually, or more frequently if facts and circumstances warrant a review, whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment during the year.

Having reviewed the revenue and operating result for the six months ended 30 June 2016 against the forecast used for the impairment review at 31 December 2015, management concluded that no impairment review was necessary for this interim reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. TAX

Corporation tax

Analysis of the tax benefit/(expense) in the period:

In thousands of euros *(unaudited)*	For the six months ended 30 June 2016	2015
Current tax		
Benefit arising from the repayment of R&D tax credits in the UK	-	479
Expense arising from other items	(218)	(35)
Total current tax (expense)/benefit	**(218)**	**444**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	178	105
Arising from the amortisation of acquired intangibles	146	-
Effect of change in tax rate	-	39
Other items	8	-
Total deferred tax benefit	**332**	**144**
Total tax benefit	**114**	**588**

The Company recognises the benefit from the UK research & development tax credit when it is certain that the repayment will be received from HM Revenue & Customs. The payment for the year ended 31 December 2015 has not been confirmed or received, therefore it has not been included in these interim financial statements.

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	30 June 2016 *(unaudited)*	31 December 2015
Capital allowances	1,025	1,152
Other items	26	18
Capitalised development expenses	(324)	(552)
Total recognised deferred tax assets	**727**	**618**
Deferred tax liabilities		
As a result of business combinations	(676)	(822)
Total recognised deferred tax liabilities	**(676)**	**(822)**

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. The tax rate used to calculate the deferred tax asset at 30 June 2016 was 20%. The tax rate used to calculate the deferred tax liability at 30 June 2016 was 29.65%.

11. SHARE CAPITAL AND TREASURY SHARES

Ordinary shares issued:

In thousands of euros	30 June 2016 *(unaudited)*	31 December 2015
Allotted, called up and fully paid		
11,365,707 ordinary shares of €0.40 each	**4,546**	4,486

During the reporting period, the Company issued 150,000 new shares to satisfy the exercising of vested share options.

The Company's investment in its own shares in treasury is as follows:

	For the six months ended 30 June 2016 *(unaudited)*		For the year ended 31 December 2015	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At the start of the period	70,519	353	180,519	883
Grant of shares to employees	(56,265)	(222)	(110,000)	(530)
Treasury shares acquired	92,572	183	-	-
At the end of the period	**106,826**	**314**	**70,519**	**353**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. SHARE BASED PAYMENTS

Share option plan

On 1 March 2016, the board approved a new equity-settled share incentive plan for 500,000 zero-cost share options. The options will vest if the award holder is an employee of the Group and the share price is greater than or equal to €3.00 per share for 20 trading days within a six month period. The IFRS 2 value of the options is €960,034 which is expected to be expensed in the Group's financial statements during 2016 and 2017. A total of 460,000 options were granted with an expiry date of 29 February 2024.

150,000 share options from a previous equity-settled share incentive plan were exercised during the six months ended 30 June 2016. The exercised options had a weighted average exercise price of €1.07 per share.

A total of 870,000 options were outstanding as at 30 June 2016, with a weighted average exercise price of €0.80 per share. None of these options were exercisable at 30 June 2016 and 410,000 will expire on 6 August 2016 if they do not vest by that date.

Free shares

During the six months ended 30 June 2016, 2,244 Share Incentive Plan Matching Shares were granted and nil lapsed. As at 30 June 2016 the total number of outstanding free shares granted to employees of the Group was 40,863.

Share-based payment expense

For the six months ended 30 June 2016, the Group has recognised €213,578 (2015: €59,758) of share-based payment expense in these financial statements.

13. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding those held in treasury.

For diluted earnings per share, the weighted average number of ordinary shares in issue during the year, excluding those held in treasury, is adjusted to assume conversion of all dilutive potential ordinary shares. At the period end, those share options where the exercise price is less than the average market price of the Company's ordinary shares were the only dilutive potential ordinary shares.

	As at 30 June	
In thousands of euros unless otherwise stated *(unaudited)*	**2016**	**2015**
Weighted average number of shares (basic), in thousands of shares	11,174	10,275
Add the effect of dilutive potential ordinary shares, in thousands of shares	159	140
Weighted average number of shares (diluted), in thousands of shares	11,333	10,415
Profit attributable to ordinary shareholders	1,157	2,664
Basic earnings per share, in euros	**0.10**	**0.26**
Diluted earnings per share, in euros	**0.10**	**0.26**
Adjusted profit attributable to ordinary shareholders (see Interim Management Report)	2,456	3,298
Basic adjusted earnings per share, in euros	0.22	0.32

14. RELATED PARTY TRANSACTIONS

Existing related parties

Key personnel

There has been no significant change in the remuneration of key personnel to that previously disclosed in the annual report for the year ended 31 December 2015.

All of the directors receive board fees of €5,000 each per annum. Gary Fry and Graeme Huttley are the only directors with an employment contract that entitles them to salary, bonus and other benefits in addition to the board fees.

Andlinger & Co. CVBA

During the period there were no transactions between the Group and Andlinger & Co. CVBA ("Andlinger"). At the date of these financial statements no amount was owed between the Group and Andlinger.

Hybrid Software Inc.

During the period the Group recognised revenue from Hybrid Software Inc. ("Hybrid") of €43,784 (2015: €15,688). At the date of these financial statements, Hybrid owed the Group €14,653.