



*the smarter alternative*<sup>TM</sup>  
**GLOBAL GRAPHICS**<sup>®</sup>

Société anonyme with an issued share capital of € 4,115,912.40  
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## **Annual financial report**

### **for the year ended 31 December 2012**

Copies of the Company's annual financial report for the financial year ended 31 December 2012 in French, or this unofficial translation in English, may be sent free of charge upon the receipt of a written request sent to the Company's registered office, or by email sent to: [investor-relations@globalgraphics.com](mailto:investor-relations@globalgraphics.com).

The Company's annual financial report for the financial year ended 31 December 2012 in French, or this unofficial translation in English, may also be browsed on, and/or downloaded from, the Investors section of the Company's website ([www.globalgraphics.com](http://www.globalgraphics.com)).

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## CHAPTER 1 - PERSONS RESPONSIBLE

### 1.1 Person responsible for the information provided in this annual financial report

Mr. Gary Fry, Global Graphics' Chief Executive Officer.

### 1.2 Declaration by the person responsible for this annual financial report

I hereby declare that, to the best of my knowledge, the consolidated and statutory financial statements which are included in this annual financial report have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of Global Graphics SA as well as of all the companies which are part of the consolidation, and that the report on the Company's 2012 operations which is set out in chapter 6.1 of this annual financial report includes a fair review of the development of the business, results and financial position of Global Graphics SA as well as of all the companies which are part of the consolidation, together with a description of the main risks and uncertainties that they faced.

Cambourne (United Kingdom), on 12 April 2013

Gary Fry  
Chief Executive Officer

### 1.3 Persons responsible for financial information provided by the Company

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### 1.4 Availability of prior years' annual financial reports

The Company's annual financial reports for prior years are available, upon written request sent by post to the Company's registered office, or by email sent to: [investor-relations@globalgraphics.com](mailto:investor-relations@globalgraphics.com).

These reports may also be browsed on, and/or downloaded from, the Investors section of the Company's website ([www.globalgraphics.com](http://www.globalgraphics.com)).

## CHAPTER 2 - THE COMPANY'S STATUTORY AUDITORS

### 2.1 Statutory auditors

**KPMG Audit**, a division of KPMG SA  
Represented by Mr. Christophe Bernard  
523 avenue André Malraux  
54600 Villers-lès-Nancy (France)

Their mandate was renewed for a six-year period at the ordinary shareholders' meeting held on 25 April 2008; it will expire on the close of the annual general meeting which will be convened to approve the Company's consolidated and statutory accounts for the year ended 31 December 2013.

#### **Secef Sarl**

Represented by Mr. Philippe Gibello  
3 rue de Turique  
54000 Nancy (France)

Their mandate was renewed for a six-year period at the ordinary shareholders' meeting held on 23 April 2010; it will expire on the close of the annual general meeting which will be convened to approve the Company's consolidated and statutory accounts for the year ended 31 December 2015.

### 2.2 Deputy statutory auditors

**KPMG Audit IS SAS**  
Immeuble le Palatin  
3 cours du Triangle  
92939 Paris La Défense (France)

They were appointed at the ordinary shareholders' meeting held on 16 July 2011 to replace Mr. Serge Peiffer pursuant to the latter's decision to resign from his mandate (see section 2.3 below) for the remaining duration of Mr. Peiffer's mandate, which will expire on the close of the annual general meeting which will be convened to approve the Company's consolidated and statutory accounts for the year ended 31 December 2013.

#### **Mr. Patrick Baci**

3 rue de Turique  
54000 Nancy (France)

His mandate was renewed for a six-year period at the ordinary shareholders' meeting held on 23 April 2010, which will expire on the close of the annual general meeting which will be convened to approve the Company's consolidated and statutory accounts for the year ended 31 December 2015.

### 2.3 Information on statutory auditors which have resigned, been removed or not been re-appointed within the last three financial years

In a letter dated 21 February 2011, Mr. Serge Peiffer made the Company aware of his wish to resign from his mandate of statutory deputy auditor, which had been renewed at the ordinary shareholders' meeting held on 25 April 2008 at the expiry of a first mandate, pursuant to his decision not to work as a statutory auditor any longer.

KPMG Audit IS SAS was appointed by the shareholders on 16 June 2011 to replace Mr. Peiffer for the remaining duration of the latter's mandate (see section 2.2 above).

### 2.4 Auditors' fees which were expensed by the Company

The tables which are presented on the following page provide information on the amount of fees which were billed to the Company by its statutory auditors (including members of their networks, as the case may be) and were expensed in the Company's consolidated accounts for the years ended 31 December 2011 and 2012, respectively.

**Unofficial translation of the original version in French language**

The amounts which are presented in the tables below are exclusive of VAT, of any amounts which expensed by the Company with respect of travel and subsistence expenses incurred by the Company's statutory auditors, as well as of the contributions borne on them with regards to the Haut conseil du commissariat aux comptes (H3C) as well as the oversight by the CNCC.

**2.4.1 Year ended 31 December 2012**

In euros	KPMG SA		Secef Sarl	
	Fee amount	% of total	Fee amount	% of total
<b>Audit and review of statutory and consolidated financial statements</b>				
Global Graphics SA	79,050	50.0%	25,950	89.6%
Subsidiaries	70,005	44.3%	-	-
<b>Audit-related work</b>				
Global Graphics SA	9,000	5.7%	3,000	10.4%
Subsidiaries	-	-	-	-
<b>TOTAL AUDIT FEES</b>	<b>158,055</b>	<b>100.0%</b>	<b>28,950</b>	<b>100.0%</b>
<b>TOTAL NON-AUDIT FEES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FEES</b>	<b>158,055</b>	<b>100.0%</b>	<b>28,950</b>	<b>100.0%</b>

Fees which were expensed in the year ended 31 December 2012 with respect of audit-related work related to work performed by the Company's auditors to draft special reports which were presented to the extraordinary meetings of the Company's shareholders on 27 April 2012.

**2.4.2 Year ended 31 December 2011**

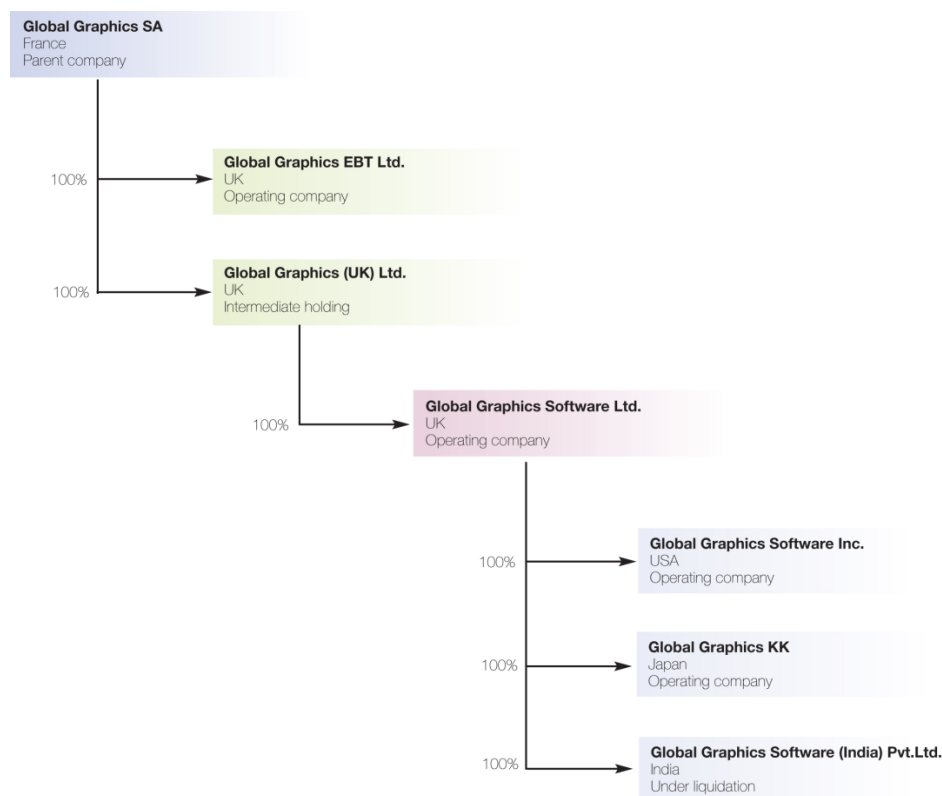
In euros	KPMG SA		Secef Sarl	
	Fee amount	% of total	Fee amount	% of total
<b>Audit and review of statutory and consolidated financial statements</b>				
Global Graphics SA	87,000	55.0%	21,500	88.7%
Subsidiaries	65,461	41.4%	-	-
<b>Audit-related work</b>				
Global Graphics SA	5,750	3.6%	2,750	11.3%
Subsidiaries	-	-	-	-
<b>TOTAL AUDIT FEES</b>	<b>158,211</b>	<b>100.0%</b>	<b>24,250</b>	<b>100.0%</b>
<b>TOTAL NON-AUDIT FEES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FEES</b>	<b>158,211</b>	<b>100.0%</b>	<b>24,250</b>	<b>100.0%</b>

Fees which were expensed in the year ended 31 December 2011 with respect of audit-related work related firstly, to the portion of fees which had not been accrued for as at 31 December 2010 relating to the work undertaken by the Company's statutory auditors with respect of the draft reference document for the year ended 31 December 2010 for a total of € 2,500, and secondly to the budgeted fees for the review of the draft reference document for the year ended 31 December 2011, for a total of € 6,000.

## CHAPTER 3 - THE COMPANY'S ORGANISATION, BUSINESS OVERVIEW & KEY FIGURES

### 3.1 Organisation chart as at 31 December 2012

The percentage figures which are indicated below relate to the percentage of share capital and voting rights which are owned by the Company.



Jaws Systems Limited, which is a 100% subsidiary of Global Graphics Software Limited, is not included in this organisation chart because it has been dormant since the end of the year ended 31 December 2000.

### 3.2 Business overview

#### 3.2.1 Principal activities of the Company

Global Graphics is a developer of OEM software used in digital printing and electronic document systems, which are sold to the world's leading brands in these market segments.

##### 3.2.1.1 Business model, types of contractual arrangements and distribution channels

###### 3.2.1.1.1 The Company's business model

Software solutions which are developed by the Company are sold under technology agreements with OEMs, which are typically entered into for an initial period which is comprised between 3 and 5 years, but are often extended beyond such initial contractual period.

Such agreements are entered into by the Company and printing equipment manufacturers, whether manufacturing for third parties such as **Independent Hardware Vendors**<sup>1</sup> (IHVs), or for their own purposes such as **Original Equipment Manufacturers**<sup>1</sup> (OEMs), or software application developers such as **Independent Software Vendors**<sup>1</sup> (ISVs), or also **Value-Added Resellers**<sup>1</sup> (VARs) which combine the Company's software solutions with third party software or hardware.

<sup>1</sup> A definition of these terms is provided in the glossary, which is set out on pages 163 and 164 of this report.

### 3.2.1.1.2 Contractual arrangements for the Company's software

The Company typically sells its software through multi-year license agreements which provide for the periodic payment of royalties, the amount of which has been contractually agreed at the outset of the agreement, and which is typically based upon either the volume sold by the customer or the sale value of those products into which the Company's software has been integrated.

These license agreements also include specific provisions with respect of the delivery of maintenance and after-sale support services over the duration of the agreement, through which the Company is committed to supply its customers with minor corrections ('bug fixing') made to those software products which are under license. Such services are rendered against the payment of a fixed fee, which has been contractually agreed at the outset of the agreement, and is typically charged on the anniversary date of the agreement.

These license agreements may also provide for the delivery of engineering services to ensure a seamless integration of the Company's software into the customer's products.

The following table provides a breakdown of the Company's sales made in years ended 31 December 2011 and 2012 by nature of products sold and services rendered:

In thousands of euros	FY 2012	FY 2011
License royalties	8,523	7,760
Maintenance and after-sale support services	1,129	1,042
Engineering services	61	122
Other items	-	27
<b>Total sales</b>	<b>9,713</b>	<b>8,951</b>

### 3.2.1.1.3 Distribution channels for the Company's software

#### 3.2.1.1.3.1 Print segment

The following table provides a breakdown of sales made in the Print segment during the years ended 31 December 2011 and 2012 for each type of distribution channel:

	FY 2012		FY 2011	
	In thousands of euros	% of total Print sales	In thousands of euros	% of total Print sales
Sales to OEMs	3,640	46.9%	3,186	46.6%
Sales to VARs	2,943	38.0%	2,741	40.1%
Sales to ISVs	1,166	15.0%	805	11.8%
Sales to IHVs	5	0.1%	107	1.5%
Sales to other types of customers	-	0.0%	2	0.0%
<b>Total Print segment sales</b>	<b>7,754</b>	<b>100.0%</b>	<b>6,841</b>	<b>100.0%</b>

#### 3.2.1.1.3.2 eDoc segment

The following table provides a breakdown of sales made in the eDoc segment during the years ended 31 December 2011 and 2012 for each type of distribution channel:

	FY 2012		FY 2011	
	In thousands of euros	% of total eDoc sales	In thousands of euros	% of total eDoc sales
Sales to ISVs	1,869	95.4%	1,863	88.2%
Sales to resellers	66	3.4%	126	6.0%
Sales to end-users	24	1.2%	122	5.8%
Sales to other types of customers	-	0.0%	(1)	0.0%
<b>Total eDoc segment sales</b>	<b>1,959</b>	<b>100.0%</b>	<b>2,110</b>	<b>100.0%</b>

3.2.1.2 The Company's customers

3.2.1.2.1 Types of customers and key customers of the Company

The vast majority of the Company's customers are significant players in the graphic arts and digital printing markets, being noted that sales made in the Print segment of the Company's business represented 76.4% and 79.8% of the Company's total sales in the years ended 31 December 2011 and 2012, respectively, as set out in section 3.2.2.1 below.

HP and Agfa have been long-standing customers of the Print segment of the Company's business, while Quark, Fuji Xerox and Corel are significant customers of the eDoc segment of the Company's business.

3.2.1.2.2 Geographical allocation of the Company's sales

In thousands of euros	FY 2012	FY 2011
France	8	4
Europe (excluding France)	846	972
North America (United States and Canada)	6,424	5,603
Asia (including Japan)	2,375	2,294
Rest of the world	60	78
<b>Total sales</b>	<b>9,713</b>	<b>8,951</b>

3.2.1.3 The Company's markets

3.2.1.3.1 Print segment

The main markets for the Print segment of the Company's business are, on the one hand, the traditional production and digital production printing markets, and, on the other hand, the office printing markets.

3.2.1.3.1.1 Traditional production and digital production printing

Such markets have to be divided into two market segments: the traditional production printing market, which is mostly focused on the offset printing process, and the digital printing market.

■ Traditional production print

The main applications of the Company's software in this market segment are those associated with the offset printing process, which is notably used for printing newspapers and magazines, but also marketing brochures, advertisements sent by direct mail, and more generally any commercial printing job.

This market, which has been the historical market for the Company where it has been selling its Harlequin RIP® for more than 20 years, and where Agfa is a major customer, is a mature market, which has showed a slow but continuing decline of printed volume over the past years, partly because of an uptake of other printing processes such as digital printing, but partly also because of the recent growth of web-based advertising, which gradually eroded the quantity of printed advertising media.

This, together with the concentration among players in this market segment, resulted in a decline in the value of sales made by the Company in this market segment over the past few years, though the pace of that decline has stabilised around -4% to -5% during 2011 and 2012, as set out in the table below:

In thousands of euros	FY 2012	FY 2011	FY 2010
Graphic arts sales	2,769	2,931	3,047
<b>Year-on-year change in sales at current rates</b>	<b>-5.5%</b>	<b>-3.8%</b>	<b>-2.3%</b>

It is generally accepted that the decline of the sales made by the Company in that market segment will continue over the coming years, though at a pace expected to be similar to that experienced in the past couple of years, notably because the consolidation among participants in that market segment has slowed.



■ Digital production print

The main applications of the Company's software in this market segment are all applications using high-speed digital printing equipment (sometimes printing more than 500 A4 pages per minute), which are notably used for printing advertising brochures, photo albums, personalised marketing materials, statements and bills, or books, and wide-format printing such as posters and banners.

The Company has been active in this market segment for less than a decade, and notably pursuant to the acquisition of the Jaws RIP® in the autumn of 2000. This market segment, where two divisions of HP, Indigo and IHPS, are major customers for the Company, has been growing over the past few years at a pace comprised between 5% and 10% each year; according to a survey presented at the 2011 Lyra Imaging Symposium, such growth should continue during the present decade when the number of digitally printed pages for commercial printing should grow from 970 billion pages in 2011 to 1,374 billion pages in 2015 and 2,230 billion pages in 2019, or an average annualised growth rate of 9.1% over the period 2011/2015 and of 12.9% over the period 2015/2019.

3.2.1.3.1.2 Office printing

In this market, printing jobs are typically low volume, and produced on digital printing equipment, notably digital copiers and multi-function printers. The Company believes there are growth opportunities to be seized in this market for its software solutions, notably because of increasingly capable devices that make it possible to produce professional, full colour office documents and brochures in low volumes, without having to use the services of a copy shop.

The Company has been active in this market segment since the mid-2000s, but has not been a credible software solution supplier until the Harlequin RIP was capable of natively interpreting *PCL*<sup>2</sup>. As a result, the Company is a small player in this market, and sales made in this market segment have not been significant.

The Company aims to grow its market share in this market segment, despite fierce competition from the incumbents; the adoption of the Company's solutions for this market is expected to happen when a customer plans to launch a new range of printing equipment to replace an existing range, and will largely depend upon the ease for the customer to switch from existing technologies to those proposed by the Company.

3.2.1.3.2 eDoc segment

The main applications of the Company's software in this market segment relate to the conversion of electronic documents from one file format to another file format, the delivery and rendering of these electronic documents, and also the assembly and organisation of electronic documents for ISVs serving specific vertical markets.

The Company has been active in this market segment since the mid-2000s, and has made between 15% and 20% of its sales in this segment over the last few years.

The Company believes that there are significant growth opportunities in this segment, which the Company intends to seize using a similar business model to that used in the Print segment, focused on selling its technologies to OEMs and on white label sales.

3.2.1.4 Competition

3.2.1.4.1 Print segment

Since Zoran Corporation was acquired by CSR Plc during the summer of 2011, Global Graphics considers its main competitors in the Print segment of the Company's business are Adobe Systems Inc. (Adobe), with respect of *Page Description Language*<sup>2</sup> interpretation by the Company's *RIP software*<sup>2</sup>, which is notably used in the graphic arts and commercial digital printing market segment, and to a lesser degree, and notably in emerging territories, Ghostscript, Studio RIP and also Founders.

3.2.1.4.2 eDoc segment

The main competitor in this segment is also Adobe, the inventor of the PDF format, where competition also exists from Adobe Acrobat 'clone' providers such as Nuance, Foxit or Nitro PDF.

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<sup>2</sup> A definition of these terms is provided in the glossary, which is set out on pages 163 and 164 of this report.

### 3.2.1.5 The Company's technology expertise

#### 3.2.1.5.1 Printing software solutions

The Company is recognised as an expert in interpreting, rendering and converting Page Description Languages such as *PostScript*<sup>3</sup>, *PDF*<sup>3</sup>, *XPS*<sup>3</sup> or PCL.

The Company is also renowned for its adaptability and its capacity to propose software solutions which, though based on a common technology platform, are designed to meet changing needs of the various printing markets, from digital printing presses used for commercial printing applications such as personalized mail, commercial brochures, or magazines printing, or office printing applications with network copiers and multi-function devices, to color or monochrome, laser or inkjet printers, that one can use in the office or at home.

The Company's software products have gained a solid reputation for speed, reliability, and precision, notably the Company's flagships products which are the Harlequin and Jaws RIPs, but also color management technologies, which are particularly important for certain high-quality printing jobs, e.g. financial reports or magazines.

The Harlequin RIP<sup>®</sup> exists in several versions, and may be used to drive one single printing press, or to drive a series of printing systems in its server-based version; it may also be embedded on a controller board which drives the printing device (e.g. a multi-function copier). It is also a scalable solution, which allows the customer to use only part or all of the page description language interpretation, rendering and conversion technologies which have been developed by the Company.

The Jaws RIP<sup>®</sup> is used extensively in wide-format and large-format printing applications as well as in digital color proofing systems.

#### 3.2.1.5.2 Electronic document software solutions

The latest iteration of the Company's electronic document technologies provide software application developers as well as end-users with powerful conversion functionalities which allow for the conversion of a document from one page description language or one file format to another.

With Jaws PDF Creator, and its successor gDoc Creator, it was already possible to convert a document created using Microsoft<sup>®</sup> Office (Word, Excel<sup>®</sup> or PowerPoint<sup>®</sup>) into a PDF document; with gDoc Fusion, it is also possible to convert a PDF file into an editable Word document, to annotate PDF or XPS documents and also to merge one or several pages of various documents in different formats (including image formats such as *TIFF*<sup>3</sup> or *JPEG*<sup>3</sup>) into one single PDF or XPS document.

### 3.2.1.6 Use of third party technologies and dependence of the Company thereof

#### 3.2.1.6.1 Use of third party technologies by the Company

The Company uses third party technologies in most of the software products it markets, pursuant to license agreements providing for the use of such technologies by the Company, sometimes at no cost to the Company, but typically against the payment of license royalties, which are expensed in the Company's consolidated accounts as an element of cost sales, as shown in the table below:

In thousands of euros	FY 2012	FY 2011	FY 2010
License royalties expensed by the Company	136	206	177
As a % of total sales for the year	1.4%	2.3%	1.8%

Significant third party technologies which the Company uses in either its printing software solutions or its electronic document software solutions, against the payment of license royalties, relate to the right to use certain types of fonts, and certain security features, notably relating to the delivery of encrypted PDF files.

#### 3.2.1.6.2 Dependency on third party technologies

On the date of this annual financial report, the Company considers it has no significant dependency on one or several third parties providing technologies used by the Company in its software products, notably because there are true alternatives for similar technologies proposed by other suppliers, which could be obtained in a reasonable timeframe and at an acceptable cost.

<sup>3</sup> A definition of these terms is provided in the glossary, which is set out on pages 163 and 164 of this report.

As a result, the Company considers that the risk that the development process of its software solutions be significantly affected should the Company be forced to use an alternative technology to those third party technologies it is currently using may be considered as remote. It is however important to note that the integration of alternative technologies to replace currently used technologies will take some time as this may result in a portion of the source code of the corresponding software product to be modified.

Moreover, the Company has not entered into any customer agreement of any significance which would be likely to be terminated should the Company be forced to use an alternative technology to those third party technologies it is currently using.

### 3.2.2 The Company's organisation

#### 3.2.2.1 Two operating segments: Print and eDoc

The Company's activities are organised into two business segments, which have each been considered as an operating segment for the purposes of the Company's internal reporting and of the disclosure of segment information in the Company's consolidated accounts, which are the Print segment for the Company's printing software solutions, and the eDoc segment for the Company's electronic document software solutions.

##### 3.2.2.1.1 Segment contribution to the Company's sales

The following tables provide a breakdown of the Company's sales made in the years ended 31 December 2010 to 2012, for each of its operating segments, as well as an analysis of the year-on-year change of sales made in each of these segments, both at current and constant exchange rates.

##### 3.2.2.1.1.1 Breakdown of sales by reporting segment

In thousands of euros	FY 2012	FY 2011	FY 2010
Graphics arts markets	2,769	2,931	3,047
Digital printing markets	4,985	3,910	4,863
<b>Print segment sales</b>	<b>7,754</b>	<b>6,841</b>	<b>7,910</b>
<i>Print segment sales in % of total sales</i>	<i>79.8%</i>	<i>76.4%</i>	<i>82.3%</i>
<b>eDoc segment sales</b>	<b>1,959</b>	<b>2,110</b>	<b>1,698</b>
<i>eDoc segment sales in % of total sales</i>	<i>20.2%</i>	<i>23.6%</i>	<i>17.7%</i>
<b>Total sales</b>	<b>9,713</b>	<b>8,951</b>	<b>9,608</b>

##### 3.2.2.1.1.2 Year-on-year change in segment sales, at both current and constant exchange rates

In thousands of euros	FY 2012	FY 2011	FY 2010
Print segment	7,754	6,841	7,910
<b><i>Year-on-year change at current exchange rates</i></b>	<b><i>13.3%</i></b>	<b><i>-13.5%</i></b>	<b><i>4.1%</i></b>
eDoc segment	1,959	2,110	1,698
<b><i>Year-on-year change at current exchange rates</i></b>	<b><i>-7.2%</i></b>	<b><i>24.3%</i></b>	<b><i>-3.7%</i></b>
<b>Total sales</b>	<b>9,713</b>	<b>8,951</b>	<b>9,608</b>
<b><i>Year-on-year change at current exchange rates</i></b>	<b><i>8.5%</i></b>	<b><i>-6.8%</i></b>	<b><i>2.6%</i></b>
<b><i>Year-on-year change at constant exchange rates</i></b>	<b><i>1.5%</i></b>	<b><i>-4.4%</i></b>	<b><i>-3.1%</i></b>

##### 3.2.2.1.2 Breakdown of employees per operating segment

Though the Company's technologies are based on a single technology platform, it is important to note that a significant portion of the development and quality assurance teams is specific to each operating segment.

More precise information on the allocation of employees per operating segment is not disclosed by the Company to protect its legitimate interests.

### 3.2.2.2 Main activities of the Company's entities

The main activities of the entities which are part of the Company as at 31 December 2012 are as follows:

- Global Graphics SA is the parent company of the Company; it has played an important role in providing funding for the Company's operations and growth, as well as in the coordination of the Company's activities, notably in administration and finance, but has no sales or software development activities;
- Global Graphics Software Limited is the main operating subsidiary of the Company; 64 of the 78 employees the Company had as at 31 December 2012 were working in either of this entity's offices in Cambourne (near Cambridge) or Manchester; 42 of the 45 employees which were reported under the caption "R&D" at 31 December 2012 (see note 2e to the Board's report on the Company's 2012 operations for further information on this) were employed by this entity, and 5 of the 7 members of the Company's management team (including Mr. Fry) have their offices in Cambourne;
- Global Graphics Software Incorporated: 9 of the 78 employees the Company had as at 31 December 2012 were working for the Company's US subsidiary, the main activities of which are the sale of the Company's software products on North America markets, and the provision of pre- and after-sale support services to the Company's customers in those markets;
- Global Graphics Kabushiki Kaishiya : 3 of the 78 employees the Company had as at 31 December 2012 were working for this entity, the main activity of which is the provision pre- and after-sale support services to the Company's customers in the Japanese and other Asian markets (notably in Taiwan and in South Korea).

### 3.2.2.3 Capital expenditures which were made, are in progress or are projected to be made

#### 3.2.2.3.1 Nature of capital expenditures which were made, are in progress or are projected to be made

Considering the nature of the Company's business and its organisation, the major portion of capital expenditures which were made by the Company related to eligible development costs which were capitalised in accordance with corresponding criteria provided in IAS 38, *Intangible assets*, being noted that capital expenditures for tangible assets principally related to computer hardware and building improvements.

#### 3.2.2.3.2 Tangible assets

##### 3.2.2.3.2.1 Schedule of offices used by the Company as at 31 December 2012

The Company has entered into lease agreements for all of the office space it uses with third parties in which neither the Company, its executive officers or its employees have any shareholding.

Name of the Company's entity	Leased office location	Leased space (in sqm)	Lease expiry date	Landlord name
Global Graphics SA	Pompey (France)	20	30 June 2015	SCI Ferecau
Global Graphics Software Limited	Cambourne (UK)	1,349	30 June 2016	Aviva Life & Pensions (UK) Limited
Global Graphics Software Limited	Manchester (UK)	125	15 August 2015	Orbit Investment (Properties)
Global Graphics Software Incorporated	Waltham (USA)	97	31 août 2015	US REIF 281 Winter Street MA, LLC
Global Graphics Kabushiki Kaishiya	Tokyo (Japan)	32	1 July 2013	AIOS

### 3.2.2.3.2.2 Capital expenditures in tangible assets which were made in 2011 and 2012

Capital expenditures in tangible assets amounted to € 106,000 in the year ended 31 December 2012 (compared with € 112,000 in the year ended 31 December 2011), and notably included € 70,000 for capital expenditures in computer equipment in 2012 (€ 67,000 in 2011).

### 3.2.2.3.2.3 Capital expenditures in tangible assets that were in progress or scheduled to be made

The Company had no significant capital expenditures in tangible assets which were in progress as at 31 December 2012.

Capital expenditures in tangible assets that are scheduled to be made in the year ending 31 December 2013 principally relate to the renewal of part of the Company's computer equipment.

### 3.2.2.3.3 Intangible assets

#### 3.2.2.3.3.1 Capital expenditures in intangible assets which were made in 2011 and 2012

As stated in note 3e to the Company's consolidated financial statements for the year ended 31 December 2012, costs associated with maintaining existing computer software technology and programmes are recognised as an expense when incurred.

Are recognized as intangible assets costs that are directly associated with the production of identifiable and unique software products over which the Company has proprietary rights, that can be measured reliably, and where it is probable that future economic benefits attributable to such software products will flow to the Company. Such costs only include software development employee costs.

As at 31 December 2012, the Company considered it could demonstrate that all of the above-mentioned recognition criteria were met by four of the five development projects which had given rise to the capitalization of development costs as at 31 December 2011: accordingly, an impairment expense amounting to € 163,000 was recognized in the year ended 31 December 2012 for the development costs relating to the fifth development project which had been capitalized in prior periods.

The following table provides information on the aggregate gross amount of computer software development costs which were capitalized as at 31 December 2011 and 2012 and the amounts which were capitalized in the years then ended for those projects the Company considered it could demonstrate that it met all of the abovementioned recognition criteria:

In thousands of euros	FY 2012		FY 2011	
	Total amount capitalized at 31 December	Amount capitalized in the year	Total amount capitalized at 31 December	Amount capitalized in the year
Harlequin RIP	6,212	685	5,406	622
Jaws RIP	633	293	334	187
<b>Total Print segment</b>	<b>6,845</b>	<b>978</b>	<b>5,740</b>	<b>809</b>
EDL	1,707	106	1,565	36
gDoc applications	1,998	546	1,426	287
Other conversion technologies	161	-	157	151
<b>Total eDoc segment</b>	<b>3,866</b>	<b>652</b>	<b>3,148</b>	<b>474</b>
<b>Total</b>	<b>10,711</b>	<b>1,630</b>	<b>8,888</b>	<b>1,283</b>

### 3.2.2.3.2.3 Capital expenditures in intangible assets that were in progress or scheduled to be made

Capital expenditures in intangible assets that were in progress as at 31 December 2012 or scheduled to be made in the year ending 31 December 2013 principally related to the following development projects:

- for the Print segment, version 3.0 of the Jaws RIP as well as upgrades to, and/or updates of, the various versions of the Harlequin RIP; and
- for the eDoc segment, further investment in gDoc applications, including upgrades to existing products such as gDoc Fusion, is expected to be made in 2013, together with the launch of a new version of the gDoc Binder application.

**Unofficial translation of the original version in French language**

3.2.2.3.2.4 Financing of capital expenditures

Capital expenditures which were made by the Company in the years ended 31 December 2011 and 2012 were financed using the cash provided by the Company's operations and/or available cash, without entering into any financing arrangement.

Capital expenditures which are scheduled to be made in the year ending 31 December 2013 are expected to be financed the same way as above.

**3.3 Key consolidated figures for the Company**

Unless otherwise specified, all financial information which is presented in this section of the annual financial report has been extracted from the Company's consolidated accounts for the years ended 31 December 2010 to 2012.

For both internal and external reporting purposes, the Company also uses alternative performance indicators, which are identified as "adjusted" performance measures, and are defined as indicated in section 4.8 of this annual financial report.

3.3.1 Condensed consolidated statements of income (loss)

In thousands of euros, except per share data in €	FY 2012	FY 2011	FY 2010
<b>Sales</b>	<b>9,713</b>	<b>8,951</b>	<b>9,608</b>
Gross margin	9,306	8,529	9,177
<b>Operating profit (loss)</b>	<b>(319)</b>	<b>43</b>	<b>(1,941)</b>
<i>Operating profit (loss) in % of sales</i>	<i>-3.3%</i>	<i>0.5%</i>	<i>-20.2%</i>
<b>Adjusted operating profit (loss) (see section 4.8.3)</b>	<b>85</b>	<b>(299)</b>	<b>(1,193)</b>
<i>Adjusted operating profit (loss) in % of sales</i>	<i>0.9%</i>	<i>-3.3%</i>	<i>-12.4%</i>
<b>Net profit (loss)</b>	<b>(42)</b>	<b>153</b>	<b>(2,597)</b>
Basic net profit (loss) per share	0.00	0.02	(0.26)
<b>Adjusted net profit (loss) (see section 4.8.3)</b>	<b>235</b>	<b>(90)</b>	<b>(1,913)</b>
Basic adjusted net profit (loss) per share	0.02	(0.01)	(0.19)

3.3.2 Condensed consolidated statements of financial position as at 31 December

In thousands of euros	2012	2011	2010
<b>Assets</b>			
Goodwill	6,984	6,822	6,673
Other intangible assets	5,225	5,330	5,005
Other non-current assets	523	602	662
Accounts receivable	1,984	1,752	1,906
Other current assets	627	577	605
Cash	2,252	2,315	1,869
<b>Total assets</b>	<b>17,595</b>	<b>17,398</b>	<b>16,720</b>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>	<b>15,828</b>	<b>15,467</b>	<b>14,780</b>
- Non-current liabilities	2	2	36
- Current liabilities	1,765	1,929	1,904
<b>Total liabilities</b>	<b>1,767</b>	<b>1,931</b>	<b>1,940</b>
<b>Total liabilities and shareholders' equity</b>	<b>17,595</b>	<b>17,398</b>	<b>16,720</b>

**Unofficial translation of the original version in French language**

3.3.3 Condensed consolidated statements of cash flows

In thousands of euros	FY 2012	FY 2011	FY 2010
<b>Cash available at 1 January</b>	<b>2,315</b>	<b>1,869</b>	<b>3,144</b>
Net cash flows provided (used) by operating activities during the year	1,670	1,779	(379)
Net cash flows provided (used) by investing activities during the year	(1,742)	(1,378)	(1,137)
Net cash flows provided (used) by financing activities during the year	-	-	-
Net cash flows provided (used) during the year	<b>(72)</b>	<b>401</b>	<b>(1,516)</b>
<b>Effect of changes in exchange rates on cash available at 1 January</b>	<b>9</b>	<b>45</b>	<b>241</b>
<b>Cash available at 31 December</b>	<b>2,252</b>	<b>2,315</b>	<b>1,869</b>

CHAPTER 4 - CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012

4.1 Consolidated statement of financial position

In thousands of euros	Note	31 December 2012	31 December 2011	1 January 2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	369	441	504
Other intangible assets	9	5,225	5,330	5,005
Goodwill	10	6,984	6,822	6,673
Financial assets	11	110	108	107
Deferred tax assets	12	44	52	51
<b>Total non-current assets</b>		<b>12,732</b>	<b>12,754</b>	<b>12,340</b>
<b>Current assets</b>				
Inventories		17	23	38
Trade receivables	13	1,984	1,752	1,906
Current tax assets		51	11	37
Other current assets	14	75	62	59
Prepaid expenses		484	481	471
Cash		2,252	2,315	1,869
<b>Total current assets</b>		<b>4,863</b>	<b>4,644</b>	<b>4,380</b>
<b>TOTAL ASSETS</b>		<b>17,595</b>	<b>17,398</b>	<b>16,720</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Shareholders' equity</b>				
Share capital	15	4,116	4,116	4,116
Share premium	15	28,737	28,747	28,776
Reserve for share options	16	3,244	3,124	2,982
Reserve for own shares	17	(1,186)	(1,191)	(1,204)
Accumulated deficit		(8,528)	(8,486)	(8,639)
Foreign currency translation reserve		(10,555)	(10,843)	(11,251)
<b>Total shareholders' equity</b>		<b>15,828</b>	<b>15,467</b>	<b>14,780</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Provisions	18	-	-	34
Other non-current liabilities		2	2	2
<b>Total non-current liabilities</b>		<b>2</b>	<b>2</b>	<b>36</b>
<b>Current liabilities</b>				
Trade payables		269	265	292
Current tax liabilities		22	61	-
Other current liabilities		821	857	892
Customer advances and deferred revenue	19	653	746	570
Provisions	18	-	-	150
<b>Total current liabilities</b>		<b>1,765</b>	<b>1,929</b>	<b>1,904</b>
<b>Total liabilities</b>		<b>1,767</b>	<b>1,931</b>	<b>1,940</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>17,595</b>	<b>17,398</b>	<b>16,720</b>



#### 4.2 Consolidated statement of income (loss)

In thousands of euros except per share data in euro	Note	Years ended 31 December	
		2012	2011
<b>Sales</b>		<b>9,713</b>	<b>8,951</b>
Cost of goods sold and services rendered		(407)	(422)
<b>Gross margin</b>		<b>9,306</b>	<b>8,529</b>
Selling, general and administrative expenses		(4,284)	(4,019)
Research & development expenses		(5,291)	(4,672)
Other operating expenses	<b>22a</b>	(50)	-
Other operating income	<b>22b</b>	-	205
<b>Operating profit (loss)</b>		<b>(319)</b>	<b>43</b>
Interest income	<b>23</b>	2	4
Interest expenses	<b>23</b>	-	(26)
Foreign currency exchange gains (losses)	<b>23</b>	(50)	26
<b>Profit (loss) before income tax</b>		<b>(367)</b>	<b>47</b>
Income tax expense	<b>24</b>	325	106
<b>Net profit (loss)</b>		<b>(42)</b>	<b>153</b>
<b>Basic net profit (loss) per share</b>	<b>25a</b>	<b>0.00</b>	<b>0.02</b>
<b>Diluted net profit (loss) per shares</b>	<b>25b</b>	<b>0.00</b>	<b>0.01</b>

#### 4.3 Consolidated statement of comprehensive income (loss)

In thousands of euros	Years ended 31 December	
	2012	2011
Net profit (loss) for the year	(42)	153
Foreign currency translations differences	288	408
Other comprehensive income (loss) for the year, net of income tax	288	408
<b>Total comprehensive profit (loss) for the year</b>	<b>246</b>	<b>561</b>

#### 4.4 Consolidated statement of changes in shareholders' equity

In thousands of euros	Note	Share capital	Share premium	Reserve for share options	Reserve for own shares	Accumulated deficit	Foreign currency translation adjustment	Shareholders' equity
<b>Balance at 1 January 2011</b>		<b>4,116</b>	<b>28,776</b>	<b>2,982</b>	<b>(1,204)</b>	<b>(8,639)</b>	<b>(11,251)</b>	<b>14,780</b>
<b>Total comprehensive loss</b>								
Net loss for the year		-	-	-	-	153	-	153
Foreign currency translation differences		-	-	-	-	-	408	408
Total other comprehensive income (loss), net of tax		-	-	-	-	-	408	408
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>153</b>	<b>408</b>	<b>561</b>
<b>Transactions with owners</b>								
Share option plans related expenses	15c & 16	-	(29)	142	-	-	-	113
Own share grants (repurchases)	15c & 17	-	-	-	13	-	-	13
<b>Total transactions with owners</b>		<b>-</b>	<b>(29)</b>	<b>142</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>126</b>
<b>Balance at 31 December 2011</b>		<b>4,116</b>	<b>28,747</b>	<b>3,124</b>	<b>(1,191)</b>	<b>(8,486)</b>	<b>(10,843)</b>	<b>15,467</b>
<b>Total comprehensive income</b>								
Net profit for the year		-	-	-	-	(42)	-	(42)
Foreign currency translation differences		-	-	-	-	-	288	288
Total other comprehensive income (loss), net of tax		-	-	-	-	-	288	288
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42)</b>	<b>288</b>	<b>246</b>
<b>Transactions with owners</b>								
Share option plans related expenses	15c & 16	-	(10)	120	-	-	-	110
Own share grants (repurchases)	15c & 17	-	-	-	5	-	-	5
<b>Total transactions with owners</b>		<b>-</b>	<b>(10)</b>	<b>120</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>115</b>
<b>Balance at 31 December 2012</b>		<b>4,116</b>	<b>28,737</b>	<b>3,244</b>	<b>(1,186)</b>	<b>(8,528)</b>	<b>(10,555)</b>	<b>15,828</b>

#### 4.5 Consolidated statement of cash flows

In thousands of euros	Note	Years ended 31 December	
		2012	2011
<b>Cash flows from operating activities</b>			
Net profit (loss) for the year		(42)	153
Adjustments to reconcile net loss to net cash:			
- Depreciation of property, plant and equipment	<b>8 &amp; 11</b>	188	190
- Amortization and impairment of other intangible assets	<b>9</b>	1,872	1,096
- Share-based remuneration expenses	<b>16</b>	120	142
- Change in the amount of provisions	<b>18 &amp; 22b</b>	50	(205)
- Net interest expenses (net interest income)	<b>23</b>	(2)	22
- Net foreign currency exchange losses (gains)	<b>23</b>	50	(26)
- Income tax expense (benefit)	<b>24</b>	(325)	(106)
- Expenses relating to share-based plans	<b>15c</b>	(5)	(16)
Exchange rate differences		(76)	39
Other items		7	(105)
Change in operating assets and liabilities :			
- Inventories		6	15
- Trade receivables	<b>13</b>	(232)	154
- Current tax assets		(40)	26
- Other current assets	<b>14</b>	(13)	(3)
- Prepaid expenses		(3)	(10)
- Trade payables		4	(27)
- Current tax liabilities		(39)	61
- Other current liabilities		(36)	(35)
- Customer advances and deferred revenue	<b>19</b>	(93)	176
Cash received for interest income during the year		2	4
Cash received (paid) during the year for current tax		277	234
<b>Net cash flow provided by (used in) operating activities</b>		<b>1,670</b>	<b>1,779</b>
<b>Cash flows from investing activities</b>			
Capital expenditures on property, plant & equipment	<b>8</b>	(106)	(112)
Capital expenditures on other intangible assets	<b>9</b>	(6)	-
Capitalization of development expenses	<b>9</b>	(1,630)	(1,283)
Proceeds from the disposal of intangible assets		-	17
<b>Net cash flow provided by (used in) investing activities</b>		<b>(1,742)</b>	<b>(1,378)</b>
<b>Cash flows from financing activities</b>			
Own share repurchases	<b>17</b>	-	-
<b>Net cash flow (provided by) used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash</b>		<b>(72)</b>	<b>401</b>
<b>Cash at 1 January</b>		<b>2,315</b>	<b>1,869</b>
<b>Effect of exchange rate fluctuations on cash at 1 January</b>		<b>9</b>	<b>45</b>
<b>Cash at 31 December</b>		<b>2,252</b>	<b>2,315</b>

## 4.6 Notes to the 2012 consolidated financial statements

### 4.6.1 Note 1: Reporting entity

Global Graphics SA (the 'Parent', and together with its subsidiaries, the 'Company') is a company domiciled in France, which has its registered office at 146 boulevard de Finlande, Z.I. Pompey Industries, 54340 Pompey.

The Company is a leading provider of printing software solutions to the commercial and digital printing markets and for electronic document software applications.

### 4.6.2 Note 2: Basis of preparation of the consolidated financial statements

#### 4.6.2.1 Note 2a: Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and related interpretations issued by the International Accounting Standards Board ('IASB'), as adopted by the European Union.

These consolidated financial statements were authorised for issue by the Parent's Board of Directors on 12 February 2013; the provision of additional disclosures was approved by the Board on 26 March 2013. They may be amended by the Parent's shareholders on the date of the meeting when they are submitted for approval.

#### 4.6.2.2 Note 2b: Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except 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 below.

#### 4.6.2.3 Note 2c: Functional and presentation currency

These consolidated financial statements are presented in euros, which is the Parent's functional and presentation currency.

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

#### 4.6.2.4 Note 2d: Use of accounting estimates

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates, which may have a significant impact on the financial statements.

It also requires management to exercise its judgement in the process of applying the Company's accounting policies, and to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as income and expenses.

These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis by the Company's management.

Revisions to accounting estimates are recognised in the period during which the estimate is revised if the revision affects only that period, or in the period and future periods if the revision affects both current and future periods.

Judgements made by the Company's management in the application of IFRSs that have a significant effect on these consolidated financial statements, as well as estimates with a significant risk of material adjustment in the next year, are discussed in note 6 below.

4.6.2.5 Note 2e: Going concern

On the date these consolidated financial statements were drafted, based on their review of cash flow projections prepared by management for the years ending 31 December 2013 and 2014, the members of the Parent's Board of Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern, notably because of a cash position of € 2,252,000 as at 31 December 2012 (€ 2,315,000 as at 31 December 2011), and the absence of any outstanding debt at both dates.

**4.6.3 Note 3: Significant accounting policies and methods**

The accounting policies and methods which are set out below have been applied consistently to all the years presented in these consolidated financial statements, and by all entities which form part of the Company.

4.6.3.1 Note 3a: Basis of consolidation

4.6.3.1.1 Note 3a (i): Subsidiaries

Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. In assessing control, any potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company, and until the date that control ceases.

The accounting policies and methods of subsidiaries have been changed where necessary to ensure consistency with the accounting policies and methods adopted by the Company.

4.6.3.1.2 Note 3a (ii): Transactions eliminated on consolidation

Inter-company balances and transactions, as well as any unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4.6.3.2 Note 3b: Foreign currency translation

4.6.3.2.1 Note 3b (i): Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities using the exchange rates prevailing at the date of the respective transactions.

Monetary assets and liabilities which are denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate prevailing on that date. The foreign currency gain or loss on monetary items is the difference between amortised cost of the monetary asset or liability in the functional currency at the beginning of the reporting period, adjusted for effective interest and payments during the reporting period as applicable, and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical costs in a foreign currency are retranslated to the functional currency using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency using the exchange rate at the date that the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4.6.3.2.2 Note 3b (ii): Translation of financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euros at exchange rates at the reporting date.

Income and expenses of foreign operations are translated to euros at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate prevailing on the dates of respective transactions.

Foreign currency differences are recognised directly into a separate component of equity, namely the *Foreign currency translation reserve*. When a foreign operation is partially disposed of or sold, relevant exchange differences that were recorded in the foreign currency translation reserve are recognised in profit or loss as part of the gain or loss on sale.

#### 4.6.3.3 Note 3c: Financial instruments

##### 4.6.3.3.1 Note 3c (i): Non-derivative financial instruments

Non-derivative financial instruments comprise trade receivables, current tax and other current assets, cash, trade payables, current tax liabilities and other liabilities, as well as customer advances and deferred revenue.

Non-derivative financial instruments are recognised initially at fair value, plus, for instruments which are not measured at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

##### 4.6.3.3.2 Note 3c (ii): Derivative financial instruments

The Company uses derivative financial instruments (notably foreign currency forward and option contracts) to manage its exposure to foreign exchange risk. In accordance with guidelines established by management, the Company does not hold any derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised at fair value; any attributable transaction costs are recognised in profit or loss when incurred.

Subsequent to initial recognition, derivative financial instruments are measured at fair value, which is determined by the financial institution which is the Company's counterparty in the transaction.

Derivative financial instruments used by the Company are not designated in a qualifying hedge relationship: accordingly, any changes in their fair value are recognised immediately in profit or loss.

#### 4.6.3.4 Note 3d: Property, plant and equipment

##### 4.6.3.4.1 Note 3d (i): Recognition and measurement

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses as applicable.

The cost of property, plant and equipment at 1 January 2004, the Company's date of transition to IFRSs, was determined by reference to the amount recognised under US GAAP, which were the Company's previous accounting framework.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment, which are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, are recognised for their net amount in profit or loss.

##### 4.6.3.4.2 Note 3d (ii): Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item whenever it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of repairs and maintenance are recognised in profit or loss when incurred.

##### 4.6.3.4.3 Note 3d (iii): Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, which are as follows:

- building improvements 3 to 10 years;
- computer and office equipment 3 to 5 years;
- office furniture and other items 3 to 5 years.

Depreciation methods and useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date.

Also at such date, the carrying value of an item of property, plant and equipment is written down immediately to its recoverable value if such carrying value is greater than its estimated recoverable amount.

#### 4.6.3.5 Note 3e: Goodwill and other intangible assets

##### 4.6.3.5.1 Note 3e (i): Goodwill

The purchase method of accounting was used to account for all acquisitions of subsidiaries which were made by the Company before 1 January 2010. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange of control, plus costs directly attributable to the acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing. Goodwill is no longer amortised but is tested annually for impairment (see note 3f below) or more frequently if facts and circumstances warrant a review. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity, if any.

##### 4.6.3.5.2 Note 3e (ii): Other intangible assets

Other intangible assets, which were purchased by the Company and have finite useful lives, are stated at cost (which was estimated to be their fair value on purchase date by the Company) less accumulated amortisation (computed as shown below) and impairment losses (see note 3f below) when applicable.

###### 4.6.3.5.2.1 Trademarks, know-how, patents and patent applications

Trademarks, know-how, as well as patent and patent applications are carried at historical cost (which was estimated to be their fair value on purchase date by the Company) less accumulated amortisation. Amortisation is calculated over their useful estimated lives from respective acquisition dates, as follows:

- trademarks 10 years ;
- patents and patent applications 3 to 10 years;
- know-how 1 year.

###### 4.6.3.5.2.2 Customer contracts

Customer contracts are carried at historical cost less accumulated amortisation.

Amortisation is calculated over the useful estimated lives of the respective contracts, over periods ranging from one to three years from respective acquisition dates.

###### 4.6.3.5.2.3 Computer software technology

Computer software technology is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives from respective acquisition dates over periods ranging from three to five years.

Costs associated with enhancing or maintaining existing computer software technology and programmes are recognised as an expense when incurred.

###### 4.6.3.5.2.4 Capitalised software development costs

Costs incurred on software development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following cumulative criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- the Company has the ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development may be reliably measured.

Such costs only consist of direct costs, and include software development employee costs.

Capitalised development costs recognised as intangible assets are amortised from the point the asset is ready for use on a straight-line basis over its estimated useful life, which does not exceed ten years. Such amortisation charge is included in the caption '*Research and development expenses*' in the consolidated statement of income (loss).

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### 4.6.3.6 Note 3f: Impairment of non-current assets

##### 4.6.3.6.1 Note 3f (i): Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised through profit or loss.

##### 4.6.3.6.2 Note 3f (ii): Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ('cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss had decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

##### 4.6.3.7 Note 3g: Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in, first-out principle, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.



Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses.

#### 4.6.3.8 Note 3h: Trade receivables

Trade receivables are recognised initially at fair value and subsequently re-measured at amortised cost using the effective interest method, less impairment. Trade receivables with a short duration are not discounted, as the carrying amount is a reasonable approximation of fair value (see note 4c below).

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is the difference between the carrying value of the trade receivable and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the trade receivable is reduced through the use of an allowance account and the amount of the loss is recognised within the caption '*Selling, general and administrative expenses*' in the consolidated statement of income (loss).

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against '*Selling, general and administrative expenses*' in the consolidated statement of income (loss).

#### 4.6.3.9 Note 3i: Cash

Cash comprises cash in hand and deposits held at call with banks at each reporting date.

#### 4.6.3.10 Note 3j: Share capital

##### 4.6.3.10.1 Note 3j (i): Ordinary shares

Ordinary shares, which are the only class of shares issued by the Company, are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares (whether they are resulting from the exercise of share options or not) are recognised as a deduction from equity, net of any tax effects.

Incremental costs directly attributable to the issue of new shares in the case of the acquisition of a business are included in the cost of acquisition as part of the purchase consideration.

##### 4.6.3.10.2 Note 3j (ii): Own share repurchases

When share capital recognised in equity is repurchased, the consideration paid, including directly attributable costs, net of any tax effects, is recognized as a deduction from equity.

When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from the caption *Share premium*.

#### 4.6.3.11 Note 3k: Current liabilities

Trade payables and other current liabilities are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method.

Trade payables and other current liabilities with a short duration are not discounted, as the carrying amount is a reasonable approximation of fair value (see note 4c below).

#### 4.6.3.12 Note 3l: Employee benefits

##### 4.6.3.12.1 Note 3l (i): Pension obligations

The Company only sponsors defined contribution plans, i.e. post-employment benefit plans under which the Company pays fixed contributions into a separate entity (typically insurance companies).

The Company has no legal or constructive obligations to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

#### 4.6.3.12.2 Note 3l (ii): Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal, detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be measured reliably.

#### 4.6.3.12.3 Note 3l (iii): Other short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount to be paid under short-term cash bonus or commission plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

#### 4.6.3.12.4 Note 3l (iv): Share-based payments

The Company operates equity-settled, share-based compensation plans, consisting of a share option plan and share grant plans, which allow employees to acquire shares of the Parent.

The fair value of the options and shares granted is recognised as an employee expense, with a corresponding increase in equity, and is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options or shares. The fair value of the options granted is measured using an appropriate valuation model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognised as an expense is adjusted to reflect the actual number of share options or shares for which the related service and non-market conditions are met.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital for the par value of the shares issued and to share premium for the balance, when the share options are exercised.

#### 4.6.3.13 Note 3m: Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

#### 4.6.3.14 Note 3n: Revenue recognition

Fees from arrangements involving licenses, post-contract customer support, and other related services such as training, are allocated to the multiple elements of the arrangements based on vendor-specific objective evidence ('VSOE') of fair value of each of the elements of the arrangements. VSOE of fair value is typically established by the price charged when the same element is sold separately.

Revenues from software licenses or non-refundable minimum royalty agreements are recognised upon satisfaction of all of the following five criteria:

- signing of the license agreement;
- no additional significant production, modification or customisation of the software is required;
- delivery of the software has occurred;
- the fee is fixed and determinable; and
- collection is probable.

In a multiple element arrangement whereby VSOE of fair value of all undelivered elements exists but VSOE of fair value does not exist for one or more delivered elements, revenue is recognised using the residual method.

Under the residual method, the fair value of undelivered elements is deferred and the remaining portion of the arrangement fee is recognised as revenue, assuming all other criteria for revenue recognition have been met.

Revenues from post-contract customer support ('PCS') elements are recognised rateably over the related PCS period.

Revenues from consulting, engineering fees and maintenance are recognised as the services are performed. Amounts received in advance of the related services being performed are included in deferred revenue and recognised in revenue only when the services are performed.

Fees from long-term contracts related to the development of software and supporting solutions at fixed prices are allocated to the product and support elements of such contracts based on the relative fair value of such elements. Revenue from product elements of such contracts is recognised using the percentage of completion method. The percentage of completion is usually determined based on the number of hours incurred to date in relation to the total hours expected to complete the product. The cumulative impact of any revision in estimates of the percentage completed is reflected in the period in which the changes become known. Any excess of progress billings over revenue based on the percentage completed is deferred and included in deferred revenue.

#### 4.6.3.15 Note 3o: Cost of goods sold and services rendered

Cost of goods sold and services rendered includes product packaging, royalties paid to third parties, excess and obsolete inventory, purchased intangible assets amortisation expenses for software technology and patents acquired in business combinations, as well as any other costs (including employee benefits) associated with the manufacturing of the Company's software products and solutions.

#### 4.6.3.16 Note 3p: Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous tax years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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 by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, they relate to income taxes levied by the same tax authority on the same taxable entity, and have similar maturities.

#### 4.6.3.17 Note 3q: Earnings per share

The Company presents basic and diluted earnings per share ('EPS') data for its ordinary shares.

Basic EPS is calculated dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### 4.6.3.18 Note 3r: Operating segments

IFRS 8, *Operating Segments*, which replaces IAS 14, *Segment Reporting*, since 1 January 2009 requires a 'management approach' under which segment information is presented on the same basis as used for internal reporting purposes.

This has resulted in an increase of the number of reportable segments presented, as the previously single reported segment was split into the following two segments: printing software ('Print' segment) and electronic document technologies ('eDoc' segment).

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker ('CODM'). The Company's CODM has been identified as the Company's Chief Executive Officer, Mr. Gary Fry.

Goodwill has been allocated by management to groups of cash-generating units on a segment level. Goodwill existing at 1 January 2009 has been fully allocated to the Print segment as it relates to acquisitions of assets made in the area of printing software in the years ended 31 December 1999 and 2000.

There has been no further impact on the measurement of the Company's assets and liabilities as at 1 January 2009.

Assets and liabilities are allocated based on the operations of the reportable segments. Items such as deferred tax assets, current assets other than trade receivables, and current liabilities other than customer advances and deferred revenue, are not allocated to any of the Company's reportable segments

#### 4.6.3.19 Note 3s: Effect of interpretations and amendments to existing and new standards

##### 4.6.3.19.1 Note 3s (i): New standards which were adopted by the Company in 2012

Pursuant to the adoption on 5 June 2012 by the European Parliament of the amendment to IAS 1, *Presentation of financial statements*, relating to the disclosure of items of other comprehensive income, which is mandatory for annual periods beginning on or after 1 July 2012 but may be early applied, the Company decided to present its statement of comprehensive income (loss) for the year ended 31 December 2012 in accordance with the provisions of this amendment.

##### 4.6.3.19.2 Note 3s (ii): New standards which were not adopted by the Company in 2011

Certain new standards, amendments and interpretations to existing standards which are mandatory for the Company's accounting periods beginning on or after 1 January 2013, but may be early applied, have not been applied by the Company when preparing its consolidated financial statements for the year ended 31 December 2012.

Those which may have an effect on the Company's consolidated financial statements are the following:

##### 4.6.3.19.2.1 IFRS 9

IFRS 9, *Financial Instruments*, which will be mandatory for the Company's accounting periods beginning on or after 1 January 2015 (assuming it has been endorsed by the EU in the meanwhile), may result in changes in the classification and measurement of financial assets.

The Company does not intend to early adopt this standard, and has not assessed the effect this standard may have on the Company's consolidated financial statements.

##### 4.6.3.19.2.2 IFRS 10 to 12

In May 2011, the IASB published three new standards relating to consolidation methods, namely IFRS 10, *Consolidated financial statements*, IFRS 11, *Joint arrangements*, and IFRS 12, *Disclosures of interests in other entities*, as well as amendments to IAS 27, *Separate financial statements*, and IAS 28, *Investments in associates and joint-ventures*, which were all adopted by the European Parliament on 11 December 2012.

Management does not expect to early adopt these standards, which will be mandatory for annual periods beginning on or after 1 January 2014, with early application from 1 January 2013, and considers that their impact on the Company's consolidated financial statements should be limited in the absence of any joint arrangement or interest in other entities on the date these consolidated financial statements were drafted.

##### 4.6.3.19.2.3 IFRS 13

IFRS 13, *Fair value measurement*, which will be mandatory for annual periods beginning on or after 1 January 2014, with early application from 1 January 2013, was adopted by the European Parliament on 11 December 2012.

It aims to establish a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad, since it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards.

Management does not expect to early adopt this, and considers that its impact of the Company's consolidated financial statements should result in more extensive disclosures about fair value measurements.

#### **4.6.4 Note 4: Fair value**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

As a result, fair values have been determined for measurement and/or disclosure purposes based on the methods indicated below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **4.6.4.1 Note 4a: Goodwill and other intangible assets**

The fair value of goodwill and other intangible assets which were acquired in business combinations is based on the discounted cash flows expected to be derived from the use of these intangible assets.

##### **4.6.4.2 Note 4b: Derivative financial instruments**

At a given reporting date, the fair value of forward exchange contracts is based on their listed market prices whereas the fair value of foreign currency forward and option contracts is based on quotes provided by the financial intermediaries that are the Company's counterparties in those transactions.

##### **4.6.4.3 Note 4c: Non-derivative financial instruments**

The carrying values less impairment provision of trade receivables, current tax assets, other current assets, cash, trade payables, current tax liabilities, other current liabilities, as well as customer advances and deferred revenue, are assumed to approximate their fair values at each of the balance sheet dates presented herein.

##### **4.6.4.4 Note 4d: Share-based payments**

The fair value of share options which have been granted since 1 January 2008 was estimated by an independent valuation adviser using a Monte Carlo valuation model.

Measurement inputs include the share price on the measurement date, the exercise price of the share option, the expected volatility (based on weighted average historic volatility for the Company's share price), the weighted average expected life of the option (based on historical experience and general option holder behaviour), the expected absence of dividends, and a risk-free interest rate (based on government bonds).

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value of the options.

#### **4.6.5 Note 5: Financial risk factors**

##### **4.6.5.1 Note 5a: Overview**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (notably foreign exchange risk and cash flow interest-rate risk).

The Company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Financial risk management is overseen by the Chief Financial Officer ('CFO') under policies approved by the Company's Board of Directors (the 'Board') which has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Board provides principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk and the use of derivative financial instruments, whereas the CFO identifies, evaluates, and manages financial risks in close co-operation with the Company's operating units.

#### 4.6.5.2 Note 5b: Credit risk

##### 4.6.5.2.1 Note 5b (i): Definition

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and cash.

At each of the balance sheet dates presented, management estimated that the carrying amounts of these two classes of assets represented the Company's maximum credit exposure.

##### 4.6.5.2.2 Note 5b (ii): Credit risk arising from trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, whereas the demographics of the Company's customer base, including the default risk of the industry sector and country in which the customers operate, has less of an influence on credit risk.

##### 4.6.5.2.2.1 Concentration of credit risk

###### ■ Credit risk exposure due to customer concentration

As it sells its products and provides its services to a broad base of customers including OEM partners, distributors, and system integrators, relatively few customers accounted for a substantial portion of the Company's sales within the last two years as a result of the importance of a limited number of companies in the Company's markets.

In 2012, the ten largest customers represented approximately 68.5% of the Company's sales (compared with 57.8% in 2011); approximately 55.4% of 2012 sales were made with the five largest customers of the Company (compared with 42.7% in 2011), and approximately 22.0% with the major customer alone (13.2% in 2011).

###### ■ Credit risk exposure due to geographical concentration

In thousands of euros	As at 31 December		
	2012	2011	2010
Europe	324	153	160
North America	1,227	1,278	1,530
Asia (including Japan)	208	175	202
Reste of the world	225	146	14
<b>Total trade receivables</b>	<b>1,984</b>	<b>1,752</b>	<b>1,906</b>

##### 4.6.5.2.2.2 The Company's credit policy

The Company has established a policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review include external ratings, where available, and in some cases bank references.

Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Company's Chief Executive Officer: such limits are reviewed at least annually.

Customers that fail to meet the Company's bench mark creditworthiness may transact with the Company only on a prepayment basis.

4.6.5.2.2.3 Impairment losses

Losses have incurred infrequently and have not been significant in the years ended 31 December 2011 and 2012, as shown below.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including geographical location, market segment, aging profile, maturity and existence of previous financial difficulties or collection issues.

■ Aging of trade receivables and impairment losses

In thousands of euros	31 December 2012		31 December 2011		31 December 2010	
	Gross value	Losses	Gross value	Losses	Gross value	Losses
Items which are not past due	1,685	-	1,253	2	1,716	-
Items which are past due:						
- 0 to 30 days	154	-	272	2	146	101
- 30 to 60 days	67	-	89	-	81	-
- 60 to 90 days	63	10	36	-	48	-
- More than 90 days	157	132	242	136	53	37
<b>Total trade receivables</b>	<b>2,126</b>	<b>142</b>	<b>1,892</b>	<b>140</b>	<b>2,044</b>	<b>138</b>

■ Movement in the allowance for impairment during the last two years

In thousands of euros	Years ended 31 December	
	2012	2011
Balance as at 1 January	140	138
Provisions for impairment which were recognized in the year	41	-
Amounts receivable which were written off during the year	-	(1)
Unused amounts which reversed during the year	(38)	-
Effect of exchange rates	(1)	3
<b>Balance as 31 December</b>	<b>142</b>	<b>140</b>

4.6.5.2.3 Note 5b (iii): Credit risk arising from cash

4.6.5.2.3.1 Counterparty risk with respect of cash

For banks and other financial institutions, only independently rated parties with a minimum rating of 'A' are accepted; the main banks used by the Company have the following Standard & Poor's ratings:

	31 December	31 December	31 December
	2012	2011	2010
HSBC Bank Plc	AA-	AA-	AA
Bank of America North America	A	A	A+

4.6.5.2.2.2 Sovereign debt risk

The Company did not have any exposure to sovereign debt risk as at 31 December 2012, as it did not hold any financial assets of that nature during the year ended 31 December 2012.

4.6.5.3 Note 5c: Liquidity risk

4.6.5.3.1 Note 5c (i): Definition

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

4.6.5.3.2 Note 5c (ii): The Company's liquidity risk policy

The Company's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 to 90 days, including the servicing of financial or lease obligations, if any, but excluding the potential impact of extreme circumstances that cannot reasonably be predicted.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities, where appropriate. Due to the dynamic nature of its business, the Company aims to maintain flexibility in funding by keeping committed credit lines available. However, considering the Company's cash position of € 2,252,000 at 31 December 2012, the Company did not maintain any unused lines of credit at such date.

4.6.5.3.3 Note 5c (iii): Contractual maturities of financial liabilities

The tables presented below only include captions of current liabilities for which cash flows are contractually due or expected.

4.6.5.3.3.1 As at 31 December 2012

In thousands of euros	Carrying amount	Contractual or expected cash flows			
		Total	One year or less	One to five years	More than 5 years
Trade payables	269	(269)	(269)	-	-
Current tax liabilities	22	(22)	(22)	-	-
Other current liabilities	821	(821)	(821)	-	-
<b>Total</b>	<b>1,112</b>	<b>(1,112)</b>	<b>(1,112)</b>	-	-

4.6.5.3.3.2 As at 31 December 2011

In thousands of euros	Carrying amount	Contractual or expected cash flows			
		Total	One year or less	One to five years	More than 5 years
Trade payables	265	(265)	(265)	-	-
Current tax liabilities	61	(61)	(61)	-	-
Other current liabilities	857	(857)	(857)	-	-
<b>Total current liabilities</b>	<b>1,183</b>	<b>(1,183)</b>	<b>(1,183)</b>	-	-

4.6.5.3.3.3 As at 31 December 2010

In thousands of euros	Carrying amount	Contractual or expected cash flows			
		Total	One year or less	One to five years	More than 5 years
Trade payables	292	(292)	(292)	-	-
Current tax liabilities	-	-	-	-	-
Other current liabilities	892	(892)	(892)	-	-
<b>Total current liabilities</b>	<b>1,184</b>	<b>(1,184)</b>	<b>(1,184)</b>	-	-

4.6.5.4 Note 5d: Market risk

4.6.5.4.1 Note 5d (i): Definition

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Company's income.



4.6.5.4.2 Note 5d (ii): The Company's market risk policy

The objective of market risk management is to manage and control market risk exposures (notably foreign exchange risk and cash-flow interest-rate risk) within acceptable parameters, while optimising the return on risk.

4.6.5.4.3 Note 5d (iii): Foreign exchange risk

The Company operates internationally; as a result, it is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the British pound.

Foreign exchange risk arises from future commercial transactions, recognised assets (notably trade receivables) and liabilities, as well as net investments in foreign operations.

4.6.5.4.3.1 Foreign risk management policy

*Foreign exchange risk arising from future commercial transactions and recognized assets and liabilities*

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the entity's functional currency, certain entities in the Company use foreign currency option or forward contracts transacted with high-credit-quality financial institutions, after review and approval by the Company's Chief Financial Officer.

No such contracts were outstanding as at 31 December 2011 and 2012, though the Company entered into some contracts during the year ended 31 December 2012.

The Company recorded a foreign exchange currency gain with respect of these contracts which amounted to € 1,000 in the year ended 31 December 2012 (see note 23 below).

*Foreign exchange risk arising from net investments in foreign operations*

The Company has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations in the UK and in the US is managed primarily through borrowings denominated in the relevant foreign currencies, where appropriate.

4.6.5.4.3.2 Year-end date exposure

As at 31 December 2012

In thousands of euros	Notional amounts which are denominated in				
	euros	US dollars	British pounds	Japanese yens	Indian rupees
Trade receivables	163	1,599	142	80	-
Current tax assets	-	51	-	-	-
Other current assets	20	-	50	5	-
Trade payables	(106)	(27)	(116)	(7)	(13)
Current tax liabilities	-	-	-	(22)	-
Other current liabilities	(63)	(170)	(588)	-	-
Customer advances and deferred revenue	-	(374)	(279)	-	-
<b>Net exposure at year-end date</b>	<b>14</b>	<b>1,079</b>	<b>(791)</b>	<b>56</b>	<b>(13)</b>

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As at 31 December 2011

In thousands of euros	Notional amounts which are denominated in				
	euros	US dollars	British pounds	Japanese yens	Indian rupees
Trade receivables	69	1,592	79	12	-
Current tax assets	-	5	-	6	-
Other current assets	22	-	40	-	-
Trade payables	(127)	(20)	(96)	(9)	(13)
Current tax liabilities	-	(40)	-	(21)	-
Other current liabilities	(64)	(97)	(696)	-	-
Customer advances and deferred revenue	-	(519)	(227)	-	-
<b>Net exposure at year-end date</b>	<b>(100)</b>	<b>921</b>	<b>(900)</b>	<b>(12)</b>	<b>(13)</b>

As at 31 December 2010

In thousands of euros	Notional amounts which are denominated in				
	euros	US dollars	British pounds	Japanese yens	Indian rupees
Trade receivables	90	1,771	45	-	-
Current tax assets	-	37	-	-	-
Other current assets	19	-	32	8	-
Trade payables	(106)	(54)	(111)	(6)	(15)
Current tax liabilities	-	-	-	-	-
Other current liabilities	(58)	(129)	(690)	(15)	-
Customer advances and deferred revenue	-	(570)	-	-	-
<b>Net exposure at year-end date</b>	<b>(55)</b>	<b>1,055</b>	<b>(724)</b>	<b>(13)</b>	<b>(15)</b>

■ Sensitivity analysis

The following exchange rates with the euro were applied during the years ended 31 December 2011 and 2012, and as at 31 December 2011 and 2012, respectively:

Number of euros needed for one	Average rates in		Rates as at 31 December	
	FY 2012	FY 2011	2012	2011
US dollar	0.7781	0.7194	0.7565	0.7732
British pound	1.2330	1.1528	1.2220	1.1937
Japanese yen	0.0098	0.0090	0.0881	0.0100
Indian rupee	0.0146	0.0154	0.0138	0.0142

Had sales and results of the entities of the Company for the year ended 31 December 2012 been converted using the exchange rates prevailing as at and in the year ended 31 December 2011, the Company's 2012 sales would have been lower by approximately € 626,000 and amounted to € 9,087,000, whereas the operating loss for the year ended 31 December 2012 would have been approximately € 14,000 higher, and amounted to € 333,000.

Had sales and results of the entities of the Company for the year ended 31 December 2011 been converted using the exchange rates prevailing as at and in the year ended 31 December 2010, the Company's 2011 sales would have been higher by approximately € 282,000 and amounted to € 9,233,000, whereas the operating profit for the year ended 31 December 2011 would have been approximately € 144,000 higher, and amounted to € 187,000.

4.6.5.4 Note 5d (iv): Cash flow interest-rate risk

As the Company has no significant interest-bearing assets and liabilities at 31 December 2010, 2011 and 2012, the Company's income and operating cash flows for the years ended 31 December 2011 and 2012 were substantially independent of changes in market interest rates over these two years.

4.6.5.5 Note 5e: Capital risk management

4.6.5.5.1 Note 5e (i): The Company's objectives when managing capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as going concern to provide returns for shareholders, maintain investor, creditor and market confidence, and sustain future development of the business.

There were no changes in the Company's approach to capital risk management during the year ended 31 December 2012.

4.6.5.5.2 Note 5e (ii): Employee shareholdings

The Board's target is for directors and employees of the Company to hold approximately 3.0% of the Company's ordinary shares and approximately 10.0% as a result of the exercise of share options and of the final grant of shares.

As at 31 December 2012, the Company's directors and employees hold approximately 2.9% of the Company's ordinary shares and approximately 10.3% assuming that all outstanding share options vest and/or are exercised and that all grants of free shares become irrevocable (see note 16 below for further information on the Company's share-based remuneration plans).

4.6.5.5.3 Note 5e (iii): Own share repurchase programme

From time to time the Company repurchases its own shares on the market as part of the share repurchase programme adopted by the Company's shareholders (see note 17 below).

The timing of these repurchases depends on market prices for the Company's share. Shares which have been repurchased are intended to be used primarily for issuing shares under the Company's share grant programme (see note 16b below for further information on the Company's free share grant plans), and secondly for returning cash to the shareholders through the cancellation of outstanding shares.

4.6.5.5.4 Note 5e (iv): Financial structure

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The following table reflects the gearing ratio of the Company at each reporting date presented, which is defined as net debt (calculated as total borrowings plus bank overdrafts less cash at each reporting date) divided by total capital (calculated as equity as shown in the consolidated statement of financial position plus net debt, or less net cash, as appropriate):

In thousands of euros, unless otherwise specified	31 December 2012	31 December 2011	31 December 2010
Net debt (net cash)	(2,252)	(2,315)	(1,869)
Total shareholders' equity	15,828	15,467	14,780
Total capital	13,576	13,152	12,911
Gearing ratio (in % of total capital)	-16.6%	-17.6%	-14.5%

Neither the Parent nor any of its subsidiaries are subject to externally imposed capital requirements.

**4.6.6 Note 6: Critical accounting estimates and judgements**

When preparing the Company's consolidated financial statements, management makes various accounting estimates and judgements which are based on historical experience and various other relevant factors, notably including expectations of future events that are believed to be reasonable under the circumstances when the judgement is formed.

4.6.6.1 Note 6a: Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate exactly to the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2013 are discussed below.

4.6.6.1.1 Note 6a (i): Impairment of goodwill and other intangible assets

4.6.6.1.1.1 Goodwill and other intangible assets with useful indefinite lives

■ Applicable accounting policy

The Company is required to test annually whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment during the year in accordance with the policy set out in note 3f above.

■ Application for the year ended 31 December 2012

*Identification of CGUs to be tested for impairment testing purposes*

Goodwill was fully allocated to the Print segment for the purpose of impairment testing, as the Print and eDoc segments were identified as the lowest level for which there were separately identifiable cash flows (cash-generating unit or CGU).

*Computation of the recoverable amount of the Print CGU*

As had been done as at 31 December 2010 and 2011, the recoverable amount of the Print CGU has been determined using an estimate of its fair value as at 31 December 2012.

These calculations employed cash flow projections based on financial forecasts approved by management covering a four-year period ending 31 December 2016. Cash flows for the following three-year period ending 31 December 2019 were extrapolated using a year-on-year growth rate of 4.7% for sales (to account for sales resulting from expected new business to be contracted during that period) and of 2.4% for operating expenses over that three-year period.

Projected cash flows for the years ending 31 December 2013 to 2019 inclusively were converted into euros based on those rates used for preparing the Company's budget for the year ending 31 December 2013 and were 1.250 euros for 1 British pound, 1.300 US dollars for 1 euro, and 100 Japanese yens for 1 euro.

*Computation of the rate used to discount future cash flows*

	31 December 2012	31 December 2011	31 December 2010
Risk-free rate (UK Treasury Gilts)	1.4%	2.1%	3.7%
Equity risk premium	5.0%	5.0%	5.0%
Equity risk premium for micro caps	3.9%	4.0%	3.0%
<b>Cost of capital</b>	<b>10.3%</b>	<b>11.1%</b>	<b>11.7%</b>
Industry average debt level	none	none	none
Estimated net debt cost	N/A	N/A	N/A
<b>Weighted average cost of capital</b>	<b>10.3%</b>	<b>11.1%</b>	<b>11.7%</b>

*Computation and relative weight of the terminal value*

As had been done as at 31 December 2010 and 2011, the terminal value was determined based on the perpetual growth method using a perpetual growth rate of 1.0% and accounted for approximately 61.1% of the fair value of the Print CGU as at 31 December 2012.

Summary

In thousands of euros	Reference	31 December	31 December
	to notes	2012	2011
Book value of goodwill	10c	6,984	6,822
Book value of Print segment intangible assets	7e	3,582	3,480
Book value of Print segment current assets	7e	1,396	1,287
Book value of Print segment current liabilities	7e	(587)	(674)
<b>Book value of Print segment net assets</b>		<b>11,375</b>	<b>10,915</b>
<b>Fair value of the Print CGU</b>		<b>12,954</b>	<b>11,557</b>
<b>Excess of Print CGU fair value over net book value</b>		<b>1,579</b>	<b>642</b>

As a result, the Company concluded that no impairment was required for goodwill and other intangible assets with indefinite useful lives as at and for the years ended 31 December 2011 and 2012.

■ Sensitivity analysis

Management identified sales projected over the impairment testing period as well as the discount rate as the key assumptions, any change of which may result in the fair value of the Print CGU to be lower than the net value of the Print segment assets.

All things being equal, a decrease of 1.6% of the sales amounts projected by the Company or the use of a discount rate equal to 11.4% would result in the fair value of the Print CGU to be equal to the net value of the Print segment assets as at 31 December 2012.

4.6.6.1.1.2 Intangible assets that are subject to amortisation

Intangible assets that are subject to amortization (notably those arising from the capitalization 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.

■ Intangible assets reported under the Print segment

Intangible assets which are reported as part of the Print segment of the Company's business (see note 7e below) relate to two development projects (namely the Harlequin and Jaws RIP software), which management believes to meet the recognition criteria set out in paragraphs 57 to 62 of IAS 38 (see note 6a (ii) below).

Considering the absence of material changes during the year ended 31 December 2012 in the assumptions used at 31 December 2011 for identifying any requirement to impair these intangible assets, which resulted in management to consider that no impairment was required at the latter date for these intangible assets, management concluded that no impairment for the intangible assets reported under the Print segment of the Company's business was required as at and during the year ended 31 December 2012.

■ Intangible assets reported under the eDoc segment

Intangible assets which are reported as part of the eDoc segment of the Company's business (see note 7e below) relate to three development projects (namely EDL and gDoc applications), which management believes to meet the recognition criteria set out in paragraphs 57 to 62 of IAS 38 (see note 6a (ii) below).

As at 31 December 2012, and as had already been the case as at 31 December 2011, management performed a detailed impairment computation to assess whether any of these intangible assets needed to be impaired as at 31 December 2012. Such computations involved the use of projected cash inflows resulting from forecast sales to be made over the remaining amortization period of the respective development projects. Based on this detailed impairment computation, management concluded that no impairment of the intangible assets reported under the eDoc segment of the Company's business was required as at and for the year ended 31 December 2012, with exception of those costs incurred as part of the development project relating to other conversion technologies, resulting in an impairment expense of € 163,000 in the year ended 31 December 2012 (see note 6b below).

4.6.6.1.2 Note 6a (ii): Capitalisation of computer software development costs

As stated in note 3e to these Company's consolidated financial statements, costs associated with maintaining existing computer software technology and programmes are recognised as an expense when incurred.

Are recognized as intangible assets costs that are directly associated with the production of identifiable and unique software products over which the Company has proprietary rights, that can be measured reliably, and where it is probable that future economic benefits attributable to such software products will flow to the Company. Such costs only include software development employee costs.

As at 31 December 2011 and 2012, the Company considered it could demonstrate that all of the above-mentioned recognition criteria were met by five development projects.

The following table provides information on the aggregate amount of computer software development costs which were capitalized as at 31 December 2011 and 2012, respectively, as well as on the amounts which were capitalized in the years then ended for those projects the Company considered it could demonstrate that it met all of the abovementioned recognition criteria:

In thousands of euros	FY 2012		FY 2011	
	Total amount capitalized at 31 December	Amount capitalized in the year	Total amount capitalized at 31 December	Amount capitalized in the year
Harlequin RIP	6,212	685	5,406	622
Jaws RIP	633	293	334	187
<b>Total Print segment</b>	<b>6,845</b>	<b>978</b>	<b>5,740</b>	<b>809</b>
EDL	1,707	106	1,565	36
gDoc applications	1,998	546	1,426	287
Other conversion technologies	161	-	157	151
<b>Total eDoc segment</b>	<b>3,866</b>	<b>652</b>	<b>3,148</b>	<b>474</b>
<b>Total</b>	<b>10,711</b>	<b>1,630</b>	<b>8,888</b>	<b>1,283</b>

4.6.6.1.3 Note 6a (iii): Income tax

4.6.6.1.3.1 Current tax

The Company is subject to income tax in France and in all jurisdictions where it has subsidiaries (notably in the UK and the US).

Significant judgement is required in determining the provision for income taxes, as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

4.6.6.1.3.2 Deferred tax

The Company recognises deferred tax assets, net of any deferred tax liabilities as applicable, as stated in note 3p above.

In evaluating whether it is probable or not that a deferred tax asset recognised in a specific jurisdiction may be utilised against future taxable profits to be recognised in that jurisdiction, the Company uses estimates of future taxable profits over an appropriate period of time from the balance sheet date (currently being four years), based on sales growth and profit assumptions considered to be appropriate by management over that four-year period.

Should these growth assumptions be revised downwards in future periods, the Company may be required to record a significant deferred tax charge during the period in which the downward revision of these assumptions would be effected, resulting in an unfavorable impact on the Company's results of operations.

4.6.6.2 Note 6b: Critical judgements in applying the Company's accounting policies

4.6.6.2.1 Note 6b (i): Amortization of capitalised development costs

The following table provides information on the aggregate amount of computer software development costs which were capitalized as at 31 December 2011 and 2012, respectively, as well as the amounts

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which were capitalized in the years then ended for those projects the Company considered it could demonstrate that it met all of the abovementioned recognition criteria:

In thousands of euros	FY 2012		FY 2011	
	Accumulated amortisation & impairment at 31 December	Amortisation & impairment expense for the year	Accumulated amortisation & impairment at 31 December	Amortisation & impairment expense for the year
Harlequin RIP	3,168	863	2,261	515
Jaws RIP	95	97	-	-
<b>Total Print segment</b>	<b>3,263</b>	<b>960</b>	<b>2,261</b>	<b>515</b>
EDL	910	219	676	164
gDoc applications	1,209	522	678	325
Other conversion technologies	161	163	-	-
<b>Total eDoc segment</b>	<b>2,280</b>	<b>904</b>	<b>1,354</b>	<b>489</b>
<b>Total</b>	<b>5,543</b>	<b>1,864</b>	<b>3,615</b>	<b>1,004</b>

4.6.6.2.2 Note 6b (ii): Net deferred tax assets which were recognised as at 31 December 2012

4.6.6.2.2.1 Deferred tax assets attributable to capital allowances available in the UK

Deferred tax assets are predominantly attributable to capital allowances available to the UK subsidiaries as the result of the acquisitions made by the Company in the years ended 31 December 1999 and 2000. Although such allowances may be used without any deadline, they can only be used in a given year up to 20% of the outstanding balance at the beginning of that year.

The recognition of a deferred tax asset corresponding to the amount of capital allowances the Company projected to use over the four-year period ending 31 December 2016 to offset projected taxable profit to be made by its UK subsidiary over such period, using the tax rate that was expected to apply to the period when the deferred tax asset would be expected to be realized (i.e. 23.0% from 1 April 2013) resulted in the recognition of a deferred tax asset of € 1,189,000 as at 31 December 2012, and a deferred tax expense of € 164,000 in the year ended 31 December 2012, compared with a deferred tax benefit of € 98,000 in the year ended 31 December 2011 (see note 24c below).

4.6.6.2.2.2 Deferred tax liabilities arising from the capitalisation of development costs

The recognition of a deferred tax liability corresponding to the aggregate amount of development costs incurred by one of the UK-based subsidiaries of the Company, which have been capitalized in accordance with applicable provisions of IAS 38 as set out in note 4a above, net of applicable amortization, using the tax rate that is expected to apply to the period when the deferred tax liability is expected to be settled (i.e. 23.0% from 1 April 2013) resulted in the recognition of a deferred tax liability of € 1,189,000 at 31 December 2012, and a corresponding deferred tax benefit of € 163,000 in the year ended 31 December 2012, compared with a deferred tax expense of € 73,000 in the year ended 31 December 2011.

#### **4.6.7 Note 7: Segment information**

4.6.7.1 Note 7a: Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Company'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.

Two segments were identified: the Print segment, for printing software activities, and the eDoc segment, for electronic document technology activities.

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4.6.7.2 Note 7b: Breakdown of the Company's sales

4.6.7.2.1 Note 7b (i): Breakdown of sales by nature of products sold and services rendered

Both segments derive their revenue principally from the development and sale of software applications and/or solutions, and of related services such as customization, implementation, training, as well as support and maintenance.

The following table provides a breakdown of the Company's sales made in years ended 31 December 2011 and 2012 by nature of products sold and services rendered:

In thousands of euros	FY 2012	FY 2011
License royalties	8,523	7,760
Maintenance and after-sale support services	1,129	1,042
Engineering services	61	122
Other items	-	27
<b>Total sales</b>	<b>9,713</b>	<b>8,951</b>

4.6.7.2.2 Note 7b (ii): Geographical allocation of the Company's sales

In thousands of euros	FY 2012	FY 2011
France	8	4
Europe (excluding France)	846	972
North American (United States and Canada)	6,424	5,603
Asia (including Japan)	2,375	2,294
Rest of the world	60	78
<b>Total sales</b>	<b>9,713</b>	<b>8,951</b>

4.6.7.3 Note 7c: Sales and gross profit by operating segment

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

The following tables provide information on sales and gross margin for each of the Company's operating segments for the years ended 31 December 2011 and 2012:

4.6.7.3.1 Note 7c (i): Year ended 31 December 2012

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Total segment sales	7,754	1,959	-	9,713
Inter segment sales	-	-	-	-
<b>Sales from external customers</b>	<b>7,754</b>	<b>1,959</b>	-	<b>9,713</b>
Cost of sales	(270)	(82)	(55)	(407)
<b>Gross profit</b>	<b>7,484</b>	<b>1,877</b>	<b>(55)</b>	<b>9,306</b>

4.6.7.3.2 Note 7c (ii): Year ended 31 December 2011

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Total segment sales	6,841	2,110	-	8,951
Inter segment sales	-	-	-	-
<b>Sales from external customers</b>	<b>6,841</b>	<b>2,110</b>	-	<b>8,951</b>
Cost of sales	(232)	(140)	(50)	(422)
<b>Gross profit</b>	<b>6,609</b>	<b>1,970</b>	<b>(50)</b>	<b>8,529</b>



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4.6.7.4 Note 7d: Reconciliation of gross profit to profit (loss) before tax

In thousands of euros	FY 2012	FY 2011
Gross margin (see note 7c)	9,306	8,529
Selling, general and administrative expenses	(4,284)	(4,019)
Research & development expenses	(5,291)	(4,672)
Other operating expenses, net of other operating income	(50)	205
Financial expenses, net of financial income (see note 23)	(48)	4
<b>Profit (loss) before tax</b>	<b>(367)</b>	<b>47</b>

4.6.7.5 Note 7e: Reconciliation of assets and liabilities

4.6.7.5.1 Note 7e (i): As at 31 December 2012

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Non-current assets	10,566	1,642	524	<b>12,732</b>
Current assets	1,396	588	2,879	<b>4,863</b>
<b>Total assets</b>	<b>11,962</b>	<b>2,230</b>	<b>3,403</b>	<b>17,595</b>
Non-current liabilities	-	-	2	<b>2</b>
Current liabilities	587	67	1,111	<b>1,765</b>
<b>Total liabilities</b>	<b>587</b>	<b>67</b>	<b>1,113</b>	<b>1,767</b>

4.6.7.5.2 Note 7e (ii): As at 31 December 2011

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Non-current assets	10,302	1,850	602	<b>12,754</b>
Current assets	1,287	465	2,892	<b>4,644</b>
<b>Total assets</b>	<b>11,589</b>	<b>2,315</b>	<b>3,494</b>	<b>17,398</b>
Non-current liabilities	-	-	2	<b>2</b>
Current liabilities	674	72	1,183	<b>1,929</b>
<b>Total liabilities</b>	<b>674</b>	<b>72</b>	<b>1,185</b>	<b>1,931</b>

4.6.7.5.3 Note 7e (iii): As at 31 December 2010

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Non-current assets	9,779	1,899	662	<b>12,340</b>
Current assets	1,303	579	2,498	<b>4,380</b>
<b>Total assets</b>	<b>11,082</b>	<b>2,478</b>	<b>3,160</b>	<b>16,720</b>
Non-current liabilities	-	-	36	<b>36</b>
Current liabilities	147	423	1,334	<b>1,904</b>
<b>Total liabilities</b>	<b>147</b>	<b>423</b>	<b>1,370</b>	<b>1,940</b>

**4.6.8 Note 8: Property, plant and equipment**

4.6.8.1 Note 8a: Cost

In thousands of euros	Building improv.	Computer equipment	Office equipment	Office furniture	Other items	Total
<b>Balance at 1 January 2011</b>	<b>546</b>	<b>1,127</b>	<b>22</b>	<b>295</b>	<b>693</b>	<b>2,683</b>
Additions	1	67	-	7	37	112
Disposals	-	-	-	-	-	-
Effect of change in exch. rates	13	27	1	8	17	66
<b>Balance at 31 December 2011</b>	<b>560</b>	<b>1,221</b>	<b>23</b>	<b>310</b>	<b>747</b>	<b>2,861</b>
Additions	9	70	-	-	27	106
Disposals	-	-	-	-	-	-
Effect of change in exch. rates	12	20	(1)	2	16	49
<b>Balance at 31 December 2012</b>	<b>581</b>	<b>1,311</b>	<b>22</b>	<b>312</b>	<b>790</b>	<b>3,016</b>

4.6.8.2 Note 8b: Depreciation

In thousands of euros	Building improv.	Computer equipment	Office equipment	Office furniture	Other items	Total
<b>Balance at 1 January 2011</b>	<b>230</b>	<b>1,010</b>	<b>18</b>	<b>274</b>	<b>647</b>	<b>2,179</b>
Depreciation charge	57	74	1	21	36	189
Effect of disposals	-	-	-	-	-	-
Effect of change in exch. rates	7	22	-	7	16	52
<b>Balance at 31 December 2011</b>	<b>294</b>	<b>1,106</b>	<b>19</b>	<b>302</b>	<b>699</b>	<b>2,420</b>
Depreciation charge	62	84	1	4	36	187
Effect of disposals	-	-	-	-	-	-
Effect of change in exch. rates	6	17	(1)	3	15	40
<b>Balance at 31 December 2012</b>	<b>362</b>	<b>1,207</b>	<b>19</b>	<b>309</b>	<b>750</b>	<b>2,647</b>

4.6.8.3 Note 8c: Carrying amounts

In thousands of euros	Building Improv.	Computer equipment	Office equipment	Office furniture	Other items	Total
Balance at 1 January 2011	316	117	4	21	46	<b>504</b>
Balance at 31 December 2011	266	115	4	8	48	<b>441</b>
Balance at 31 December 2012	219	104	3	3	40	<b>369</b>

**4.6.9 Note 9: Other intangible assets**

4.6.9.1 Note 9a: Cost

In thousands of euros	Software technology	Customer contracts	Patents	Trademarks	Know-how	Total
<b>Balance at 1 January 2011</b>	<b>26,285</b>	<b>14,097</b>	<b>2,634</b>	<b>605</b>	<b>147</b>	<b>43,768</b>
Additions	1,283	-	-	-	-	1,283
Disposals	-	-	-	-	-	-
Effect of change in exch. rates	635	316	78	14	3	1,046
<b>Balance at 31 December 2011</b>	<b>28,203</b>	<b>14,413</b>	<b>2,712</b>	<b>619</b>	<b>150</b>	<b>46,097</b>
Additions	1,630	-	6	-	-	1,636
Disposals	-	-	-	-	-	-
Effect of change in exch. rates	651	342	64	15	4	1,076
<b>Balance at 31 December 2012</b>	<b>30,484</b>	<b>14,755</b>	<b>2,782</b>	<b>634</b>	<b>154</b>	<b>48,809</b>

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4.6.9.2 Note 9b: Amortisation and impairment

4.6.9.2.1 Note 9b (i): Amortisation expenses for the years ended 31 December 2011 and 2012

Amortisation expenses for the years ended 31 December 2011 and 2012, respectively, consist of the following:

- amortisation expenses relating to software technology and patents, which are recorded as an element of cost of sales, for a total of € 8,000 in the year ended 31 December 2012 (compared with € 92,000 in the year ended 31 December 2011);
- amortisation expenses relating to software technology development costs which have been capitalized in accordance with IAS 38, which are recorded as research & development expenses for a total of € 1,701,000 in the year ended 31 December 2012 (compared with € 1,004,000 in the year ended 31 December 2011).

4.6.9.2.2 Note 9b (ii): Changes in accumulated amortisation and impairment during FY 2011 and 2012

In thousands of euros	Software technology	Customer contracts	Patents	Trademarks	Know-how	Total
<b>Balance at 1 January 2011</b>	<b>21,411</b>	<b>14,097</b>	<b>2,503</b>	<b>605</b>	<b>147</b>	<b>38,763</b>
Depreciation expense	1,004	-	92	-	-	1,096
Impairment expense	-	-	-	-	-	-
Effect of change in exch. rates	515	316	60	14	3	908
<b>Balance at 31 December 2011</b>	<b>22,930</b>	<b>14,413</b>	<b>2,655</b>	<b>619</b>	<b>150</b>	<b>40,767</b>
Depreciation expense	1,701	-	8	-	-	1,709
Impairment expense (note 6a)	163	-	-	-	-	163
Effect of change in exch. rates	521	342	63	15	4	945
<b>Balance at 31 December 2012</b>	<b>25,315</b>	<b>14,755</b>	<b>2,726</b>	<b>634</b>	<b>154</b>	<b>43,584</b>

4.6.9.3 Note 9c: Carrying amounts

In thousands of euros	Software technology	Customer contracts	Patents	Trademarks	Know-How	Total
Balance at 1 January 2011	4,874	-	131	-	-	<b>5,005</b>
Balance at 31 December 2011	5,273	-	57	-	-	<b>5,330</b>
Balance at 31 December 2012	5,169	-	56	-	-	<b>5,225</b>

**4.6.10 Note 10: Goodwill**

4.6.10.1 Note 10a: Cost

In thousands of euros	Harlequin asset purchase	Ansyrr asset purchase	Total
<b>Balance at 1 January 2011</b>	<b>12,595</b>	<b>13</b>	<b>12,608</b>
Effect of change in exchange rates	282	1	283
<b>Balance at 31 December 2011</b>	<b>12,877</b>	<b>14</b>	<b>12,891</b>
Effect of change in exchange rates	306	(1)	305
<b>Balance at 31 December 2012</b>	<b>13,183</b>	<b>13</b>	<b>13,196</b>

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4.6.10.2 Note 10b: Amortisation and impairment

In thousands of euros	Harlequin asset purchase	Ansyrr asset purchase	Total
<b>Balance at 1 January 2011</b>	<b>5,922</b>	<b>13</b>	<b>5,935</b>
Effect of change in exchange rates	133	1	134
<b>Balance at 31 December 2011</b>	<b>6,055</b>	<b>14</b>	<b>6,069</b>
Effect of change in exchange rates	144	(1)	143
<b>Balance at 31 December 2012</b>	<b>6,199</b>	<b>13</b>	<b>6,212</b>

4.6.10.3 Note 10c: Carrying amounts

In thousands of euros	Harlequin asset purchase	Ansyrr asset purchase	Total
Balance at 1 January 2011	6,673	-	<b>6,673</b>
Balance at 31 December 2011	6,822	-	<b>6,822</b>
Balance at 31 December 2012	6,984	-	<b>6,984</b>

4.6.11 Note 11: Financial assets

In thousands of euros	31 December 2012	31 December 2011	31 December 2010
Rent deposits	103	99	97
Other items	7	9	10
<b>Total financial assets</b>	<b>110</b>	<b>108</b>	<b>107</b>

Depreciation expense on other items was € 1,000 in each of the years ended 31 December 2011 and 2012, respectively.

4.6.12 Note 12: Deferred tax assets

4.6.12.1 Note 12a: Recognised deferred tax assets

In thousands of euros	31 December 2012	31 December 2011	31 December 2010
Capital allowances (see note 6b)	1,189	1,318	1,264
Other items	44	52	105
<b>Total deferred tax assets</b>	<b>1,233</b>	<b>1,370</b>	<b>1,369</b>
Capitalised development expenses (see note 6b)	(1,189)	(1,318)	(1,318)
Other items	-	-	-
<b>Total deferred tax liabilities</b>	<b>(1,189)</b>	<b>(1,318)</b>	<b>(1,318)</b>
<b>Total recognised deferred tax assets</b>	<b>44</b>	<b>52</b>	<b>51</b>

4.6.12.2 Note 12b: Unrecognised deferred tax assets

In thousands of euros	31 December 2012	31 December 2011	31 December 2010
Capital allowances available to UK subsidiaries	1,285	3,192	3,753
Tax losses of the Parent	1,823	2,013	2,127
<b>Total unrecognised deferred tax assets</b>	<b>3,108</b>	<b>5,205</b>	<b>5,880</b>

Deferred tax assets have not been recognised in respect of these items at respective year-end dates because it is not probable that future taxable profit will be available against which the Company's entity can utilise the benefits therefrom.

Unrecognised deferred tax assets arising from intangible assets consist of capital allowances which may be carried forward without limitation and may be used to offset any future taxable profit arising in the UK tax group after the end of the four-year period starting on respective year-end dates, which were estimated using the UK statutory rate which would be expected to then be applicable.

Unrecognised deferred tax assets arising from tax losses result from the tax losses generated by the Parent which are available to only offset future taxable profit of this entity; these may be carried forward without time limitation.

#### 4.6.13 Note 13: Trade receivables

In thousands of euros	31 December 2012	31 December 2011	31 December 2010
Trade receivable (see note 5b)	2,126	1,892	2,044
Allowance for doubtful accounts (see note 5b)	(142)	(140)	(138)
<b>Total trade receivables</b>	<b>1,984</b>	<b>1,752</b>	<b>1,906</b>

#### 4.6.14 Note 14: Other current assets

In thousands of euros	31 December 2012	31 December 2011	31 December 2010
VAT receivable	73	62	58
Other items	2	-	1
<b>Total other current assets</b>	<b>75</b>	<b>62</b>	<b>59</b>

#### 4.6.15 Note 15: Share capital and share premium

##### 4.6.15.1 Note 15a: Number of shares forming the share capital

The number of shares forming the Company's share capital was 10,289,781 shares as at 31 December 2010, 2011, and 2012.

##### 4.6.15.2 Note 15b: Number of shares to be used for basic and diluted EPS computation

##### 4.6.15.2.1 Note 15b (i): Number of shares to be used for basic EPS computation

In thousands of shares, each of a par value of € 0.40	Years ended 31 December	
	2012	2011
Number of outstanding shares at 1 January	10,290	10,290
Number of own shares on 1 January (see note 17a)	(166)	(168)
<b>Number of shares to be used for basic EPS computation at 1 January</b>	<b>10,124</b>	<b>10,122</b>
Effect of the grant of own shares made in the year (see note 16b)	-	-
<b>Number of shares to be used for basic EPS computation</b>	<b>10,124</b>	<b>10,122</b>

##### 4.6.15.2.2 Note 15b (ii): Number of shares to be used for diluted EPS computation

##### 4.6.15.2.2.1 Rules used for diluted EPS computation in the years ended 31 December 2011 and 2012

##### ■ Year ended 31 December 2011

Management considered that all of the share options which were outstanding as at 31 December 2011 (see note 16a below) were unlikely to have a dilutive effect for diluted EPS computation purposes since the average exercise price for these options (which was € 1.57) was higher than the average price reported for the Company's share during the year ended 31 December 2011 (which was € 1.32).

On the contrary, management considered that all of the shares which were granted by the Board on 29 July 2009, 10 March 2011 and 2 November 2001 as well as all of the shares which were granted as SIP Matching Shares (see note 16b below) were having a dilutive effect for diluted EPS computation purposes since the final grant of these shares at the end of the corresponding vesting periods is not subject to any other performance conditions than a service condition during the vesting periods.

■ Year ended 31 December 2012

Management considered that none of the financial instruments issued by the Company were likely to have a dilutive effect for diluted EPS computation purposes because of the net loss reported by the Company for the year ended 31 December 2012.

4.6.15.2.2.2 Computation of the number of shares to be used for diluted EPS computation

In thousands of shares, each of a par value of € 0.40	Years ended 31 December	
	2012	2011
Number of shares to be used for basic EPS computation	10,124	10,122
Effect of dilutive financial instruments during the year	-	130
<b>Number of shares to be used for diluted EPS computation</b>	<b>10,124</b>	<b>10,252</b>

4.6.15.3 Note 15c: Share premium

In thousands of euros	Years ended 31 December	
	2012	2011
Balance at 1 January	28,747	28,776
Effect of operating expenses relating to share option plans	(5)	(16)
Effect of free shares which were granted during the year	(5)	(13)
<b>Balance at 31 December</b>	<b>28,737</b>	<b>28,747</b>

**4.6.16 Note 16: Share-based plans**

The Company had the following fixed share option and share grant plans in effect during the years ended 31 December 2011 and 2012.

4.6.16.1 Note 16a: Share option plans

4.6.16.1.1 Note 16a (i): Main rules of the Company's share option plans

4.6.16.1.1.1 Rules which are common to all share option grants made up to 31 December 2012

- Each option when exercised gives the right to one newly issued, ordinary share of the Company having a par value of € 0.40.
- Options can only be granted to and exercised by an individual who is either an employee or a director of the Company or one of its subsidiaries at both grant and exercise dates. Should the beneficiary no longer be fulfilling such continuous employment condition, he may only exercise the portion of options which are vested at the termination date of his employment with the Company. Unvested options may not be exercised at any future date.
- Option rights once granted cannot be sold by the individual receiving them. Only newly issued shares following the exercise of these options are freely transferable, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.
- Neither the exercise of options nor the subsequent sale of resulting newly issued shares can create any incidental tax or social security liabilities for either the Company or the subsidiary of which the individual is an employee or a director.
- All of these options have to be exercised on or before 6 August 2016; otherwise, any unexercised option will lapse from that date.

4.6.16.1.1.2 Rules which are specific to certain share option grants

*Grants of share options made in the years ended 31 December 2008 to 2010*

- The exercise of options may be done by the recipients of the share option grants in one or several transactions, at the discretion of the recipient of the share option grant, but only from the date when that the average of the closing prices reported by NYSE-Euronext for the Company's share over the last 120 trading days is at least equal to € 4,00 for the first quarter of the total number of options granted, € 8,00 for the second quarter of the total number of options granted, € 12,00 for the third quarter of the total number of options granted, et à € 16,00 for the last quarter of the total number of options granted.
- All unvested options will automatically vest and may therefore be exercised, regardless of whether or not the above mentioned minimum share price conditions are met, should one or several shareholders acting in concert come to hold more voting rights than the Company's reference shareholder, Stichting Andlinger & Co. Euro-Foundation, which held 2,883,001 shares of the Company's shares (or 28.02% of the Company's share capital) as at 31 December 2012 to which were attached 2,883,021 voting rights ('de facto control'), or one third or more of the total number of voting rights attached to the Company's shares ('legal control'), being noted that such threshold was reduced to 30.0% of the total number of shares forming the Company's share capital or the voting rights attached to the Company's shares with effect from 1 February 2011, when the threshold the crossing of which triggers the requirement to initiate a public offer was lowered to that level.

*Grants of share options made on 2 November 2011*

- The grant of a given number of share options to an individual by the Board on 2 November 2011 was subject to the irrevocable written acceptance by that individual to waive all of his/her rights to exercise an equal number of options which were previously granted to him/her.
- The exercise of options may be done by the recipient of such share option grant but only from the date when the closing price reported for the Company's share will be at least equal to € 2.00 during a minimum of 20 trading days over any period of 60 trading days during which trades occurred in the Company's share for the first half of the number of the options granted on 2 November 2011, and to € 3.00 (computed as mentioned above) for the remaining half.
- An accelerated vesting of these options, regardless of whether or not the abovementioned minimum share price conditions were met, would occur should one or several shareholders acting in concert (as defined by article L.233-3 of the French Commercial Code) come to hold more than 30.0% of the total number of shares forming the Company's share capital or of the voting rights attached to such shares.
- 200,000 and 12,500 options were granted to Messrs. Fry and Pronost, respectively, on that date.

4.6.16.1.2 Note 16a (ii): Share option activity over the past two financial years

	Corresponding number of shares	Weighted average exercise price in €
<b>Options outstanding at 31 December 2010</b>	<b>654,940</b>	<b>2.33</b>
Options which were granted in 2011	312,500	1.10
Options which were exercised in 2011	-	-
Options which were forfeited in 2011	(337,500)	1.99
Options which lapsed during 2011	(24,940)	10.00
<b>Options which were outstanding at 31 December 2011</b>	<b>605,000</b>	<b>1.57</b>
Options which were granted in 2012	-	-
Options which were exercised in 2012	-	-
Options which were forfeited in 2012	(25,000)	1.35
Options which lapsed during 2012	-	-
<b>Options which were outstanding at 31 December 2012</b>	<b>580,000</b>	<b>1.58</b>

4.6.16.1.3 Note 16a (iii): Outstanding and exercisable options at 31 December 2012

Share option grant date	Share option expiry date	Outstanding options	Exercise price in €	Exercisable options	Exercise price in €
6 August 2008	6 August 2016	200,000	2.08	-	-
18 September 2008	6 August 2016	20,000	1.94	-	-
17 December 2008	6 August 2016	75,000	2.08	-	-
28 July 2010	6 August 2016	10,000	1.65	-	-
2 November 2011	6 August 2016	275,000	1.06	-	-
<b>Total</b>		<b>580,000</b>	<b>1.58</b>	-	-

4.6.16.2 Note 16b: Share grant plans

4.6.16.2.1 Note 16b (i): Grants of free shares made by the Company's Board

4.6.16.2.1.1 Grants of free shares made by the Board on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 shares at no cost to the recipient of such grant ('free shares') to a number of employees of the UK- and US-based subsidiaries of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 29 July 2013 ('vesting period') provided that the following have been met:

- Continuing employment condition: free shares will be irrevocably granted at the end of the vesting period to an individual who, at any time during such four-year period starting on share grant date to the recipient by the Company's Board of Directors and ending on irrevocable grant date of such shares, is either an employee or a director of one of the entities which are part of the Company.
- Neither the irrevocable grant of these shares nor their subsequent sale may create any incidental income tax or social security liability for either the Company or one of its subsidiaries of which the beneficiary is an employee or a director; instead, the individual remains liable for any corresponding liability.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be shares which would have been repurchased by the Company as part of its share repurchase programme (see note 17 below), and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments. As at 31 December 2012, the residual number of shares granted by the Company's Board on 29 July 2009 which may be granted at the end of the vesting period is 21,000, after taking into account the termination or resignation of certain employees who were granted shares since share grant date, including the grant of 750 shares during the year ended 31 December 2012.

4.6.16.2.1.2 Grant of free shares made by the Board on 10 March 2011

On 10 March 2011, the Company's Board of Directors made a grant of 96,000 free shares to a number of employees of the Company, including a grant of 36,000 shares to Mr. Gary Fry and of 4,000 shares to Mr. Alain Pronost, respectively (see note 27b below).

The irrevocable grant of these shares will occur at the end of a two-year vesting period ending 10 March 2013 for the recipients of this share grant which were residents in France for income tax purposes on the date of grant by the Board of Directors (such vesting period being followed by another two-year period ending 10 March 2015 during which these shares may not be disposed of), or a four-year vesting period ending 10 March 2015 for the other recipients of this grant of shares, provided that the same conditions than those set for the grant of options made by the Board on 29 July 2009 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be shares which would have been repurchased by the Company as part of its share repurchase programme (see note 17 below), and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments. As at 31 December 2012, the residual number of shares which were granted by the Company's Board on 10 March 2011 and may be granted at the end of the share vesting period is 84,000, after effect of the resignation during the year ended 31 December 2012 of one employee who was granted 4,000 shares.



#### 4.6.16.2.1.3 Grant of free shares made by the Board on 2 November 2011

On 2 November 2011, the Company's Board of Directors made a grant of 24,000 free shares to a number of employees of the UK- and US-based subsidiaries of the Company.

The irrevocable grant of these shares will occur at the end of a four-year vesting period ending 2 November 2015 for the recipients of such grant of shares, provided that the same conditions than those set for the grants of options made by the Board on 29 July 2009 and 10 March 2011 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be either shares which would have been repurchased by the Company as part of its share repurchase programme (see note 17 below), or newly issued shares, and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

As at 31 December 2012, all of the 24,000 shares granted by the Company's Board on 2 November 2011 may be granted at the end of the share vesting period.

#### 4.6.16.2.1.4 Grant of free shares made by the Board on 25 October 2012

On 25 October 2012, the Company's Board of Directors made a grant of 3,000 free shares to two employees of the UK-based subsidiary of the Company.

The irrevocable grant of these shares will occur at the end of a four-year vesting period ending 25 October 2016 for the recipients of such grant of shares, provided that the same conditions than those set for the grants of options made by the Board on 29 July 2009, 10 March 2011 and 2 November 2011 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be shares which would have been repurchased by the Company as part of its share repurchase programme (see note 17 below), and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

As at 31 December 2012, all of the 3,000 shares granted by the Company's Board on 25 October 2012 may be granted at the end of the share vesting period.

#### 4.6.16.2.2 Note 16b (ii): Grant of free shares under the Share Incentive Plan

A Share Incentive Plan ('SIP') was implemented for the benefit of those employees of the UK subsidiary of the Company who decide to participate to the SIP: they may be granted free, ordinary shares of the Company ('Matching Shares') in proportion of the purchase of ordinary shares of the Company ('Partnership Shares') made through a deduction on their net pay, the irrevocable grant of these shares taking place at the end of a three-year period starting on the date of purchase of each lot of Partnership Shares, an earlier grant being made should they be redundant by the subsidiary before the end of that vesting period.

A total of 27,067 shares were granted to the participants to the SIP in the years ended 31 December 2011 and 2012, of which 5,303 shares in the latter year alone.

As at 31 December 2012, 42,329 of the Company's own shares were allocated as SIP Matching Shares to meet the obligation to grant these shares at the end of the vesting period for such shares.

#### 4.6.16.3 Note 16c: Measurement of the fair value of options and free shares

##### 4.6.16.3.1 Note 16c (i): Measurement of the fair value of options

The fair value of services received by the Company in return for the grant of share options is measured by reference to that of options which were granted.

The estimate of the fair value of the services received in return for these options was measured by an independent valuator using a Monte Carlo valuation model and the following assumptions: option exercise lives expected to be half of the maturity of share options; no expected dividends; a risk-free interest rate based on treasury bonds having a maturity of 5 years; and an expected volatility which was the average of the volatility of the Company's share price over the past five years, being:

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- 42.8% for the share options granted on 6 August and 18 September 2008;
- 58.2% for the share options granted on 17 December 2008;
- 61.2% for the share options granted on 24 February and 28 July 2010, and
- 52.0% for the share options granted on 2 November 2011.

The expense recorded by the Company with respect of share option grants was € 87,000 and € 58,000 in the years ended 31 December 2011 and 2012, respectively.

4.6.16.3.2 Note 16c (ii): Measurement of the fair value of free shares

The expense which was recorded by the Company with respect of share option grants was € 55,000 and € 62,000 in the years ended 31 December 2011 and 2012, respectively.

4.6.16.3.2.1 Grants of shares made by the Board

The fair value of free shares which were granted by the Company's Board of Directors was measured as follows:

- the fair value of free shares granted by the Company's Board of Directors was assumed to be the closing price reported for the Company's share on the last trading day immediately preceding the date when these shares were granted;
- as a matter of caution, at both 31 December 2011 and 2012, it was assumed that there was a 100% probability that all recipients of the grant of free shares would meet the continuing employment condition at the end of the vesting periods.

4.6.16.3.2.2 Grant of SIP Matching Shares

The fair value of free shares granted as Matching Shares under the Share Incentive Plan was assumed to be equal to the purchase price of corresponding Partnership Shares which were acquired by participants to the SIP.

**4.6.17 Note 17: Share repurchase programme**

4.6.17.1 Note 17a: Share repurchase programme activity over the last two financial years

In thousands of euros, except for share numbers	Number of own shares	Repurchase cost
<b>At 1 January 2011</b>	<b>168,081</b>	<b>1,204</b>
Share repurchases in the year ended 31 December 2011	-	-
Grants of own shares in the year ended 31 December 2011	(1,814)	(13)
<b>At 31 December 2011</b>	<b>166,267</b>	<b>1,191</b>
Share repurchases in the year ended 31 December 2012	-	-
Grants of own shares in the year ended 31 December 2012	(750)	(5)
<b>At 31 December 2012</b>	<b>165,517</b>	<b>1,186</b>

4.6.17.2 Note 17b: Allocation of own shares as at 31 December 2012

In thousands of euros, except for share numbers	Number of own shares	Repurchase cost
Grant of free shares voted by the Board on 29 July 2009	21,000	150
Grant of free shares voted by the Board on 10 March 2011	84,000	602
Grant of free shares voted by the Board on 25 October 2012	3,000	22
SIP Matching Shares	42,329	303
<b>Own shares which are allocated to a specific grant decision</b>	<b>150,329</b>	<b>1,077</b>
<b>Own shares which are not allocated to a specific grant decision</b>	<b>15,188</b>	<b>109</b>
<b>Total own shares as at 31 December 2012</b>	<b>165,517</b>	<b>1,186</b>

#### 4.6.18 Note 18: Provisions

As part of the Company's reorganisation plan which was initiated in April 2010, management decided to relocate all employees of the UK-based subsidiary of the Company which worked in the Cambourne office in a single wing, first to facilitate interaction between the various teams, and second to free the other wing so that it may be sublet, being noted that an agent was appointed in that respect in late October 2010.

As at 31 December 2010, in accordance with applications provisions of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, a provision amounting to € 184,000 (including an amount of € 150,000 which was expected to be reversed in 2011) was recorded to account for management's best estimate of the discounted value of the differential between the estimated future rent expenses for the vacant office space less any future sublet income over the remaining duration of the ten-year lease agreement entered into by the Company's UK-based subsidiary which is due to expire on 30 June 2016.

The provision was estimated based on the absence of any sublet income until 30 September 2011, as well as a subsequent rent-free period expiring on 31 March 2012, the discount rate used for discounting the corresponding, projected cash inflows and outflows being that used for intangible asset impairment testing at 31 December 2010, i.e. 11.7% (see note 6a above).

The provision was written back for its full amount in the year ended 31 December 2011 as a result of management's decision to re-use the vacant office space from 1 July 2011 onwards: this resulted in the recognition of firstly an income of € 205,000 which was recorded under the caption *Other operating income* of the consolidated statement of income (see note 22b below), and secondly of an interest expense amounting to € 26,000 to account for the unwinding of the provision (see note 23 below).

#### 4.6.19 Note 19: Customer advances and deferred revenue

In thousands of euros	31 December 2012	31 December 2011	31 December 2010
Deferred revenue	653	746	570
Customer advances	-	-	-
<b>Total customer advances and deferred revenue</b>	<b>653</b>	<b>746</b>	<b>570</b>

#### 4.6.20 Note 20: Operating expenses by nature of expense

In thousands of euros	Years ended 31 December	
	2012	2011
Employee benefit expenses (see note 21)	6,858	6,187
Depreciation and amortisation expenses (see notes 8, 9 and 11)	2,060	1,286
Rent expenses (see note 26b)	381	420
Other operating expenses, net of other operating income	733	1,015
<b>Total operating expenses (including cost of sales)</b>	<b>10,032</b>	<b>8,908</b>

#### 4.6.21 Note 21: Employee benefit expenses

In thousands of euros	Years ended 31 December	
	2012	2011
Wages and salaries	5,418	4,881
Compulsory social security contributions	568	505
Medical insurance contributions	263	251
Pension contributions	441	327
Share-based payments (see note 16)	120	142
Other employee related expenses	48	81
<b>Total employee benefit expenses</b>	<b>6,858</b>	<b>6,187</b>

**4.6.22 Note 22: Other operating expenses and income**

4.6.22.1 Note 22a: Other operating expenses

An amount of € 50,000 was expensed in the year ended 31 December 2012 with regards to the estimated expense to be incurred by the Company as the result of the completion of the liquidation process of its Indian subsidiary, which management expects to occur before the end of the current year.

4.6.22.2 Note 22b: Other operating income

An amount of € 205,000 was recognised in the year ended 31 December 2011 as a result of the write-back of the provision for unused space which was recorded as at 31 December 2010, pursuant to management's decision to re-use all of that office space from 1 July 2011 (see note 18 above).

**4.6.23 Note 23: Net financing gains (losses)**

In thousands of euros	Years ended 31 December	
	2012	2011
Interest income	2	4
Interest expenses (see note 18)	-	(26)
<b>Net interest income (expenses)</b>	<b>2</b>	<b>(22)</b>
Foreign exchange gains (losses) on transactions and revaluations	(51)	26
Fair value gains (losses) on foreign currency option contracts	1	-
<b>Net foreign exchange gains (losses)</b>	<b>(50)</b>	<b>26</b>
<b>Net financing gains (losses)</b>	<b>(48)</b>	<b>4</b>

**4.6.24 Note 24: Income tax expense (benefit)**

4.6.24.1 Note 24a: Income tax expense (benefit) recognised in the consolidated statement of income

In thousands of euros	Years ended 31 December	
	2012	2011
Current tax expense (benefit ) (see note 24b)	(334)	(155)
Deferred tax expense (benefit ) (see note 24c)	9	49
<b>Tax expense (benefit) recognised in the statement of income</b>	<b>(325)</b>	<b>(106)</b>

4.6.24.2 Note 24b: Analysis of the current tax expense (benefit)

In thousands of euros	Years ended 31 December	
	2012	2011
Benefit arising from the repayment of R&D tax credits in the UK	(386)	(253)
Expense arising from other items	52	98
<b>Current tax expense (benefit)</b>	<b>(334)</b>	<b>(155)</b>

4.6.24.3 Note 24c: Analysis of the deferred tax expense (benefit)

In thousands of euros	Years ended 31 December	
	2012	2011
Expense (benefit) arising from the recognition of capital allowances in the UK (see note 6b)	71	(25)
Expense (benefit) arising from capitalised development costs	(56)	73
Expense (benefit) arising from other items	(6)	1
<b>Deferred tax expense (benefit)</b>	<b>9</b>	<b>49</b>

4.6.24.4 Note 24d: Reconciliation of the effective tax expense (benefit)

In thousands of euros	Years ended 31 December	
	2012	2011
Income (loss) before tax	(367)	47
Expected tax expense (benefit) using the Parent's tax rate of 33.33%	(122)	16
Adjustments to the expected tax expense (benefit) attributable to:		
- capitalisation and utilisation of capital allowances	71	(25)
- effect of differences in tax rates in foreign jurisdictions	11	(13)
- effect of share-based payments	40	47
- effect of the repayment of R&D tax credits (see note 24b)	(386)	(253)
- unrecognized tax losses	56	104
- other items	5	18
<b>Tax expense (benefit) recognised in the statement of income</b>	<b>(325)</b>	<b>(106)</b>

4.6.24.5 Note 24e: Expected changes in the UK corporate tax rate

4.6.24.5.1 Note 24e (i): Principles used to assess the applicable corporate tax rate

In accordance with applicable provisions of IAS 12, *Income taxes*, any change in corporate tax rates cannot be reflected in a company's consolidated accounts prepared in accordance with IFRSs unless the corporate tax rate changes have been either enacted or substantively enacted on or before the relevant balance sheet date.

In the UK, substantive enactment occurs when the relevant Finance Act has passed through the House of Commons and is awaiting only passage through the House of Lords and Royal Assent, or when a resolution having statutory effect has been passed under the *Provisional Collection of Taxes Act 1968*.

4.6.24.5.2 Note 24e (ii): Announced decreases of the UK corporate tax rate

4.6.24.5.2.1 With effect from 1 April 2012

On 26 March 2012, the Chancellor of the Exchequer announced the decrease in the main rate of UK corporate tax from 26.0% to 24.0% with effect from 1 April 2012.

Given the late notice in such rate reduction applying from 1 April 2012, it has been legislatively necessary for the reduction to be included in a resolution which was given effect under the *Provisional Collection of Taxes Act 1968*. Accordingly, the reduction in the UK corporate tax rate to 24.0% was substantively enacted following the passing of the resolution on 26 March 2012.

The rate of 26.0% has been that applicable for the computation of the tax expense (benefit) arising from the taxable profit (loss) made by the UK subsidiaries of the Company in the quarter ended 31 March 2012, while the rate of 24.0% was used for the computation of the tax expense (benefit) arising from the taxable profit (loss) made by the UK subsidiaries of the Company in the following three quarters of the financial year ended 31 December 2012.

4.6.24.5.2.2 With effect from 1 April 2013

In his Budget on 26 March 2012, the Chancellor of the Exchequer also proposed a further reduction of the UK corporate tax rate to 23.0% from 1 April 2013.

Royal Assent was given to the Finance Act 2012 on 17 July 2012: accordingly, the rate of 23.0% was used to measure deferred tax assets and liabilities being realized or settled on or after 1 April 2013.

4.6.24.5.3 Note 24e (iii): Projected further reductions in the UK corporate tax rate

In his Budget on 26 March 2012, the Chancellor of the Exchequer also indicated that a further reduction of the main rate of UK corporate tax to 22.0% would be effective from 1 April 2014.

Such changes were not substantively enacted as at 31 December 2012 and were not considered when computing the deferred tax assets and liabilities of the UK subsidiaries of the Company at that date.

The effect on the Company's tax position of these additional reductions of the UK corporation tax rate will be reflected in the Company's consolidated accounts in future years, as appropriate, once the corresponding reductions have been enacted.

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4.6.24.6 Note 24f: R&D tax credit claim for the financial year ended 31 December 2012

The corporation tax return which was prepared by the UK subsidiary of the Company for the year ended 31 December 2012 resulted in a claim for the repayment of a research and development tax credit amounting to an estimated amount of Euro 0.4 million.

As set out in note 4c above, significant judgement was required in determining the amount of that tax credit: as a result, management considered it was not appropriate to recognize this amount as an amount receivable as at 31 December 2012, but to defer its recognition to the point when acceptance of the repayment claim would be notified to the Company's UK subsidiary.

However, since similar claims made by Global Graphics Software Limited in previous years resulted in the repayment to that company of the amounts claimed (as set out in note 24b above), management considered it was appropriate to assume that the amount claimed for the year ended 31 December 2012 would also be repaid to the Company's UK subsidiary in the course of the current financial year, and included the corresponding, expected cash receipt in the cash flow projections prepared to assess the going concern of the Company over the 24-month period ending on 31 December 2014 referred to in note 2d above.

**4.6.25 Note 25: Earnings per share (EPS)**

4.6.25.1 Note 25a: Basic EPS

In thousands of euros, unless otherwise specified	Years ended 31 December	
	2012	2011
Net profit (loss) for the year	(42)	153
Weighted average number of shares to be used for basic EPS computation, in thousands of shares (see note 15b)	10,124	10,122
<b>Basic EPS (in € per share)</b>	<b>0.00</b>	<b>0.02</b>

4.6.25.2 Note 25b: Diluted EPS

In thousands of euros, unless otherwise specified	Years ended 31 December	
	2012	2011
Net profit (loss) for the year	(42)	153
Weighted average number of shares to be used for diluted EPS computation, in thousands of shares (see note 15b)	10,124	10,252
<b>Diluted EPS (in € per share)</b>	<b>0.00</b>	<b>0.01</b>

**4.6.26 Note 26: Commitments**

4.6.26.1 Note 26a: Capital commitments

There were no obligations outstanding at 31 December 2010, 2011 and 2012 for capital lease arrangements and no capital expenditure contracted for at these dates.

4.6.26.2 Note 26b: Operating leases

The Company has entered into certain non-cancellable operating leases, primarily for its offices in the UK, in the US and in Japan. These leases which all expire in the next ten years have varying terms, escalation clauses, and renewal rights.

Total rent expense charged to profit or loss was € 420,000 and € 381,000 for the years ended 31 December 2011 and 2012, respectively (see note 20 above).

The future aggregate minimum operating lease payments were the following as at 31 December 2011 and 2012:

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In thousands of euros	31 December 2012	31 December 2011
Less than one year	400	409
Between one and five years	919	1,212
More than five years	-	-
<b>Total</b>	<b>1,319</b>	<b>1,621</b>

**4.6.27 Note 27: Related party transactions**

The Company has a related party relationship with its subsidiaries (see note 28 below) as well as with its directors and executive officers, as set out in notes 27a, 27b and 27c below.

4.6.27.1 Note 27a: With the Company's directors

With exception of the Chairman of the Company's Board of Directors who was not given any remuneration with respect of either his mandate of chairman or member of the Board, each member of the Company's Board of Directors were paid board fees amounting to Euro 15,000 in each of the years ended 31 December 2011 and 2012.

4.6.27.2 Note 27b: With the Company's executive officers

The Company's executive directors (Messrs. Johan Volckaerts, Gary Fry and Alain Pronost) received the following salaries and other short-term benefits (notably bonuses and pension scheme contributions) in the years ended 31 December 2011 and 2012, respectively.

4.6.27.2.1 Note 27b (i): Salaries and other short-term employment benefits

In thousands of euros	Years ended 31 December	
	2012	2011
Salaries	323	287
Other short-term employment benefits	142	110
<b>Total</b>	<b>465</b>	<b>397</b>

4.6.27.2.2 Note 27b (ii): Share-based payments

Executive officers are entitled to participate in the Company's share option and share grant schemes; please refer to note 16 above for more information on share option and share grants made to Messrs. Fry and Pronost in the year ended 31 December 2011 (none in the year ended 31 December 2012). The portions of the share-based compensation expenses which were attributable to the Company's executive officers in the years ended 31 December 2011 and 2012, respectively, were as follows:

In thousands of euros	Years ended 31 December	
	2012	2011
Grant of share options (see notes 16a and 16c)	49	67
Grant of free shares (see notes 16b and 16c)	16	13
<b>Total</b>	<b>65</b>	<b>80</b>

4.6.27.3 Note 27c: With a company with is managed by one of the Company's officers

On 16 December 2009 the Company's Board of Directors decided to enter into two agreements with Andlinger & Co. CVBA, a Belgian company, which is managed by Mr. Johan Volckaerts, the purpose of which was the following:

- firstly, the rent of a meeting room in Brussels including the provision of related services, against the payment of a quarterly fee of € 1,500 (excluding VAT) ; and

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- secondly, the provision to the Company of advisory services with respect of the Company's corporate and sales strategy against the payment of a monthly fee (excluding VAT) of € 6,000, which was increased to € 6,500 with effect from 1 February 2011, as voted by the Company's Board on 8 February 2011, and reduced to € 4,500 with effect from 1 October 2011, as voted by the Company's Board on 2 November 2011.

The expense recorded by the Company with respect of these two agreements amounted to € 78,000 and € 60,000 in the years ended 31 December 2011 and 2012, respectively.

### 4.6.28 Note 28 : Subsidiaries

Subsidiary name	Country of incorporation	Ownership interest in %	
		2012	2011
Global Graphics (UK) Limited	United Kingdom	100.0%	100.0%
Global Graphics Software Limited	United Kingdom	100.0%	100.0%
Jaws Systems Limited	United Kingdom	100.0%	100.0%
Global Graphics Software Incorporated	United States	100.0%	100.0%
Global Graphics Kabushiki Kaisha	Japan	100.0%	100.0%
Global Graphics Software (India) Private Limited	India	100.0%	100.0%
Global Graphics EBT Limited	United Kingdom	100.0%	100.0%

Global Graphics Software (India) Private Limited, which is dormant since late April 2010, is currently under liquidation, the conclusion of this process being expected before the end of the first half of the current financial year.

### 4.6.29 Note 29: Contemplated legal reorganisation of the Company

On 26 March 2013, in an attempt to simplify the Company's legal organisation and reduce the corresponding administrative costs, the Board decided to implement a legal reorganisation plan, which will be done in several phases over the coming years (provided the proposed plan is approved by the Company's shareholders during their meetings scheduled in June and October 2013), notably the following:

- the listing of the Company's share will be transferred from NYSE Euronext Brussels, where the Company's share has been listed since April 2001, to NYSE Alternext Brussels, the completion of such listing transfer being expected in August 2013;
- the Parent will be converted into an European Company (Societas Europaea, or SE) which will be registered in France;
- the Parent's registered office will be subsequently transferred from France to the UK, such transfer being planned to be effected before 31 December 2013; and
- the combination of the UK-based entities of the Company, starting with that of Global Graphics Software Limited and Global Graphics (UK) Limited, and followed by that of the resulting entity with Global Graphics SE, will take place in the first quarter of the financial year ending 31 December 2014.

## 4.7 Statutory auditors' report on the 2012 consolidated financial statements

To the shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended 31 December 2012, on:

- the audit of the consolidated financial statements of Global Graphics SA, which are presented on pages 16 to 56;
- the justification of our assessments;
- the specific verification required by law.



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These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

### 1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### 2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*"Code de commerce"*) relating to the justification of our assessments, we bring to your attention the following matters.

Notes 2d and 6 to the financial statements describe the significant estimates made by management. Our work consisted of assessing the reasonableness of information and assumptions on which these estimates were made, particularly those related to goodwill and other intangible assets (notes 3e, 3f, 9 and 10) and to deferred tax assets (notes 3p and 12), and reviewing, on a test basis, the calculations made by the Company, and verifying the appropriateness of the information disclosed in the notes relating to the assumptions and methods applied.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### 3. Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information provided in the Company's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Villers-lès-Nancy and Nancy, on 12 April 2013

KPMG Audit,  
A division of KPMG S.A.

SECEF

Christophe Bernard

Philippe Gibello

*This report is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English-speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Company's management report.*

*This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.*

## 4.8 Alternative performance measures used by the Company

### 4.8.1 Basis of preparation of adjusted financial information

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and related interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union. However, management believes that evaluating the Company's ongoing results may not be as useful if an investor is limited to reviewing only IFRS financial measures, notably because management of the Company uses adjusted financial information to evaluate its ongoing operations as well as for internal planning and forecasting purposes. To prepare adjusted financial information, management of the Company complies with the principles set in the Recommendation on Alternative Performance Measures which was issued by the Committee of European Securities Regulators ('CESR') in October 2005 (CESR Recommendation on Alternative Performance Measures), referred to in the AMF Recommendation n°2010-11 of 17 November 2010 relating to corporate communication on financial indicators.

The Company's management does not itself, nor does it suggest that investors should, consider such adjusted financial measures in isolation from, or as a substitute for, financial information prepared in accordance with IFRSs. The Company presents adjusted financial measures in reporting its financial results to provide investors with an additional tool to evaluate the Company's results in a manner that focuses on what the Company believes to be its ongoing business operations. The Company's management believes that the inclusion of adjusted financial measures provides consistency and comparability with past reports of financial information and has historically provided comparability to similar companies in the Company's industry, many of which present the same or similar adjusted financial measures to investors. As a result, investors are encouraged to review the related IFRS financial measures and the reconciliation of these adjusted financial measures to the most directly comparable IFRS financial measures as detailed above.

Adjusted financial information has not been audited, nor reviewed by the Company's statutory auditors.

### 4.8.2 Justification of adjustments made to reported numbers

The purpose of the following adjustments, which are made to reported numbers with respect of the Company's operating and net profit (loss), is to provide additional information to measure the Company's performance.

#### 4.8.2.1 Share-based remuneration expenses

In accordance with applicable provisions of IFRS 2, *Share-based payments*, an expense is recognized in the Company's consolidated financial statements with respect of share-based remuneration plans (see note 16 to the Company's 2012 consolidated financial statements), regardless of any change in the number of outstanding shares of the Company pursuant to the exercise of share options, or before the grant of shares to employees of the Company becomes final.

As a result, management believes it is appropriate to adjust the Company's operating profit (loss) reported under IFRSs of such expense to provide a relevant measure of the Company's operating performance.

#### 4.8.2.2 Capitalisation and amortisation of eligible software development expenses

Costs relating to development projects (consisting of software development employee costs) which meet all of the criteria set out under paragraphs 57 to 62 of IAS 38, *Intangible Assets*, are capitalized, and are subsequently amortized over the estimated useful life of the corresponding development project as set out in notes 6a and 6b to the Company's 2012 consolidated financial statements.

Considering the level of judgment required to assess whether a given development project may be eligible to such capitalization, and also to set the duration of the useful life of such project, management of the Company believes it is appropriate to adjust the Company's operating profit (loss) reported under IFRSs of such amounts to provide a relevant measure of the Company's operating performance.

#### 4.8.2.3 Other operating expenses and income

In accordance with provisions of Paragraph 97 of IAS 1, *Presentation of Financial Statements*, unusual, abnormal and infrequent items of income and expense have to be disclosed in a separate note, in an attempt to improve the predictive value of the consolidated statement of income (loss).

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Accordingly, certain items of operating expenses and income were disclosed separately in the Company's consolidated statement of income (loss) and a specific note to the consolidated financial statements (see note 22 to the 2012 consolidated financial statements).

Management believes it is appropriate to adjust the Company's operating profit (loss) reported under IFRSs of such amounts to provide a relevant measure of the Company's operating performance for the years ended 31 December 2011 and 2012, with and without inclusion of such items, and also to provide the user of the Company's consolidated financial statements with a meaningful basis of comparison with comparative amounts which were reported in prior years as well as with those which will be reported in future years.

### 4.8.3 Adjusted financial information computation

Presented hereafter is the computation for the adjusted operating profit (loss) and the net profit (loss), as well as the corresponding basic and diluted profit (loss) per share.

#### 4.8.3.1 Adjusted operating profit (loss)

In thousands of euros	Years ended 31 December	
	2012	2011
<b>Reported operating profit (loss)</b>	<b>(319)</b>	<b>43</b>
Management adjustments to reported operating profit (loss):		
- Share-based remuneration expenses (see note 16)	120	142
- Capitalised development expenses (see note 6a)	(1,630)	(1,283)
- Amortisation and impairment of capitalised development expenses (see note 6b)	1,864	1,004
- (Other operating income) other operating expenses (see note 22)	50	(205)
<b>Total management adjustments to reported operating profit (loss)</b>	<b>404</b>	<b>(342)</b>
<b>Adjusted operating profit (loss)</b>	<b>85</b>	<b>(299)</b>
<b>In % of sales for the year</b>	<b>0.9%</b>	<b>-3.3%</b>

#### 4.8.3.2 Adjusted net profit (loss)

In thousands of euros, except per share data in euro	Years ended 31 December	
	2012	2011
<b>Reported net profit (loss)</b>	<b>(42)</b>	<b>153</b>
Management adjustments to reported net profit (loss):		
- Share-based remuneration expenses (see note 16)	120	142
- Capitalised development expenses (see note 6a)	(1,630)	(1,283)
- Amortisation and impairment of capitalised development expenses (see note 6b)	1,864	1,004
- (Other operating income) other operating expenses (see note 22)	50	(205)
- Expense arising from the unwinding of the vacant lease provision	-	26
- Tax effect of abovementioned adjustments	(127)	73
<b>Total management adjustments to reported net profit (loss)</b>	<b>277</b>	<b>(243)</b>
<b>Adjusted net profit (loss)</b>	<b>235</b>	<b>(90)</b>
<b>Adjusted net basic EPS</b>	<b>0.02</b>	<b>(0.01)</b>
<b>Adjusted net diluted EPS</b>	<b>0.02</b>	<b>(0.01)</b>

Adjusted net basic EPS for a given year is computed by dividing the adjusted net profit (loss) for that year by the weighted average number of ordinary shares which were outstanding during that year, as set out in note 25a to the 2012 consolidated financial statements.

Adjusted net diluted EPS for a given year is computed by dividing the adjusted net profit (loss) for that year by the weighted average number of ordinary shares to be used for diluted EPS computation for the period, as required by IAS 33, *Earnings per share*, as set out in note 25b to the 2012 consolidated financial statements.

**CHAPTER 5 - STATUTORY ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012**

**5.1 Statement of financial position as at 31 December**

**5.1.1 Assets**

In euros	Note reference	2012			2011
		Gross amount	Amort. & depreciation	Net amount	Net amount
<b>FIXED ASSETS</b>					
Intangible assets	3	47,079	39,615	7,464	8,709
Tangible assets	4	1,777	1,777	0	465
Financial assets	5	73,586,191	57,758,190	15,828,001	15,467,001
<b>Total fixed assets</b>		<b>73,635,047</b>	<b>57,799,582</b>	<b>15,835,465</b>	<b>15,476,175</b>
<b>CURRENT ASSETS</b>					
Trade receivables		0	0	0	0
Other current assets	6 & 14	4,638,851	0	4,638,851	4,577,576
Own shares	7	1,185,640	942,566	243,074	242,265
Cash	8	90,589	0	90,589	14,740
<b>Total current assets</b>		<b>5,915,080</b>	<b>942,566</b>	<b>4,972,514</b>	<b>4,834,581</b>
Prepaid expenses		27,977	0	27,977	24,378
Exchange rate differences	15	642,231	0	642,231	707,356
<b>TOTAL ASSETS</b>		<b>80,220,335</b>	<b>58,742,148</b>	<b>21,478,187</b>	<b>21,042,490</b>
Financial assets which are due within one year				0	0
Current assets which are due after one year				0	0

**5.1.2 Shareholders' equity and liabilities**

In euros	Note reference	31 December	31 December
		2012	2011
<b>SHAREHOLDERS' EQUITY</b>			
	9		
Share capital		4,115,912	4,115,912
Share premium		28,797,116	28,802,012
Legal reserve		409,901	409,901
Prior year losses brought forward		(28,987,934)	(29,763,559)
Net income (loss) for the year		440,012	775,625
<b>Total shareholders' equity</b>		<b>4,775,007</b>	<b>4,339,891</b>
<b>PROVISIONS FOR RISKS AND FUTURE COSTS</b>			
	10	782,219	786,803
<b>LIABILITIES</b>			
Borrowings from banks and other credit institutions		23	61
Trade payables	11	106,442	129,818
Taxes and social security liabilities	12	62,482	63,990
Other liabilities	13 & 14	14,981,080	15,331,360
<b>Total liabilities</b>		<b>15,150,027</b>	<b>15,525,229</b>
Exchange rate differences	15	770,934	390,567
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>21,478,187</b>	<b>21,042,490</b>
Liabilities which are due within one year		15,150,027	15,331,360
Bank overdrafts and other short-term bank facilities		23	61

## 5.2 Statement of income (loss)

In euros	Note reference	Years ended 31 December	
		2012 (12 months)	2011 (12 months)
<b>OPERATING INCOME</b>			
Sales	16	583,313	547,836
Write-back of provisions and recharges of expenses		12,000	49,000
Other operating income		9	2
<b>Total operating income</b>		<b>595,322</b>	<b>596,838</b>
<b>OPERATING EXPENSES</b>			
Other purchase and expenses		327,872	350,838
Taxes (other than corporate income tax)		2,078	1,850
Salaries and wages		102,973	100,177
Social charges		57,097	54,513
Depreciation expense	3 & 4	1,710	1,837
Provisions		0	0
Other operating expenses		60,006	60,005
<b>Total operating expenses</b>		<b>551,736</b>	<b>569,220</b>
<b>OPERATING PROFIT (LOSS)</b>		<b>43,586</b>	<b>27,618</b>
<b>FINANCIAL INCOME</b>			
Interest and similar income		21	4
Foreign exchange gains		26,800	4,237
Write-back of provisions and recharges of expenses	5, 7 & 10	1,161,423	2,163,660
<b>Total financial income</b>		<b>1,188,244</b>	<b>2,167,901</b>
<b>FINANCIAL EXPENSES</b>			
Interest and similar expenses		6	1
Foreign exchange losses		15,215	3,930
Provisions	5, 7 & 10	728,250	1,401,851
<b>Total financial expenses</b>		<b>743,471</b>	<b>1,405,782</b>
<b>FINANCIAL PROFIT (LOSS)</b>		<b>444,773</b>	<b>762,119</b>
<b>PROFIT (LOSS) ON ORDINARY OPERATIONS</b>		<b>488,359</b>	<b>789,737</b>
<b>EXCEPTIONAL INCOME</b>			
	17		
On operating items		1,699	2,066
On capital items		0	0
Write-back of provisions and recharges of expenses		18,367	51,670
<b>Total exceptional income</b>		<b>20,066</b>	<b>53,736</b>
<b>EXCEPTIONAL EXPENSES</b>			
	17		
On operating items		1,802	0
On capital items		5,372	12,994
Provisions		61,408	54,983
<b>Total exceptional expenses</b>		<b>68,582</b>	<b>67,977</b>
<b>EXCEPTIONAL PROFIT (LOSS)</b>		<b>(48,516)</b>	<b>(14,241)</b>
<b>INCOME TAX CHARGE (BENEFIT)</b>		<b>(169)</b>	<b>(129)</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>440,012</b>	<b>775,625</b>

### 5.3 Notes to the 2012 statutory financial statements

#### 5.3.1 Note 1: Overview of the Company and its business and salient features for the year

##### 5.3.1.1 Note 1a: Overview of the Company and its business

Global Graphics SA ('the Company') is the parent company of the Global Graphics group of companies ('the Group'), a worldwide leader in the development and supply of software solutions to the graphic arts, digital printing and electronic document sectors, notably to Original Equipment Manufacturers ('OEMs').

The Company was incorporated in late November 1996 to facilitate the purchase of the entire share capital of a privately owned group of companies, including Photoméca SA, then a worldwide leader in the manufacture and supply of pre-press, plate-processing equipment predominantly for the flexographic printing process. This was the basis from which the Group started its subsequent expansion which resulted in the acquisition in the years ended 31 December 1998 to 2000 of, firstly, the entire share capital of certain companies manufacturing complementary pre-press equipment to those businesses owned by the Company (which later formed the Group's Hardware segment of business), and secondly, certain groups of assets in the digital printing and publishing industries (later combined in the Group's Printing software segment of business).

Since the disposal of both the Xanalys (Information Management Software segment of business, a spin-off of the Printing software segment from early 2000), and Hardware segments in the first half of 2002, the Group's business has consisted of the development and sale of software solutions such as RIP software (Raster Image Processing software), document management (notably for PostScript, PDF, XPS and PCL documents), workflow and color management solutions used in digital printing processes.

Since its inception, and in addition to being the Group's parent company, the Company has also played an important role in providing funding for the Group's acquisitions and growth, a role which became even more important following the admission of the Company's shares to trading on EASDAQ on 23 June 1998 (which became NASDAQ Europe in June 2001, and from which the Company's shares were de-listed on 16 September 2003) as well as on Euronext Brussels (now part of NYSE-Euronext) on 17 April 2001.

The Company also plays a major role in the coordination of the Group's activities, notably in administration and finance.

##### 5.3.1.2 Note 1b: Salient features for the year ended 31 December 2012

Salient features for the year ended 31 December 2012 are as follows:

- the valuation allowance on the shares of Global Graphics (UK) Limited was decreased by an amount of € 361,000 to increase the carrying value of these shares as at 31 December 2012 up to the amount of the Group's shareholders equity at that date, which was assumed to represent the fair value of these shares as at 31 December 2012 (see note 5b below);
- 750 free shares which had been previously repurchased as part of the Company's share repurchase programme were granted to one employee who left the Group's employment during the year ended 31 December 2012 (see note 7b below);
- in the year ended 31 December 2012, a total of 5,303 shares, which had been previously repurchased as part of the Company's share repurchase programme, were granted as Matching Shares under the Share Incentive Plan ('SIP') to employees of the UK subsidiary of the Group (see notes 7b and 9d below);
- a provision for the cost resulting for the obligation to irrevocably grant free shares at the end of the vesting period for such shares was recorded for an amount of € 61,408 in the year ended 31 December 2012 (see notes 10c and 17 below).

#### 5.3.2 Note 2: Accounting principles and methods

The Company's statutory accounts have been prepared in accordance with accounting principles generally accepted in France.

The accounting principles and methods used by the Company are presented in the following notes; should there be any deviation from these, such deviation would be disclosed in the appropriate note, with indication of the effect of the deviation on the financial statements for the year in which it occurred.

5.3.2.1 Note 2a: Intangible assets

Trademarks and Internet domain names are stated at their purchase cost. They are amortised on a straight-line basis over their estimated useful lives, i.e. one to ten years for the Internet domain names, and ten years for trademarks.

5.3.2.2 Note 2b: Tangible assets

Tangible assets are presented at their purchase cost. Tangible assets are amortised on a straight line basis over a three-year period from acquisition date. In addition, an impairment charge is recorded when the fair value of the asset is lower than its net book value at year-end date.

5.3.2.3 Note 2c: Financial assets

Shares in either group or related companies are stated at cost. Should the year-end value of shares in group or related companies be lower than the acquisition cost of these shares, the Company would record an allowance equal to the corresponding loss. The year-end value of financial assets is based on the re-valued net assets of the subsidiary, its profitability, and its expected future performance and also whether it still makes business sense for the Company to hold such shares. Accordingly, the estimate of such value may result in the year-end value being higher than the corresponding portion in the net assets of the subsidiary.

5.3.2.4 Note 2d: Own shares

Own shares are stated at their repurchase cost. In accordance with applicable provisions of Regulation n°2008-15 dated 4 December 2008 of the Comité de la règlementation comptable, own shares which have been allocated to specific grant plans are stated at their net book value at respective grant dates by the Company's Board of Directors, which is assumed to be equal to the closing price reported for the Company's share on the last trading day immediately preceding the respective dates of grant of such shares in the case of a free share grant, or the purchase of corresponding Partnership Shares acquired by participants to the Share Incentive Plan. The value of own shares held by the Company which have not been allocated to specific grant plans at a given year-end date is based on the moving average of closing prices reported for the Company's share during the month of December of that financial year: should it be lower than the acquisition cost of such own shares, the Company would record an allowance equal to the corresponding loss.

5.3.2.5 Note 2e: Trade receivables

Trade accounts receivable are stated at cost. A provision is recorded when it is probable that the amount receivable may not be collected.

5.3.2.6 Note 2f: Exchange rate differences

Transactions made in foreign currencies are translated into euros using the rates prevailing on each of the transaction dates. Assets and liabilities denominated in foreign currencies which are outstanding at a given year-end date are translated into euros using exchange rates prevailing on that date. Any resulting gains or losses are presented in specific balance sheet captions. Losses resulting from this conversion give rise to a provision for risks, the amount of which is computed taking into account any gains resulting from the above-mentioned translation for transactions made in the same currencies and for similar maturity dates.

5.3.2.7 Note 2g: Going concern

On the date these statutory accounts were drafted, there was no event that was likely to affect the Company's ability to meet its financial requirements over the year ending 31 December 2013 which was known to the Company's Board of Directors.

The Company's going concern is dependent upon that of the Group taken as a whole: based on the Group's financial performance and cash flow forecasts for the years ending 31 December 2013 and 2014, management does not anticipate any significant, detrimental effect on the Group's consolidated cash position over the 24-month period ending 31 December 2014.

### 5.3.3 Note 3: Intangible assets

Intangible assets at 31 December 2012 consisted of expenses incurred for the registration of the Global Graphics trade names, and of the 'globalgraphics.com' Internet domain name.

The corresponding depreciation expense for each of the years ended 31 December 2011 and 2012 was € 1,245.

### 5.3.4 Note 4: Tangible assets

Tangible assets at 31 December 2011 and 2012 consisted of a computer and office equipment, which were all acquired during the year ended 31 December 2009 for a total gross value of € 1,777.

The corresponding depreciation expense for the year ended 31 December 2012 was € 465, compared with an expense of € 592 for the year ended 31 December 2011.

### 5.3.5 Note 5: Financial assets

#### 5.3.5.1 Note 5a: Cost value of financial assets

Financial assets at 31 December 2012 consisted of the shares held in the share capital of the following UK-based companies, which are both wholly-owned subsidiaries of the Company:

- Global Graphics (UK) Limited, the purpose of which is to be the holding company of Global Graphics Software Limited, a UK-based company, following the disposal by the Group of the Hardware segment of its business in May 2002 (see note 1a above), whose shares have a cost value of € 73,586,190; and
- Global Graphics EBT Limited, the purpose of which is to be the trustee of the Employee Benefit Trust ('EBT') which was set up in February 2010 for the benefit of the employees of Global Graphics Software Limited, whose shares have a cost value of € 1.

#### 5.3.5.2 Note 5b: Fair value of financial assets at 31 December 2012

##### 5.3.5.2.1 Note 5b (i): Fair value of the shares in Global Graphics (UK) Limited at 31 December 2012

###### 5.3.5.2.1.1 Method used to assess the fair value of the shares in Global Graphics (UK) Limited

At 31 December 2012, as was already the case at 31 December 2008, 2009, 2010 and 2011, the fair value of the shares in the capital of Global Graphics (UK) Limited was determined with respect to the product of the number of outstanding shares of the Company at year-end date (see note 9a below) by the average closing price for the Company's share for the month of December 2012, less the amount of net cash available at 31 December 2012.

As was already the case at 31 December 2009, 2010 and 2011, the resulting amount was then compared with the amount of the shareholders' equity of the Group at 31 December 2012, management considering that the fair value of these shares at any year-end date may not be lower than the amount of the shareholders' equity of the Group at the same date.

###### 5.3.5.2.1.2 Application as at 31 December 2012

Given that the average closing price for the Company's share for the month of December 2012 was € 1.15 per share (see note 7b below), that net cash amounted to € 90,589 at 31 December 2012 (see note 8 below), and that the shareholders' equity of the Group amounted to € 15,828,000 at that same date (compared with € 15,467,000 at 31 December 2011), the fair value of the shares in the capital of Global Graphics (UK) Limited was estimated to € 15,828,000 as at 31 December 2012, compared with € 15,467,000 as at 31 December 2011.

As a result, the Company decreased the valuation allowance on the shares of Global Graphics (UK) Limited by an amount of € 361,000 in the year ended 31 December 2012, resulting in the valuation allowance to amount to € 57,758,190 as at 31 December 2012, compared with € 58,119,190 as at 31 December 2011.



Unofficial translation of the original version in French language

5.3.5.2.2 Note 5b (ii): Fair value of the shares in Global Graphics EBT Limited at 31 December 2012

Since Global Graphics EBT Limited had a net asset value of € 3,205 at 31 December 2012, the fair value of the shares in the capital of Global Graphics EBT Limited was assumed to be equal to that amount at such date.

As a result, no valuation allowance on the shares of Global Graphics EBT Limited was recorded in and for the year ended 31 December 2012.

5.3.5.3 Note 5c: Schedule of subsidiaries and investments in related companies at 31 December 2012

	Amount of share capital at year-end date	Amount of other equity captions at year-end date	% in share capital held by the Company	Cost value of shares held by the Company in €	Carrying value of shares held by the Company in €	Amount of guarantees and of commitments given in €	Amount of net sales for the last year ended in €	Net profit for the last year ended in €	Dividends received by the Company during the year in €
<b>SUBSIDIARIES</b>									
<b>Global Graphics (UK) Limited</b>	€ 65,193,975	€ (63,538,304)	100.0	73,586,190	15,828,000	None	None	€ 40,366	None
Cambourne Business Park, Cambridge (UK)	£ 37,750,000	£ (36,395,114)						£ 32,522	
<b>Global Graphics EBT Limited</b>	€ 1	€ 3,204	100.0	1	1	None	None	€ (4)	None
Cambourne Business Park, Cambridge (UK)	£ 1	£ 2,624						£ (3)	
<b>INVESTMENTS IN RELATED COMPANIES</b>									
None									

5.3.6 Note 6: Other current assets

Other current assets were due within one year, and consisted of the following as at 31 December:

In euros	2012	2011
Amounts receivable from group companies (see note 14a)	4,618,248	4,552,359
Current tax receivable	169	129
VAT receivable	18,159	21,479
Other items	2,275	3,609
<b>Total gross value</b>	<b>4,638,851</b>	<b>4,577,576</b>
Allowance for bad debt	-	-
<b>Net value</b>	<b>4,638,851</b>	<b>4,577,576</b>

5.3.7 Note 7: Own shares

5.3.7.1 Note 7a: Allocation of own shares held by the Company at 31 December 2012

Own shares which were held by the Company at 31 December 2012 were allocated as follows:

In euros	Number of shares	Repurchase cost	Impairment	Carrying value
Free shares granted on 29 July 2009	21,000	150,428	111,578	38,850
Free shares granted on 10 March 2011	84,000	601,713	481,593	120,120
Free shares granted on 25 October 2012	3,000	21,490	17,860	3,630
SIP Matching Shares	42,329	303,213	240,206	63,007
<b>Own shares which have been allocated</b>	<b>150,329</b>	<b>1,076,844</b>	<b>851,237</b>	<b>225,607</b>
<b>Own shares which have not been allocated</b>	<b>15,188</b>	<b>108,796</b>	<b>91,329</b>	<b>17,467</b>
<b>Total own shares held at 31 Dec. 2012</b>	<b>165,517</b>	<b>1,185,640</b>	<b>942,566</b>	<b>243,074</b>
<b>Change in the year ended 31 Dec. 2012</b>	<b>(750)</b>	<b>(5,372)</b>		

All of the own shares which have been repurchased by the Company as part of its share repurchase programme have been allocated to the first of the three objectives of this programme, which is to meet obligations arising from the Company's share option programmes and other allocations of shares to the Group's employees and/or directors, including through the grant of shares at no cost to the recipient of such grant ('free shares').

5.3.7.2 Note 7b: Own shares which have been allocated to free share grant decisions

5.3.7.2.1 Note 7b (i): Grant of free shares made by the Board on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 free shares to a number of employees of the UK- and US-based subsidiaries of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 29 July 2013 ('vesting period') provided that several conditions have been met (see note 9d below), notably a continuing employment condition during that vesting period.

As at 31 December 2012, the residual number of shares granted by the Company's Board on 29 July 2009 which may be granted at the end of the vesting period is 21,000, affect effect of the termination or resignation since share grant date of certain recipients of that share grant, including the grant of 750 shares, having a total repurchase cost of € 5,372, to one employee of the Company who left the Company's employment in the year ended 31 December 2012 when being made redundant.

As at 31 December 2012, these 21,000 shares had a total repurchase value of € 150,428, and a carrying value of € 38,850 (compared with a carrying value of € 40,238 as at 31 December 2011 for 21,750 shares), which was determined on share grant date based on the closing price reported for the Company's share on the last day immediately preceding the date of grant by the Board, i.e. € 1.85 per share. As a result, the valuation allowance on the own shares which were allocated to the 29 July 2009 Board decision to grant free shares amounted to € 115,578 as at 31 December 2012, compared with € 115,563 as at 31 December 2011.

5.3.7.2.2 Note 7b (ii): Grant of free shares made by the Board on 10 March 2011

On 10 March 2011, the Company's Board of Directors made a grant of 96,000 free shares to a number of employees of the Company; the irrevocable grant of these shares will occur at the end of a two-year period ending 10 March 2013 for the recipients of that share grant which were residents in France for income tax purposes on the date of grant by the Board of Directors (such vesting period being followed by another two-year period ending 10 March 2015 during which these shares may not be disposed of), or a four-year period ending on 10 March 2015 for the other recipients of such grant of shares, provided that several conditions have been met (see note 9d below), notably a continuing employment condition during the corresponding vesting periods.

As at 31 December 2012, the residual number of shares granted by the Company's Board on 10 March 2011 which may be granted at the end of the vesting period is 84,000, affect effect of the resignation during the year ended 31 December 2012 of one employee who was granted 4,000 shares on 10 March 2011, the corresponding shares being re-allocated as unallocated own shares.

As at 31 December 2012, these 84,000 shares had a total repurchase value of € 601,713, and a carrying value of € 120,120 (compared with a carrying value of € 125,840 as at 31 December 2011 for 88,000 shares), which was determined on share grant date based on the closing price reported for the Company's share on the last trading day immediately preceding the date of grant by the Board, i.e. € 1.43 per share. As a result, the valuation allowance on the own shares which were allocated to the 10 March 2011 Board decision to grant free shares amounted to € 481,593 as at 31 December 2012, compared with € 504,526 as at 31 December 2011.

5.3.7.2.3 Note 7b (iii): Grant of free shares made by the Board on 25 October 2012

On 25 October 2012, the Company's Board of Directors made a grant of 3,000 free shares to two employees of the UK subsidiary of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 25 October 2016 for the recipients of that grant of shares, provided that the conditions set out in the grant of shares referred to under note 7b (ii) above have been met.

As at 31 December 2012, the residual number of shares granted by the Company's Board on 25 October 2012 which may be granted at the end of the vesting period is 3,000, for a corresponding value of € 21,490.

As at 31 December 2012 these 3,000 shares had a carrying value of € 3,630, which was determined on share grant date based on the moving average of the closing prices reported for the Company's share during the 20 trading day period immediately preceding the date of grant by the Board, i.e. € 1.21 per share.

As a result, the valuation allowance on the own shares which were allocated to the 25 October 2012 Board decision to grant free shares amounted to € 17,860 as at 31 December 2012.

#### 5.3.7.2.4 Note 7b (iv): Grant of free shares under the Share Incentive Plan

Pursuant to the authorization granted by the Company's shareholders on 29 April 2009, a Share Incentive Plan ('SIP') was implemented for the benefit of those employees of the UK subsidiary of the Company who decide to participate to the SIP: they may be granted free, ordinary shares of the Company ('Matching Shares') in proportion of the purchase of ordinary shares of the Company ('Partnership Shares') made through a deduction on their net pay, the irrevocable grant of these shares taking place at the end of a three-year period starting on the date of purchase of each lot of Partnership Shares, an earlier grant being possible when their employment agreement is terminated by the subsidiary during that period.

During the year ended 31 December 2012, 5,303 shares were granted to employees of the UK subsidiary of the Company as Matching Shares, for a total repurchase value of € 37,987. During that same period, 1,814 Matching Shares were re-allocated as unallocated shares pursuant to the resignation of the recipient of that grant of Matching Shares, who left the Company's employment before the end of the abovementioned vesting period for such shares.

Accordingly, as at 31 December 2012, a total of 42,329 own shares, having a total repurchase value of € 303,213, were allocated as SIP Matching Shares. The carrying value of these shares was determined based on the purchase price of the corresponding Partnership Shares and amounted to € 63,007, compared with a carrying value of € 58,688 for 38,840 shares as at 31 December 2011.

The resulting valuation allowance on the own shares which have been allocated as SIP Matching Shares amounted to € 240,206 as at 31 December 2012, compared with € 219,533 as at 31 December 2011.

#### 5.3.7.3 Note 7c: Own shares which have not been allocated to a share grant decision

As a result of the abovementioned transactions, and in the absence of any share repurchases during the year ended 31 December 2012, the number of own shares which were not allocated to a share grant decision was 15,188 shares having a total repurchase value of € 108,796 at 31 December 2012, compared with 17,677 shares having a total repurchase value of € 126,625 as at 31 December 2011.

At 31 December 2012, the carrying value of these shares was € 17,467, based on an average closing price reported for the Company's share in the month of December 2012 of € 1.15 per share.

As a result, the valuation allowance on these 15,188 shares amounted to € 91,329 as at 31 December 2012, compared with € 109,126 at 31 December 2011, or a decrease of € 17,797, which was the combination of:

- the write-back, amounting to a total of € 32,738, of the valuation allowance existing at 31 December 2011 on the 5,303 shares which were allocated as SIP Matching shares during the year ended 31 December 2012 (see note 7b above);
- the write-back, for a total of € 18,520, of the valuation allowance existing at 31 December 2011 on the 3,000 shares which were allocated by the Board on 25 October 2012 (see note 7b above);
- the addition of € 24,693 made to the valuation allowance existing on the 4,000 shares which had been granted by the Board on 10 March 2011 to one employee of the Company's UK subsidiary who resigned during the year ended 31 December 2012, and were re-allocated as unallocated shares (see note 7b above);
- the addition of € 11,198 made to the valuation allowance existing on the 1,814 Matching Shares which had been granted to one employee of the Company's UK subsidiary who resigned during the year ended 31 December 2012, and were re-allocated as unallocated shares (see note 7b above); and
- the decrease for € 2,430 of the valuation allowance existing on the 15,188 shares which were not allocated to a share grant decision as at 31 December 2012, to adjust their carrying value from € 0.99 per share at 1 January 2012 to € 1.15 per share at 31 December 2012.

### 5.3.8 Note 8: Cash

Cash and cash equivalents consisted of the following at 31 December:

In euros	2012	2011
Cash on hand	90,584	14,740
Accrued interest income	5	-
<b>Gross value</b>	<b>90,589</b>	<b>14,740</b>
Valuation allowance	-	-
<b>Net value</b>	<b>90,589</b>	<b>14,740</b>

### 5.3.9 Note 9: Shareholders' equity

#### 5.3.9.1 Note 9a: Share capital

At 31 December 2011 and 2012, the share capital consisted of 10,289,781 fully paid shares, each having a par value of € 0.40.

#### 5.3.9.2 Note 9b: Changes in other captions of equity in the year ended 31 December 2012

The main changes affecting the shareholders' equity captions in the year ended 31 December 2012 were as follows:

- firstly, the share premium amount decreased by an amount of € 4,896, from € 28,802,012 at 31 December 2011 to € 28,797,116 at 31 December 2012, after effect of the expenses relating to the implementation and management of the various share option schemes operated by the Company as set out in note 9c below; and
- secondly, the statutory net profit of € 775,625 for the year ended 31 December 2011 was allocated to the caption "Prior year losses brought forward", reducing the debit balance of this account from € 29,763,559 at 31 December 2011 to € 28,987,934 at 31 December 2012.

#### 5.3.9.3 Note 9c: Share option plans

##### 5.3.9.3.1 Note 9c (i): Share option plan rules

###### 5.3.9.3.1.1 Rules which are common to all grants of share options made up to 31 December 2012

- Each option when exercised gives the right to one newly issued, ordinary share of the Company having a par value of € 0.40.
- Options can only be granted to, and exercised by, an individual who is either an employee or a director of the Company or one of its subsidiaries at both grant and exercise dates. Should the beneficiary no longer be fulfilling such continuous employment condition, he/she may only exercise the portion of options which are vested at the termination date of his/her employment with the Company. Unvested options may not be exercised at any future date.
- Option rights once granted cannot be sold by the individual receiving them. Only newly issued shares following the exercise of these options are freely transferable, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.
- Neither the exercise of options nor the subsequent sale of resulting newly issued shares can create any incidental tax or social security liabilities for either the Company or the subsidiary of which the individual is an employee or a director.
- All options have to be exercised on or before 6 August 2016; otherwise any unexercised option will lapse from that date.

###### 5.3.9.3.1.2 Rules which are specific to certain grants of share options

###### Grants of share options made in the years ended 31 December 2008 to 2010

- The exercise of options may be done by the recipients of the share option grants in one or several transactions, at the discretion of the recipient of the share option grant, but only from the date when that the average of the closing prices reported by NYSE-Euronext for the Company's share over the last 120 trading days is at least equal to € 4.00 for the first quarter of the total number of

options granted to a recipient, € 8.00 for the second quarter of the total number of options granted to a recipient, € 12.00 for the third quarter of the total number of options granted to a recipient, and to € 16.00 for the last quarter of the total number of options granted to a recipient.

- All unvested options will automatically vest and may therefore be exercised, regardless of whether or not the above mentioned minimum share price conditions are met, should one or several shareholders acting in concert come to hold more voting rights than the Company's reference shareholder, Stichting Andlinger & Co. Euro-Foundation, which held 2,883,001 shares of the Company's shares (or 28.02% of the Company's share capital) as at 31 December 2012 to which were attached 2,883,021 voting rights ('de facto control'), or one third or more of the total number of shares or voting rights attached to the Company's shares ('legal control'), being noted that such threshold was reduced to 30% of the total number of shares forming the Company's share capital or the voting rights attached to the Company's shares with effect from 1 February 2011, when the threshold the crossing of which triggers the requirement to initiate a public offer was lowered to that level.

#### Grants of share options made on 2 November 2011

- The grant of a given number of share options to an individual by the Board on 2 November 2011 was subject to the irrevocable written acceptance by that individual to waive all of his/her rights to exercise an equal number of options which were previously granted to him/her.
- The exercise of options may be done by the recipient of such share option grant but only from the date when the closing price reported for the Company's share will be at least equal to Euro 2.00 during a minimum of 20 trading days over any period of 60 trading days during which trades occurred in the Company's share for the first half of the number of the options granted on 2 November 2011, and to Euro 3.00 (computed as mentioned above) for the remaining half.
- An accelerated vesting of these options, regardless of whether or not the abovementioned minimum share price conditions were met, would occur should one or several shareholders acting in concert (as defined by article L.233-3 of the French Commercial Code) come to hold more than 30.0% of the total number of shares forming the Company's share capital or of the voting rights attached to such shares.

#### 5.3.9.3.2 Note 9c (ii): Outstanding and exercisable options at 31 December 2012

Share option grant date	Share option expiry date	Outstanding options	Exercise price in €	Exercisable options	Exercise price in €
6 August 2008	6 August 2016	200,000	2.08	-	-
18 September 2008	6 August 2016	20,000	1.94	-	-
17 December 2008	6 August 2016	75,000	2.08	-	-
28 July 2010	6 August 2016	10,000	1.65	-	-
2 November 2011	6 August 2016	275,000	1.06	-	-
<b>Total</b>		<b>580,000</b>	<b>1.58</b>	-	-

#### 5.3.9.3.3 Note 9c (iii): Summary of share option grants made to the Company's directors

##### 5.3.9.3.3.1 Mr. Johan Volckaerts, Chairman of the Board of Directors

As at both 31 December 2011 and 2012, Mr. Johan Volckaerts was not granted any share options.

##### 5.3.9.3.3.2 Mr. Gary Fry, Chief Executive Officer and director

At 31 December 2011 and 2012, after he gave his irrevocable consent to waive his right to exercise 200,000 of the 400,000 options which were granted to him on 6 August 2008, Mr. Gary Fry was holding the following options:

- 200,000 options to subscribe for the same number of newly issued ordinary shares of the Company upon the exercise of these options, which were granted to him on 6 August 2008 at an exercise price of € 2.08 per share, and
- 200,000 options to subscribe for the same number of newly issued ordinary shares of the Company upon the exercise of these options, which were granted to him on 2 November 2011 at an exercise price of € 1.06 per share.

5.9.3.3.3 Mr. Alain Pronost, Chief Financial Officer and director

At 31 December 2012, after he gave his irrevocable consent to waive his right to exercise 12,500 of the 25,000 options which were granted to him on 17 December 2008, Mr. Alain Pronost was holding the following options:

- 12,500 options to subscribe for the same number of newly issued ordinary shares of the Company upon the exercise of these options, which were granted to him on 17 December 2008, at an exercise price of € 2.08 per share, and
- 12,500 options to subscribe for the same number of newly issued ordinary shares of the Company upon the exercise of these options, which were granted to him on 2 November 2011, at an exercise price of € 1.06 per share.

5.9.3.3.4 Mr. Pierre Van Beneden, director

At both 31 December 2011 and 2012, Mr. Pierre Van Beneden was not granted any share options.

5.9.3.3.5 Mrs. Clare Findlay, director

At 31 December 2011 and 2012, Mrs. Clare Findlay was not granted any share options.

5.3.9.4 Note 9d: Free share grant plans

5.3.9.4.1 Note 9d (i): Grant of free shares made by the Board on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 shares at no cost to the recipient of such grant ('free shares') to a number of employees of the UK- and US-based subsidiaries of the Company. The irrevocable grant of these shares will occur at the end of a four-year period ending 29 July 2013 ('vesting period') provided that the following have been met:

- Continuing employment condition: free shares will be irrevocably granted at the end of the vesting period to an individual who, at any time during such period, has been either an employee or a director of one of the entities which are part of the Company.
- Neither the irrevocable grant of these shares nor their subsequent sale may create any incidental income tax or social security liability for either the Company or one of its subsidiaries of which the beneficiary is an employee or a director; instead, the individual remains liable for any corresponding liability.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting would be shares which would have been repurchased by the Company as part of its share repurchase programme (see note 7b below), and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments. As indicated note 7b below, as at 31 December 2012, the residual number of the 24,750 shares granted by the Company's Board on 29 July 2009 which may be granted at the end of the share vesting period is 21,000.

5.3.9.4.2 Note 9d (ii): Grant of free shares made by the Board on 10 March 2011

On 10 March 2011, the Company's Board of Directors made a grant of 96,000 free shares to a number of employees of the Company, including a grant of 36,000 shares to Mr. Gary Fry and of 4,000 shares to Mr. Alain Pronost.

The irrevocable grant of these shares will occur at the end of a two-year vesting period ending 10 March 2013 for the recipients of that share grant which were residents in France for income tax purposes on the date of grant by the Board of Directors (such vesting period being followed by another two-year period ending 10 March 2015 during which these shares may not be disposed of), or a four-year vesting period ending 10 March 2015 for the other recipients of such grant of shares, provided that the same conditions than those set for the grant of shares made by the Board on 29 July 2009 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be shares which would have been repurchased by the Company as part of its share repurchase programme (see note 7b below), and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

As indicated note 7b below, as at 31 December 2011, the residual number of the 96,000 shares granted by the Company's Board on 10 March 2011 which may be granted at the end of the share vesting period is 84,000.

5.3.9.4.3 Note 9d (iii): Grant of free shares made by the Board on 2 November 2011

On 2 November 2011, the Company's Board of Directors made a grant of 24,000 free shares to a number of employees of the UK- and US-based subsidiaries of the Company.

The irrevocable grant of these shares will occur at the end of a four-year vesting period ending 2 November 2015 for the recipients of such grant of shares, provided that the same conditions than those set for the grants of shares made by the Board on 29 July 2009 and 10 March 2011 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be either shares which would have been repurchased by the Company as part of its share repurchase programme (see note 7b below), or newly issued shares, and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

As at 31 December 2012, all of the 24,000 shares granted by the Company's Board on 2 November 2011 may be granted at the end of the share vesting period.

5.3.9.4.4 Note 9d (iv): Grant of free shares made by the Board on 25 October 2012

On 25 October 2012, the Company's Board of Directors made a grant of 3,000 free shares to two of employees of the UK-based subsidiary of the Company.

The irrevocable grant of these shares will occur at the end of a four-year vesting period ending 25 October 2016 for the recipients of such grant of shares, provided that the same conditions than those set for the grants of shares made by the Board on 29 July 2009, 10 March 2011 and 2 November 2011 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be shares which would have been repurchased by the Company as part of its share repurchase programme (see note 7b below), and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

As at 31 December 2012, all of the 3,000 shares granted by the Company's Board on 25 October 2012 may be granted at the end of the share vesting period.

5.3.9.4.5 Note 9d (v): Grant of free shares under the Share Incentive Plan

As indicated note 7b below, a Share Incentive Plan was implemented for the benefit of those employees of the UK subsidiary of the Company who decide to participate to the SIP: they may be granted free, ordinary shares of the Company ('Matching Shares') in proportion of the purchase of ordinary shares of the Company ('Partnership Shares') made through a deduction on their net pay, the irrevocable grant of these shares taking place at the end of a three-year period starting on the date of purchase of each lot of Partnership Shares, an earlier grant being made should they be redundant by the subsidiary before the end of that vesting period.

As at 31 December 2012, 42,329 of the Company's own shares were allocated as SIP Matching Shares to meet the obligation to grant these shares at the end of the vesting period for such shares (see note 7b below).

**5.3.10 Note 10: Provisions for risks and future costs**

5.3.10.1 Note 10a: Summary as at 31 December

In euros	2012	2011
Provision for exchange rate losses (see note 10b)	641,102	707,094
Provision for the cost resulting from the obligation to grant free shares (see note 10c)	141,117	79,709
<b>Total provisions for risks and future costs</b>	<b>782,219</b>	<b>786,803</b>

5.3.10.2 Note 10b: Provision for exchange rate losses

A provision for exchange rate losses was recorded for € 641,102 at 31 December 2012, notably relating to amounts receivable and payable to group companies as set out in note 14a below (a similar provision was recorded for € 707,094 at 31 December 2011).

5.3.10.3 Note 10c: Provision for the cost resulting from the obligation to grant free shares

5.3.10.3.1 Note 10c (i): Assumptions used

As at 31 December 2012, the Company recorded a provision amounting to € 114,117 (€79,709 as at 31 December 2011) for the cost resulting from the obligation to grant free shares which were granted either by the Company's Board of Directors on 29 July 2009, 10 March 2011, 2 November 2011 and 25 October 2012, or as Matching Shares under the SIP, the amount of which was determined using the following assumptions:

- because the ultimate goal of the Company's various share grant plans is to provide an incentive to employees to continue their employment with the Company, and because one of the conditions for the shares to be finally granted at the end of the vesting period is to have an continuing employment with the Company or one of the group companies during such period, it was assumed that the benefit provided to the recipients of such share grant was made with respect of the services to be rendered by the recipients of such grant of shares over the vesting period; as a result, the corresponding expense will be recognized over that period as these shares vest; and
- at 31 December 2010, 2011 and 2012, it was assumed that there was a 100% probability that all recipients of grants of free shares would meet the continuing employment condition at the end of the vesting period.

5.3.10.3.2 Note 10c (ii): Corresponding transactions made in the year ended 31 December 2012

The amount expensed by the Company with respect of this provision in the year ended 31 December 2012 was € 61,408, compared with a net increase in this provision amounting to € 54,983 in the year ended 31 December 2011 (see note 17 below).

**5.3.11 Note 11: Trade payables**

Trade payables consisted of amounts due within one year, which were as follows, as at 31 December:

In euros	2012	2011
Trade accounts payable	44	14,900
Other accrued accounts payable	106,398	114,918
<b>Total trade payable</b>	<b>104,442</b>	<b>129,818</b>

**5.3.12 Note 12: Taxes and social security liabilities - corporate income tax**

5.3.12.1 Note 12a: Taxes and social security liabilities

All amounts were due within one year and consisted of the following as at 31 December:

In euros	2012	2011
Unpaid remuneration outstanding at year-end date	58	200
Year-end bonus accrual	15,938	14,375
Vacation pay accrual	5,129	11,294
CET vacation pay accrual (see note 22b)	8,454	8,454
Contributions and taxes on year-end bonus accrual	7,545	6,761
Contributions and taxes on vacation pay accrual	2,371	5,221
Contributions and taxes on CET vacation pay accrual	3,908	3,908
Social security and pension contribution liabilities	17,513	12,271
VAT liability	129	137
Other items	1,437	1,369
<b>Total taxes and social security liabilities</b>	<b>62,482</b>	<b>63,990</b>



5.3.12.2 Note 12b: Future corporate income tax information

Information on future corporate income tax consisted of the following as at 31 December 2012:

In euros	Tax basis	Tax rate	Tax amount
Exchange rate differences (see note 15)	642,231	33.33%	214,077
<b>Total increase in future corporate income tax basis</b>	<b>642,231</b>		<b>214,077</b>
Provision for exchange rate losses (see note 10b)	642,102	33.33%	214,034
Provision for the cost resulting from the obligation to grant shares (see note 10c)	141,117	33.33%	47,039
Exchange rate differences (see note 15)	770,934	33.33%	256,978
<b>Total decrease in future corporate income tax basis</b>	<b>1,554,153</b>		<b>518,051</b>
<b>Net decrease in future corporate income tax basis</b>	<b>911,922</b>		<b>303,974</b>

5.3.12.3 Note 12c: Tax losses which may be carried forward

As at 31 December 2012, the Company had tax losses amounting to a total of € 5,469,778, which may be carried forward.

These tax losses may be used to offset future taxable profits made in a given financial year up to the aggregate of an amount of € 1 million and 50% of the taxable profit made in that year.

Tax losses which could not be used to offset taxable profit in a given financial year may be carried forward to offset taxable profit made in future years without any deadline.

**5.3.13 Note 13: Other liabilities**

All amounts were due within one year and consisted of the following as at 31 December:

In euros	2012	2011
Amounts payable to group companies (see note 14a)	14,980,804	15,331,157
Other items	276	203
<b>Total other liabilities</b>	<b>14,981,080</b>	<b>15,331,360</b>

**5.3.14 Note 14: Transactions with related parties**

5.3.14.1 Note 14a: With companies which are group companies

5.3.14.1.1 Note 14a (i): Amounts included in captions of the statement of financial position

In euros	2012	2011
Investments in group companies (see note 5a)	73,586,191	73,586,191
Valuation allowance on investments (see note 5b)	57,758,190	58,119,190
Other current assets (see note 6)	4,618,248	4,552,359
Exchange rate differences (see note 15)	642,231	707,356
Other liabilities (see note 13)	14,980,804	15,331,157
Exchange rate differences (see note 15)	770,934	390,567

5.3.14.1.2 Note 14a (ii): Amounts included in captions of the statement of income (loss)

In euros	Years ended 31 December	
	2012	2011
Sales (see note 16)	583,313	547,836
Recharges of operating expenses	12,000	49,000
Other purchase and expenses	72	-
Write-back of the valuation allowance on investments	361,000	687,000
Recharges of exceptional expenses (see note 17)	18,367	51,670

5.3.14.2 Note 14b: With companies which are not group companies

On 16 December 2009, the Company's Board of Directors decided to enter into two agreements with Andlinger & Co. CVBA, a Belgian company which is managed by Mr. Johan Volckaerts, the purpose of which was the following:

- firstly, the rent of a meeting room in Brussels including the provision of related services, against the payment of a quarterly fee of € 1,500 (excluding VAT); and
- secondly, the provision to the Company of advisory services with respect of the Company's corporate and sales strategy, against the payment of a monthly fee (excluding VAT) of € 6,000, which was increased to € 6,500 with effect from 1 February 2011 as voted by the Company's Board on 8 February 2011, and decreased to € 4,500 with effect from 1 October 2011 as voted by the Company's Board on 2 November 2011.

The expense recorded by the Company with respect of these two agreements amounted to € 60,000 in the year ended 31 December 2012, and € 77,500 in the year ended 31 December 2011.

**5.3.15 Note 15: Exchange rate differences**

The valuation of assets and liabilities denominated in foreign currencies at 31 December 2012 resulted in exchange rate differences which were posted as assets for € 642,231 (€ 707,356 as at 31 December 2011) and as liabilities for € 770,934 (€ 390,567 as at 31 December 2011).

The resulting provision for exchange rate losses on balance sheet items amounted to Euro 641,102 at 31 December 2012 (see note 10a above).

**5.3.16 Note 16: Sales**

As was the case in the year ended 31 December 2011, sales made in the year ended 31 December 2012 consisted of management fees charged to the Group's operational entities in the UK (for € 335,405 and € 318,102 in the years ended 31 December 2012 and 2011, respectively) and in the US (for € 247,908 and € 229,734 in the years ended 31 December 2012 and 2011, respectively).

**5.3.17 Note 17 : Exceptional result**

In euros	Years ended 31 December	
	2012	2011
On operating items	1,699	2,066
On capital items	-	-
Write-back of provisions and recharges (see note 14a)	18,367	51,670
<b>Total exceptional income</b>	<b>20,066</b>	<b>53,736</b>
On operating items	1,802	-
On capital items (see note 7b)	5,372	12,994
Provisions (see note 10c)	61,408	54,983
<b>Total exceptional expenses</b>	<b>68,582</b>	<b>67,977</b>
<b>Total exceptional result</b>	<b>(48,516)</b>	<b>(14,241)</b>

**5.3.18 Note 18: Management and directors' remuneration**

5.3.18.1 Note 18a: Remuneration of the Company's Chairman of the Board of Directors

No remuneration was paid to Mr. Johan Volckaerts with respect of his office of Chairman of the Board of the Company in and for either of the years ended 31 December 2011 or 2012.

5.3.18.2 Note 18b: Remuneration of the Company's Chief Executive Officer

No remuneration was paid to Mr. Gary Fry with respect of his office of Chief Executive Officer of the Company in and for either of the years ended 31 December 2011 or 2012.

5.3.18.3 Note 18c: Remuneration of the members of the Company's Board of Directors

With exception of the Chairman of the Company's Board of Directors who was not given any remuneration with respect of either his mandate of chairman or member of the Board (see note 18a above), each member of the Company's Board of Directors were paid board fees amounting to € 15,000 in each of the years ended 31 December 2011 and 2012, before effect of any withholding tax for those directors who are not resident in France for personal income tax purposes.

The abovementioned amount was reduced pro rata when the director was appointed or resigned during either of the years ended 31 December 2011 and 2012.

**5.3.19 Note 19: Commitments given as at 31 December 2012**

5.3.19.1 Note 19a: Relating to pension liabilities as at 31 December 2012

As the Company has only one full-time employee as at 31 December 2012 (see note 21 below), pension liabilities have been considered as immaterial at that date.

Accordingly, no liability was accrued for in that respect at that date.

5.3.19.2 Note 19b: Guarantees given on behalf of group companies

The Company agreed to guarantee the payment of the rent for the premises leased by Global Graphics Software Limited near Cambridge in the UK, for an annual expense of £ 254,292, as well as for the premises leased by Global Graphics KK in Japan, for a monthly rental expense of Yen 240,000.

**5.3.20 Note 20: Statutory auditors' fees which were expensed by the Company in 2012**

The following table provides information on the amount of fees which were billed to the Company by its statutory auditors (including members of their networks, as the case may be) and were expensed in the Company's statutory accounts for the year ended 31 December 2012.

Please note that the amounts which are presented in the following table are exclusive of VAT, as well as of any amounts which expensed by the Company with respect of travel and subsistence expenses by the Company's statutory auditors, or the contributions borne on them with regards to the Haut conseil du commissariat aux comptes (H3C).

In euros	KPMG SA		Secef Sarl	
	Fee amount	% of total	Fee amount	% of total
<b>Audit and review of statutory and consolidated financial statements</b>				
Global Graphics SA	79,050	71.1%	25,950	89.6%
Subsidiaries	23,126	20.8%	-	-
<b>Audit-related work</b>				
Global Graphics SA	9,000	8.1%	3,000	10.4%
Subsidiaries	-	-	-	-
<b>TOTAL AUDIT FEES</b>	<b>111,176</b>	<b>100.0%</b>	<b>28,950</b>	<b>100.0%</b>
<b>TOTAL NON-AUDIT FEES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FEES</b>	<b>111,176</b>	<b>100.0%</b>	<b>28,950</b>	<b>100.0%</b>

Fees which were expensed in the year ended 31 December 2012 with respect of audit-related work related to work performed by the Company's auditors to draft special reports which were presented to the extraordinary meeting of the Company's shareholders on 27 April 2012.

**5.3.21 Note 21: Average number of employees**

The average number of the Company's employees in each of the years ended 31 December 2011 and 2012, was one person, being an executive.

### 5.3.22 Note 22: Other information

#### 5.3.22.1 Note 22a: Individual rights to continuing professional education

The accumulated number of hours, corresponding to rights to continuing professional education, was 120 hours as at 31 December 2012 and 2011.

No provision was made with respect of those rights either of these dates.

#### 5.3.22.2 Note 22b : Compte épargne temps (CET)

The Company implemented a 'time-saving account' (Compte Epargne Temps, or 'CET') in the year ended 31 December 2010, which allowed employees of the Company to allocate up to an aggregate of 60 vacation days, with a maximum of 12 days in each calendar year.

The amount of the corresponding accrual was € 8,454 as at 31 December 2011 and 2012 (see note 12a above).

#### 5.3.22.3 Note 22c: Contemplated legal reorganisation of the Company

On 26 March 2013, in an attempt to simplify the Company's legal organisation and reduce the corresponding administrative costs, the Board decided to implement a legal reorganisation plan, which will be done in several phases over the coming years (provided the proposed plan is approved by the Company's shareholders during their meetings scheduled in June and October 2013), as follows:

- the listing of the Company's share will be transferred from NYSE Euronext Brussels, where the Company's share has been listed since April 2001, to NYSE Alternext Brussels, the completion of such listing transfer being expected in August 2013;
- the Parent will be converted into an European Company (Societas Europaea, or SE) which will be registered in France;
- the Parent's registered office will be subsequently transferred from France to the UK, such transfer being planned to be effected before 31 December 2013; and
- the combination of the UK-based entities of the Company, starting with that of Global Graphics Software Limited and Global Graphics (UK) Limited, and followed by that of the resulting entity with Global Graphics SE, will take place in the first quarter of the financial year ending 31 December 2014.

The contemplated legal reorganisation of the Company will also result in the sole employee of the Parent to be made redundant, with effect on 31 December 2013.

## 5.4 Statutory auditors' report on the 2012 statutory financial statements

To the shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended 31 December 2012, on:

- the audit of the statutory financial statements of Global Graphics SA, which are presented on pages 60 to 76;
- the justification of our assessments;
- the specific verifications and information required by law.

These statutory financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

### 1. Opinion on the statutory financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the statutory financial statements give a true and fair view of the Company's financial position and its assets and liabilities [as at 31 December 2012], and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

## 2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("*Code de commerce*") relating to the justification of our assessments, we bring the following to your attention.

Notes 2c and 5 to the financial statements describe the rules and accounting principles applied relating to the valuation of investments.

As part of our assessment of the rules and accounting principles applied by the Company, we verified the appropriateness of the accounting methods referred to above as well as the information disclosed in the notes to the accounts and we examined their correct application.

These assessments were made in the context of our audit of the statutory financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## 3. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code ("*Code de commerce*") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

As required by law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders (or holders of voting rights) has been properly disclosed in the management report.

Villers-lès-Nancy and Nancy, on 12 April 2013

KPMG Audit,  
A division of KPMG SA

SECEF

Christophe Bernard

Philippe Gibello

*This report is a free translation into English of the statutory auditors' report on the statutory financial statements issued in the French language and is provided solely for the convenience of English-speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the statutory financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the statutory financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.*

*This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.*

## 5.5 Statutory auditors' report on the 2012 transactions with regulated related parties

To the shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on the regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate, or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R.225-31 of the French Commercial Code ('Code de commerce') to evaluate the benefits arising from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you, in accordance with article R.225-31 of the French Commercial Code ('Code de commerce'), concerning the implementation of the agreements and commitments already approved by the general meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body ('Compagnie Nationale des Commissaires aux Comptes') relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the underlying documentation from which it has been extracted.

## **Agreements and commitments submitted for approval by the Company's shareholders**

### **Agreements and commitments which were authorised during the year ended 31 December 2012**

In accordance with article L.225-40 of the French Commercial Code ('Code de commerce'), we have been advised of the following related party agreements and commitments which received authorisation from your Board of Directors before they were entered into.

#### **1. Guarantee given by the Company on behalf of Global Graphics Software Limited**

■ Directors concerned by the agreement or commitment:

Messrs. Johan Volckaerts, Gary Fry and Alain Pronost.

■ Purpose of the agreement or commitment:

Guarantee given by the Company on behalf of Global Graphics Software Limited, with regards to the sublease agreement for some of the office space leased by the Company's UK-based subsidiary in Cambourne, in the UK.

■ Terms and conditions of the agreement or commitment

The Company's Board of Directors voted on 5 September 2012 to authorise its Chairman to give a guarantee to the landlord of office facilities leased by Global Graphics Software Limited in Cambourne, in the UK, with regards to the sublease agreement for some of the office space leased by that company which was entered into with a third party.

#### **2. Recharge of management fees to Global Graphics Software Limited**

■ Directors concerned by the agreement or commitment:

Messrs. Johan Volckaerts, Gary Fry and Alain Pronost.

■ Purpose of the agreement or commitment:

Management fees charged to Global Graphics Software Limited, with effect from the first quarter of the financial year ending 31 December 2013.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 12 December 2012 to decrease the amount of the quarterly recharge of management fees made to Global Graphics Software Limited from US\$ 108,000 to \$83,000, with effect from the first quarter of the financial year ending 31 December 2013.

#### **3. Payment to Mr. Alain Pronost of a cash bonus for the financial year ending 31 December 2013**

■ Director concerned by the agreement or commitment:

Mr. Alain Pronost.

■ Purpose of the agreement or commitment:

Payment to Mr. Alain Pronost, who is both a director and an employee of the Company, of a cash bonus for the financial year ending 31 December 2013.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 12 December 2012 that Mr. Alain Pronost would be entitled to the payment by the Company of a cash bonus for the financial year ending 31 December 2013 of a maximum gross amount of € 25,000, should certain targets relating to the amounts of sales and operating expenses reported in the Company's consolidated accounts for the financial year ending 31 December 2013, as well as targets relating to the achievement of collective targets, each of the abovementioned targets giving right to the payment to Mr. Alain Pronost of a maximum gross amount of € 6,250, € 6,250 and € 12,500, respectively.

**4. Agreement for the provision of office facilities and related services by Andlinger & Co. CVBA**

■ Director concerned by the agreement or commitment:

Mr. Johan Volckaerts.

■ Purpose of the agreement or commitment:

Agreement for the provision of office facilities and related services by Andlinger & Co. CVBA in the year ended 31 December 2012.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors decided on 16 December 2009 that a contract, of an initial duration of one year (which may be renewed), be entered into by the Company and Andlinger & Co. CVBA, a company which is registered in Belgium and is managed by Mr. Johan Volckaerts, for the provision of a meeting room and related services (secretarial services, copy machine, etc.) in the Brussels offices of Andlinger & Co. CVBA against the payment of a quarterly fee of € 1,500 excluding VAT.

The amount which was expensed by the Company with respect of this agreement amounted to € 6,000 in the year ended 31 December 2012.

**Agreements and commitments which were authorised since year-end date**

We have been advised of the following related party agreements and commitments, which were entered into since year-end date, and which received prior authorisation from your Board of Directors.

**1. Payment to Mr. Alain Pronost of a cash bonus for the financial year ended 31 December 2012**

■ Director concerned by the agreement or commitment:

Mr. Alain Pronost.

■ Purpose of the agreement or commitment:

Payment to Mr. Alain Pronost, who is both a director and an employee of the Company, of a cash bonus for the financial year ended 31 December 2012.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 14 December 2011 that Mr. Alain Pronost would be entitled to the payment by the Company of a cash bonus for the year ended 31 December 2012 of a maximum gross amount of € 25,000.

On 7 February 2012, the Company's Board of Directors set the rules relating to the payment of part or all of the portions of the bonus; such payment is subject to the achievement of certain targets relating to the amounts of sales and operating expenses reported in the Company's consolidated accounts for the year ended 31 December 2012, as well as collective targets, each of the abovementioned targets giving right to the payment to Mr. Alain Pronost of a maximum gross amount of € 6,250, € 6,250 and € 12,500, respectively.

On 12 February 2013, the Company's Board of Directors voted that the target relating to the amount of sales reported in the Company's consolidated accounts for the year ended 31 December 2012 was 75% achieved, that the target relating to the amount of operating expenses reported in the Company's consolidated accounts for the year ended 31 December 2011 was 100% achieved, and that the target attached to the contribution of Mr. Pronost in the achievement of collective targets was 40% achieved.

The Company's Board of Directors gave its approval for the payment to Mr. Pronost of a cash bonus for the year ended 31 December 2012 amounting to a gross amount of € 15,938.

## 2. Severance agreement of Mr. Alain Pronost

- Director concerned by the agreement or commitment:

Mr. Alain Pronost.

- Purpose of the agreement or commitment:

On 15 March 2013, the Parent entered into a severance agreement with Mr. Alain Pronost, who is both a director and an employee of the Parent.

- Terms and conditions of the agreement or commitment:

On 12 February 2013, Mr. Johan Volckaerts was granted appropriate authority by the Company's Board of Directors to agree with Mr. Alain Pronost the terms and conditions of his severance agreement.

On 26 March 2013, the Company's Board of Directors approved the terms and conditions of the severance agreement entered into with Mr. Alain Pronost on 15 March 2013, which notably provides for the termination of his employment agreement with the Parent with effect on 31 December 2013, the payment of a cash bonus with regards to the financial year ending 31 December 2013 no later than in November 2013, and the payment of an amount of € 122,555 which is inclusive of the redundancy package which is due to Mr. Pronost with respect of the collective labour agreement applicable to the Company since its inception, which is that of engineers and executives of the metal industry.

## Agreements and commitments which were already approved by the shareholders

### Agreements and commitments which were approved in prior financial years and remained into effect during this financial year

In accordance with article R.225-30 of the French Commercial Code ('Code de commerce'), we have been advised that the following agreements and commitments, which were approved in prior years and which remained in effect during this financial year.

#### 1. Guarantee given by the Company on behalf of Global Graphics Software Limited

- Purpose of the agreement or commitment:

Guarantee given by the Company on behalf of Global Graphics Software Limited.

- Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 29 October 2002 to authorise the Chairman of the Board to give a guarantee to the landlord of office facilities leased by Global Graphics Software Limited in Tokyo, in Japan, for the payment of a monthly rent of Yen 240,000.

#### 2. Guarantee given by the Company on behalf of Global Graphics Software Limited

- Purpose of the agreement or commitment:

Guarantee given by the Company on behalf of Global Graphics Software Limited.

- Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 12 June 2006 to authorise the Chairman of the Board to give a guarantee to the landlord of office facilities leased by Global Graphics Software Limited in Cambourne, in the UK, for the payment of an annual rent of £ 254,292.



**3. Recharge of management fees to Global Graphics Software Incorporated**

■ Purpose of the agreement or commitment:

Recharge of management fees to Global Graphics Software Incorporated.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 15 December 2010 that the amount of the quarterly recharge of management fees made to Global Graphics Software Incorporated would be US\$ 80,000, with effect from the first quarter of the financial year ending 31 December 2011.

The corresponding recharge of management fees to Global Graphics Software Incorporated for the financial year ended 31 December 2012 amounted to a total of € 247,908, being the counter-value of US\$ 320,000.

**4. Payments to Mr. Alain Pronost with respect of savings plans made in 2012**

■ Purpose of the agreement or commitment:

Payments to Mr. Alain Pronost with respect of savings plans in the year ended 31 December 2012.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors decided on 16 December 2009 that existing as well as future employees of the Company be entitled to participate to, firstly, a Plan d'épargne interentreprises ('PEI') whose terms provide for an annual contribution by the Company equal to 300% of the amount contributed by the employee during that year, within a maximum of 8% of the annual limit for the payment of social security contributions, and secondly, a Plan d'épargne retraite collectif interentreprises ('PERCO-I') whose terms provide for an annual contribution by the Company equal to 300% of the amount contributed by the employee during that year within a limit of 16% of the annual limit for the payment of social security contributions.

Being noted that Mr. Alain Pronost made contributions amounting to respectively € 969 and € 1,416 on the PEI and the PERCO-I during the month of December 2012, the Company's Board of Directors voted on 12 December 2012 that corresponding respective contributions amounting to € 2,907 and € 4,248 be made by the Company with respect of the financial year ended 31 December 2012.

**5. Guarantee given by the Company on behalf of Global Graphics Software Limited**

■ Purpose of the agreement or commitment:

Guarantee given by the Company with respect of the reinstatement of the office facilities, which are leased by Global Graphics Software Limited in Cambourne (United Kingdom).

■ Terms and conditions:

The Company's Board of Directors voted on 2 July 2010 to authorise the Chief Executive Officer to provide a guarantee to the landlord of office facilities which are used by Global Graphics Software Limited in Cambourne (United Kingdom) that these would be reinstated in their original condition at the expiry of the current lease term, or that the Company would bear the costs for doing so.

Such guarantee was requested by the landlord with respect of projected building improvements which were necessary to accommodate for the employees of Global Graphics Software Limited who are working in Cambourne to relocate in one wing of the office space leased by that company, and therefore allowing the unused portion of such office space to be available for being sublet.

**6. Amendment to the employment agreement of Mr. Alain Pronost (implementation of the CET)**

■ Purpose of the agreement or commitment:

Amendment to the employment agreement of Mr. Alain Pronost allowing the implementation of a Compte Epargne Temps ('CET').

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 15 December 2010 to authorise the implementation of a Compte Epargne Temps ('CET') for the benefit of current and future employees of the Company, providing for the transfer to the CET of a maximum of 12 vacation days per calendar year, provided that all applicable legal, regulatory and conventional provisions are complied with.

On the same date, the Company's Board of Directors approved the request made by Mr. Alain Pronost to transfer 12 vacation days to the CET for each of the years ended 31 December 2010 and 2011.

The corresponding allocation for the years ended 31 December 2010 and 2011 resulted in the recognition of an accrual which amounted to € 8,454 as at both 31 December 2011 and 2012.

**Agreements and commitments which were not approved before they were entered into**

In accordance with articles L.225-242 and L.823-12 of the French Commercial Code ('Code de commerce'), we report to you on the following agreements and commitments which were not approved by the Board before they were entered into.

We also report on the reason why the approval procedure was not complied with

**1. Interest recharge on the amount due to the Parent by Global Graphics (UK) Limited**

■ Directors concerned by the agreement or commitment:

Messrs. Johan Volckaerts, Gary Fry and Alain Pronost.

■ Purpose of the agreement or commitment:

No interest recharge is due and made for the financial year ended 31 December 2012 with regards to the amount due to the Parent by Global Graphics (UK) Limited, which amounted to € 4,618,249 as at 31 December 2012.

■ Terms and conditions:

Please note that during its 26 March 2013 meeting, the Company's Board of Directors voted to approve that no interest recharge was due and was to be made for the financial year ended 31 December 2012 with regards to the amount due to the Parent by Global Graphics (UK) Limited, which amounted to € 4,618,249 as at 31 December 2012.

**2. Interest recharge on the amount due by the Parent to Global Graphics Software Limited**

■ Directors concerned by the agreement or commitment:

Messrs. Johan Volckaerts, Gary Fry and Alain Pronost.

■ Purpose of the agreement or commitment:

No interest recharge is due and made for the financial year ended 31 December 2012 with regards to the amount due by the Parent to Global Graphics Software Limited, which amounted to € 14,005,521 as at 31 December 2012.

■ Terms and conditions:

Please note that during its 26 March 2013 meeting, the Company's Board of Directors voted to approve that no interest recharge was due and was to be made for the financial year ended 31 December 2012 with regards to the amount due by the Parent to Global Graphics Software Limited, which amounted to € 14,005,521 as at 31 December 2012.

**3. Interest recharge on the amount due by the Parent to Global Graphics Software Incorporated**

■ Directors concerned by the agreement or commitment:

Mr. Gary Fry.

■ Purpose of the agreement or commitment:

No interest recharge is due and made for the financial year ended 31 December 2012 with regards to the amount due by the Parent to Global Graphics Software Incorporated, which amounted to € 975,283 as at 31 December 2012.

■ Terms and conditions:

Please note that during its 26 March 2013 meeting, the Company's Board of Directors voted to approve that no interest recharge was due and was to be made for the financial year ended 31 December 2012 with regards to the amount due by the Parent to Global Graphics Software Incorporated, which amounted to € 975,283 as at 31 December 2012.

**Agreements and commitments which were approved in prior financial years but were without effect during this financial year**

In addition, we have been advised that the following agreements and commitments, which were approved in prior years and had no effect during this financial year.

**1. Payment to Mr. Alain Pronost of a bonus for the year ended 31 December 2011**

■ Purpose of the agreement or commitment:

Payment to Mr. Alain Pronost, who is both a director and an employee of the Company, of a bonus for the year ended 31 December 2011.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 15 December 2010 that Mr. Alain Pronost would be entitled to the payment by the Company of a bonus for the year ended 31 December 2011 of a maximum gross amount of € 25,000, should certain targets relating to the amounts of sales and operating expenses reported in the Company's consolidated accounts for the year ended 31 December 2011, as well as targets relating to the achievement of collective targets, each of the abovementioned targets giving right to the payment to Mr. Alain Pronost of a maximum gross amount of € 6,250, € 6,250 and € 12,500, respectively.

On 8 February 2011, the Company's Board of Directors set the rules relating to the payment of the portion of the bonus which would be paid to him with respect of the achievement of collective targets, which involved team work from various members of the Company's senior management team.

On 14 December 2011, the Company's Board of Directors voted that the target relating to the amount of operating expenses reported in the Company's consolidated accounts for the year ended 31 December 2011 was 100% achieved.

On 7 February 2012, the Company's Board of Directors voted that the target relating to the amount of sales reported in the Company's consolidated accounts for the year ended 31 December 2011 was 50% achieved, and that the target attached to the achievement of collective targets was 40% achieved in Mr. Pronost's case; it gave its approval for the payment to Mr. Pronost of a bonus for the year ended 31 December 2011 amounting to a gross amount of € 14,375, which was paid to him in February 2012.

**Agreements and commitments which were approved in prior financial years**

We have also been advised that the following agreements and commitments, which were approved by the Company's shareholders on 27 April 2012, considering our special report dated 23 March 2012.

**1. Provision of advisory services by Andlinger & Co. CVBA**

■ Purpose of the agreement or commitment:

Provision of advisory services by Andlinger & Co. CVBA from 1 October 2011.

## Unofficial translation of the original version in French language

- Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 2 November 2011 to decrease from € 6,500 to € 4,500 the monthly fee charged by Andlinger & Co. CVBA with respect of the provision of advisory services relating to the Company's strategy, the conclusion of which was approved by the Company's Board of Directors on 16 December 2009, with effect from 1 October 2011.

The amount expensed by the Company with respect of that agreement was € 54,000 in the financial year ended 31 December 2012.

## 2. Recharge of management fees to Global Graphics Software Limited

- Purpose of the agreement or commitment:

Quarterly management fees charged to Global Graphics Software Limited with effect from 1 October 2012.

- Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 2 November 2011 to set the amount of the recharge of management fees made to Global Graphics Software Limited for the last quarter of the year ended 31 December 2011 to US\$ 108,000, compared with € 80,000 for each of the first three quarters of that financial year.

The Company's Board of Directors voted on 14 December 2011 to set the amount of the recharge of management fees made to Global Graphics Software Limited to US\$ 108,000 for the each of the four quarters of the financial year ending 31 December 2012.

As a result, the recharge of management fees to Global Graphics Software Limited for the financial year ended 31 December 2012 amounted to a total of € 335,405 being the counter-value in euros of US\$ 432,000.

Villers-lès-Nancy and Nancy, on 12 April 2013

KPMG Audit,  
A division of KPMG S.A.

SECEF

Christophe Bernard

Philippe Gibello

*This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers.*

*This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.*

## CHAPTER 6 - THE BOARD'S REPORTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 6.1 The report of the Board of Directors on the Company's 2012 operations

#### 6.1.1 Note 1: Introduction

The report of the Company's Board of Directors (the 'Board') on the Company's operations and results for the year ended 31 December 2012 comprises several notes, which are presented hereafter, and respectively relate to the Company (see note 2 below), the Company's parent company (see note 3 below), additional information the provision of which is required by law (see note 4 below), the projected legal reorganisation of the Company (see note 5 below), and the authorisation to be requested from the Company's shareholders during their annual meeting scheduled on 7 June 2013 (see note 6 below). This report was drafted by the Board on 26 March 2013.

#### 6.1.2 Note 2: The Company

In this section, we will first remind you of the organization and scope of consolidation of the Company and discuss the Company's consolidated results, and then provide you with information on the key financial data relating to subsidiaries forming part of the Company.

##### 6.1.2.1 Note 2a: Organisation and scope of consolidation of the Company

###### 6.1.2.1.1 Note 2a (i): Scope of consolidation as at 31 December 2012

In addition to the Parent, the following companies, which are all wholly-owned subsidiaries, and therefore are fully consolidated, were part of the Company at 31 December 2012:

- Global Graphics (UK) Limited, a UK company, which is a wholly-owned subsidiary of the Parent;
- Global Graphics Software Limited, a UK company, which is a wholly-owned subsidiary of Global Graphics (UK) Limited;
- Jaws Systems Limited, a UK company, which is a wholly-owned subsidiary of Global Graphics Software Limited;
- Global Graphics Software Incorporated, a US company, which is a wholly-owned subsidiary of Global Graphics Software Limited;
- Global Graphics Kabushiki Kaishiyu ('Global Graphics KK'), a Japanese company, which is a wholly-owned subsidiary of Global Graphics Software Limited;
- Global Graphics Software (India) Private Limited, an Indian company, which is a wholly-owned subsidiary of Global Graphics Software Limited;
- Graphics EBT Limited, a UK company, which is a wholly-owned subsidiary of the Parent.

###### 6.1.2.1.2 Note 2a (ii): Changes in the scope of consolidation in the year ended 31 December 2012

No changes were made to the Company's scope of consolidation in the year ended 31 December 2012.

###### 6.1.2.1.3 Note 2a (iii): Changes in the Company's scope of consolidation since 1 January 2013

No changes were made to the Company's scope of consolidation since 1 January 2013, on the date this report was drafted.

###### 6.1.2.1.4 Note 2a (iv): expected changes in the Company's scope of consolidation

On the date this report was drafted, the liquidation process of Global Graphics Software (India) Private Limited, which was initiated in the second half of the year ended 31 December 2010, was not completed.

Management expects this process to be completed before the end of the current year, being noted that the completion of this process is only depending from a formal decision of the Indian courts.

##### 6.1.2.2 Note 2b: The Company's activity and performance in the year ended 31 December 2012

###### 6.1.2.2.1 Note 2b (i): Analysis of 2012 sales

Sales were € 9,713,000 in the year ended 31 December 2012, compared with € 8,951,000 in the year ended 31 December 2011, or a 8.5% increase with the previous year's sales at current exchange rates.

At constant exchange rates, sales made in the year ended 31 December 2012 would have amounted to approximately € 9,087,000, showing an increase of 1.5% with sales reported for the year ended 31 December 2011.

A significant part of the Company's sales (i.e. 73.0% of 2011 sales and 71.4% of 2012 sales) were denominated in US dollars, a currency which substantially fluctuated versus the euro (which is the reporting currency of the Company) over the past two years, since the average Euro/US dollar exchange rates were 1.320 US dollars for one euro, 1.382 US dollars for one euro, and 1.287 US dollars for one euro in the years ended 31 December 2010, 2011 and 2012, respectively.

Sales made in the Print segment were € 7,754,000 in the year ended 31 December 2012, and increased 13.3% at current exchange rates with sales made in that operating segment in the year ended 31 December 2011 (which amounted to € 6,841,000).

Sales made in the eDoc segment of the Company's business were € 1,959,000 in the year ended 31 December 2012 and decreased 7.2% at current exchange rates with sales made in the same operating segment in the year ended 31 December 2011, which were € 2,110,000.

6.1.2.2.2 Note 2b (ii): Analysis of the consolidated performance for the year ended 31 December 2012

6.1.2.2.2.1 Operating loss

The Company reported an operating loss of € 319,000 for the year ended 31 December 2012 (or an operating loss equivalent to -3.3% of 2012 sales), compared with an operating profit of € 43,000 in the year ended 31 December 2011 (or an operating profit equivalent to 0.5% of 2011 sales), or an unfavourable, year-on-year variance of € 362,000, which can be explained as follows:

- 2012 sales increased € 762,000 over 2011 sales (see note 2b (i) above);
- cost of sales was € 407,000 in the year ended 31 December 2012 (or 4.2% of 2012 sales), and decreased € 15,000 with the € 422,000 figure reported for cost of sales in the year ended 31 December 2011 (4.7% of 2011 sales);
- selling, general and administrative expenses were € 4,284,000 in the year ended 31 December 2012 (or 44.1% of 2012 sales), and increased € 265,000 (i.e. a 6.6% year-on-year increase) with the € 4,019,000 figure reported for selling, general and administrative expenses in the year ended 31 December 2011 (44.9% of 2011 sales);
- research and development (R&D) expenses were € 5,291,000 in the year ended 31 December 2012 (or 54.5% of 2012 sales), and increased € 619,000 (i.e. a 13.2% year-on-year increase) with the € 4,672,000 figure reported for research and development expenses in the year ended 31 December 2011 (52.2% of 2011 sales). 2012 R&D expenses included an expense of € 71,000 with regards to the effect of the capitalisation of eligible development costs, net of any amortisation expenses, in the year ended 31 December 2012, as well as an expense of € 163,000 to account for the impairment of one development project which gave rise to capitalisation in prior financial years;
- the amount of € 50,000 which was recorded under the caption *Other operating expenses* in the year ended 31 December 2012 was management's best estimate for the cost to be incurred by the Company when completing the liquidation process of its Indian subsidiary, and resulted in an unfavourable year-on-year variance of € 50,000 in the absence of similar expenses in the year ended 31 December 2011;
- An amount of € 205,000 was reported under the caption *Other operating income* in the year ended 31 December 2011 with respect of the write-back of the whole of the provision which was recorded as at 31 December 2010 to account for the vacant office space in the Company's Cambourne office pursuant to management's decision to re-use such office space, or an unfavourable year-on-year variance of € 205,000.

6.1.2.2.2.2 Loss before income tax

The Company reported a loss before income tax of € 367,000 in the year ended 31 December 2012 (or a pre-tax loss equivalent to -3.8% of 2012 sales), compared with a profit before income tax of € 47,000 in the year ended 31 December 2011 (or a pre-tax profit equivalent to 0.5% of 2011 sales).

The unfavourable, year-on-year variance of € 414,000 predominantly resulted from the abovementioned unfavourable variance in the Company's operating result; it also results from:

- the favourable variance, for € 26,000, of interest expenses, which were € 26,000 in the year ended 31 December 2011, and nil in the year ended 31 December 2012;

- the unfavourable variance, for € 2,000, of interest income which were € 4,000 in the year ended 31 December 2011, and decreased to € 2,000 in the year ended 31 December 2012; and
- the unfavourable, year-on-year variance of € 76,000 in foreign currency exchange differences, which were net gains of € 26,000 in the year ended 31 December 2011, compared with net losses of € 50,000 in the year ended 31 December 2012.

#### 6.1.2.2.2.3 Net loss

The Company reported a net loss of € 42,000 in the year ended 31 December 2012 (or a net loss of € 0.00 per share), after giving effect to a tax benefit of € 325,000 (which included a current tax benefit of € 334,000 and a deferred tax charge of € 9,000), compared with a net profit of € 153,000 in the year ended 31 December 2011 (or a net profit of € 0.02 per share).

The analysis of the tax expenses or benefits which were recorded in the Company's consolidated financial statements for either of the years ended 31 December 2011 or 2012 is set out in note 24 to the Company's financial statements for the year ended 31 December 2012.

#### 6.1.2.2.3 Note 2b (iii): Comments on the Company's business in the year ended 31 December 2012

##### 6.1.2.2.3.1 Highlights for the year ended 31 December 2012

###### ■ Operational highlights

2012 saw major releases of our Harlequin and Jaws RIP technologies as well as an uptake of our patent-pending gDoc Platform by our channel partners.

We released version 3 of our Harlequin 'Digital' RIP (the Harlequin Host Renderer) in March 2012, ahead of the drupa trade show, during which we announced the results of independent speed tests on that RIP. These showed that Harlequin is so powerful that it benefits press manufacturers by reducing their bill of materials for the Digital Front Ends that drive their presses. Hard on the heels of drupa we announced that TKS in Japan had selected this technology to drive their new inkjet newspaper press.

The launch of Jaws 3 in September 2012 was warmly welcomed by customers such as Wasatch and Onyx who have integrated this new software release into their solutions for wide-format specialty printing applications, such as printing on textiles or sports equipment.

Adoption of the gDoc Platform by our channel partners gained steady traction during 2012 and by year-end, three partners were proposing new solutions based on this technology, amongst them LexisNexis with Lexis Binder, aimed at the professional services market..

###### ■ Financial highlights

Cash flows provided by the Company's operating activities were € 1,670,000 in the year ended 31 December 2012 (or 17.2% of 2012 sales), compared with cash flow provided by these activities amounting to € 1,779,000 in the year ended 31 December 2011 (or 19.9% of 2011 sales).

Accordingly, after effect of the capital expenditures made in the year ended 31 December 2012 for a total of € 1,742,000, the Company's net cash position was € 2,252,000 as at 31 December 2012, compared with € 2,315,000 as at 31 December 2011.

##### 6.1.2.2.3.2 Salient features since year-end date and prospects for the current year

###### ■ Salient features since year-end date

(i) Between year-end date and the date when the 2012 consolidated accounts were drafted

No significant event occurred between 31 December 2012 and the date when 2012 consolidated accounts were drafted which is to be reported.

(ii) Between the dates when the 2012 consolidated accounts and this report were drafted

On 19 February 2013, a significant customer of the Company made management aware of the under reporting of royalties for the years ended 31 December 2010 to 2012 inclusively, for an amount of € 0.5 million, which was paid to the Company on 25 March 2013.

This amount was recognised in revenue with respect of the quarter ended 31 March 2013, and did not result in any adjustment to the Company's consolidated accounts for the year ended 31 December 2012 since management was only made aware of this royalty under-reporting and payment after the dates when the Company's consolidated accounts for the year ended 31 December 2012 were drafted and released, on 12 and 13 February 2013, respectively.

■ Trends and prospects for the current year

Management expects the year ending 31 December 2013 to show a significant evolution in the improvement of the Company's prospects as a result of expected activity growth in both of the Company's operating segments.

2013 is also a year during which a legal reorganisation plan will be implemented, which will notably result in the transfer of the listing of the Company's share from NYSE Euronext Brussels to NYSE Alternext Brussels, the conversion of the parent company into an European Company (SE), as well as the transfer of the Company's registered office from France to the UK (for further information on this plan, please refer to note 5 below).

6.1.2.3 Note 2c: Off-balance sheet items as at 31 December 2012

Significant off-balance sheet item which were outstanding as at 31 December 2012 consisted of the guarantees given by the Parent on behalf of its subsidiaries and relating to the payment to the landlords of the rent expenses for the premises leased by:

- Global Graphics Software Limited in Cambourne, in the UK, for an annual rent expense of £ 254,292, i.e. approximately € 310,745 based on the exchange rate used as at 31 December 2012 for the conversion of captions of the statements of financial position of UK-based subsidiaries, i.e. € 1.2220 for one British pound; and
- Global Graphics KK in Tokyo, in Japan, for a monthly rental expense of Yen 240,000, i.e. approximately € 2,114 based on the exchange rate used as at 31 December 2012 for the conversion of captions of the statement of financial position of this subsidiary, i.e. € 0.00881 for one Japanese yen.

On the same date, the Company had not pledged any of the assets it owns (notably its intangible assets), and management was not aware of any pledge of its shares granted by one of several of its shareholders as a guarantee of commitments given to third parties.

6.1.2.4 Note 2d: Significant risk factors

The Board undertook a review of the risk factors which may have a detrimental effect on the Company's business, its financial position, or its results and considered that there were no other significant risk factors than those mentioned below.

6.1.2.4.1 Note 2d (i): Significant operation risk factors

6.1.2.4.1.1 Dependency on the graphic arts and digital printing sectors

The Company continues to derive a substantial portion of its revenues from software products and related services provided to the graphic arts and digital print industries, since sales made in the Print segment represented 76.4% and 79.8% of total sales made in the years ended 31 December 2011 and 2012, respectively. Accordingly, the Company's future success significantly depends upon the continued demand for its products within such industries.

The Company believes that an important factor in its growth has been the substantial change in the graphics arts and digital print industries, as evidenced by continuing consolidation and technological innovation, notably the introduction of new Page Description Languages (PDLs). If this environment of change were to slow, the Company could experience reduced demand for its products.

6.1.2.4.1.2 Failure to manage a successful transition to new products and markets

Any delays or failures in developing new products, including upgrades of current products, and anticipating changing customer requirements or market conditions, may have a harmful impact on the Company's sales and operating results.

The Company has historically derived a significant portion of its revenues from the sale of new and enhanced software products (such as Raster Imaging Processors or RIPs). Additionally, the Company plans to continue to release numerous new product offerings and upgrade versions of its current software products, including the transition of its RIP product to new variants (e.g. host driver and embedded variants) and compatibility with more documents formats, or the latest operating systems releases (such as Windows 8), and in connection with the transition to new markets, such as those for its range of gDoc applications.



The Company's inability to extend its core technologies into new applications and new platforms and to anticipate or respond to technological changes and customer or market requirements could affect market acceptance of its products and could cause a decline in the Company's sales and results.

#### 6.1.2.4.1.3 Inadequate protection of its proprietary technology and intellectual property rights

The Company's success is heavily dependent upon its proprietary technology. To protect its proprietary rights, the Company relies on a combination of patent, copyright, trade secret and trademark laws, as well as the early implementation and enforcement of non-disclosure and other contractual restrictions. As part of its confidentiality procedures, the Company enters into written non-disclosure agreements with its employees, prospective customers, OEMs and strategic partners and takes affirmative steps to limit access to, and distribution of, its software, intellectual property and other proprietary information. Despite these efforts, in the event such agreements are not timely made, complied with or enforced, the Company may be unable to effectively protect its proprietary rights and the enforcement of its proprietary rights may be cost-prohibitive.

Unauthorized parties may attempt to copy or otherwise obtain, distribute, or use the Company's products or technology. Monitoring unauthorized use of the Company's software products is difficult. Management of the Company cannot be certain that steps taken to prevent unauthorized use of the Company's proprietary technology, particularly in countries where the laws may not protect proprietary rights as fully as in the EU or the United States, will be effective.

The Company's source code also is protected as a trade secret. However, from time to time, the Company licenses its source code to OEMs and partners, which subjects it to the risk of unauthorized use or misappropriation despite the contractual terms restricting disclosure, distribution, copying and use.

In addition, it may be possible for unauthorized parties to obtain, distribute, copy or use the Company's proprietary information or to reverse engineer its trade secrets.

The Company holds patents, and has patent applications pending, in the United States and in the EU. There may be no assurance that patents held by the Company will not be challenged, that patents will issue from the pending applications or that any claims allowed from existing or pending patents will be of sufficient scope or strength to provide efficient protection for the Company's intellectual property rights.

Please refer to section 8.3 of this annual financial report for detailed information on patents granted to, and patent applications made by, the Company as well as trademarks used and registered by the Company.

#### 6.1.2.4.1.4 Costs of enforcing, acquiring and defending intellectual property rights

In connection with the enforcement of its own intellectual property rights, the acquisition of third party intellectual property rights or disputes relating to the validity or alleged infringement of third-party rights, including patent rights, the Company has been and may be in the future subject to claims, negotiations or protracted litigations.

Intellectual property disputes and litigation are typically costly and can be disruptive to the Company's business operations by diverting the attention and energies of management and key technical personnel. Although the Company has successfully defended or resolved past litigation and disputes, it may not prevail in any future litigation and disputes.

Third-party intellectual property rights could subject the Company to significant expenditures, require the Company to enter into royalty and licensing agreements on unfavorable terms, prevent the Company from licensing certain of its products, cause disruption to the markets where the Company operates or require the Company to satisfy indemnification commitments with its customers including contractual provisions under various license arrangements any one of which could harm the Company's business.

#### 6.1.2.4.1.5 Fluctuating operating results and factors affecting operating results

As a result of a variety of factors discussed above, the Company's sales and operating results for a particular period are difficult to predict. The Company's sales may grow at a slower rate than experienced in previous periods, and, in some periods, may decline.

Additionally, the Company periodically provides guidance on its future sales and results. Such guidance reflects a number of assumptions, including assumptions about product pricing and demand, seasonal trends, competitive factors, and adoption of new products or releases of existing products.

If one or more of these assumptions proves incorrect, the Company's actual results may vary materially from those anticipated, estimated or projected.

#### 6.1.2.4.1.6 Adverse economic environment

The current worldwide economic downturn has reduced and is likely to continue to affect capital expenditures made by customers of the Company's customers' products, notably in the Print segment of its business. Reduced sales by the Company's customers hurt its business by reducing demand for its products.

Moreover, if the Company's customers are not successful in generating sufficient sales or are precluded from securing financing, they may not be able to pay, or may delay payment of, amounts receivable by the Company and also modify, delay or cancel plans to purchase the Company's products, which will have an adverse effect on its sales.

In addition, the Company's operating expenses could increase due to, among other things, salary increases, resulting in a harmful effect on the Company's results and financial condition.

When preparing the Company's consolidated financial statements, management is required to make estimates and assumptions that affect amounts in these financial statements and accompanying notes, some of which are based on forecasts of future results. The current worldwide economic downturn and the resulting higher volatility increases the risk that the Company's actual results will differ materially from management forecasts, requiring adjustments in future consolidated financial statements.

See also note 2d (iii) below for a discussion on risks associated with the use of accounting estimates and forecasts.

#### 6.1.2.4.1.7 Recruitment and retention of key personnel

An important part of the Company's future success depends on the continued service and availability of the Company's senior management, including its Chief Executive Officer and other members of the executive team. These individuals have acquired specialized knowledge and skills with respect to the Company. The loss of any of these individuals could harm the Company's business.

The Company's business is also dependent on its ability to attract, retain, and motivate talented, highly skilled personnel, notably in the development and technical support areas. Such personnel are in high demand and competition for their talents is intense. Should the Company be unable to continue to successfully attract and retain key personnel, its business may be harmed.

However, as at 31 December 2012, the Company did not request any insurance coverage in respect of key personnel, since it considered that such coverage was not adequate, and that maintaining good relationships with key personnel was a better solution, supplemented as the case may be by a financial incentive through grants of share option or free shares.

#### 6.1.2.4.1.8 Significant legal risks existing as at 31 December 2012

As at 31 December 2012, there were no procedures undertaken by either a governmental body, a court or otherwise, including any procedure the Company would be aware which would be pending, which would be likely to have, or would have had, a significant effect on either the Company's and/or Parent's financial position or performance in the past twelve months.

#### 6.1.2.4.1.9 Insurance coverage for operational risks

The UK operating company has entered into an insurance contract with Aviva Insurance UK Limited which provides coverage for its software solutions development and sale, including for its subsidiaries.

The insured amount is £ 2.0 million (i.e. approximately € 2.4 million based on the exchange rate used as at 31 December 2012 for the conversion of captions of the statements of financial positions of UK-based subsidiaries, i.e. € 1.2220 for one British pound) for legal liability in any given year.

The Company has also entered into various insurance contracts with respect of the various offices it leases throughout the world, as well as a director liability insurance contract with Chartis Europe SA, which provides coverage for all directors and officers of any group company, with a maximum insured amount of € 10.0 million.

The amounts which were expensed by the Company with regards of insurance premiums were € 40,612 and € 43,129 in the years ended 31 December 2011 and 2012, respectively.

#### 6.1.2.4.2 Note 2d (ii): Significant financial risk factors

The Company is exposed to a variety of financial risks, notably foreign exchange risk, credit risk, liquidity risk, and cash flow interest-rate risk, that are detailed hereafter.

##### 6.1.2.4.2.1 Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the British pound.

Foreign exchange risk arises from future commercial transactions, recognized assets (notably cash and trade receivables) and liabilities, as well as net investments in foreign operations.

##### ■ Risk arising from future commercial transactions, recognized assets and liabilities

To manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities (i.e. which are denominated in a currency that is not the entity's functional currency), certain entities in the Company use foreign currency forward or option contracts transacted with high-credit-quality financial institutions after review and approval by the Company's Chief Financial Officer.

No such contracts were outstanding at either 31 December 2011 or 2012, though the Company entered into such contracts during the year ended 31 December 2012: as a result, the Company recorded an exchange gain of € 1,000 with respect of such contracts in the year ended 31 December 2012 (nil in the year ended 31 December 2011).

An analysis of the Company's exposure to foreign exchange risk as at 31 December 2010, 2011 and 2012 is provided in note 5d (iii) to the Company's consolidated financial statements for the year ended 31 December 2012.

##### ■ Risk arising from net investments in foreign operations

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The corresponding currency exposure is managed through borrowings denominated in the relevant foreign currencies, where appropriate.

##### 6.1.2.4.2.2 Credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables.

As it markets and sells its products and services to a broad base of customers including OEM partners, distributors, and system integrators, the Company has no significant concentration of credit risk though relatively few customers accounted for a substantial portion of the Company's sales within the last few years as a result of the dominance of a limited number of significant players in the Company's markets.

The ten largest customers represented approximately 68.5% of the Company's sales in the year ended 31 December 2012 (compared with 57.8% of sales in the year ended 31 December 2011); approximately 55.4% of sales were made with the five largest customers of the Company in the year ended 31 December 2012 (compared with 42.7% of sales in the year ended 31 December 2011), and approximately 22.0% of sales was made with the major customer alone in the year ended 31 December 2012 (compared with 13.2% of sales in the year ended 31 December 2011).

##### 6.1.2.4.2.3 Liquidity risk

##### ■ Lines of credit available as at 31 December 2012

Due to the dynamic nature of its business, the Company aims to maintain flexibility for financing its activities by keeping committed credit lines available.

However, considering the Company's net cash position of € 2,252,000 and the absence of any financial debt as at 31 December 2012, the Company did not apply for any such lines of credit.

##### ■ Specific review of the Company's liquidity risk

The Company undertook a specific review of its liquidity risk and expects to be in a position to meet any corresponding future requirements (see note 2e to the Company's consolidated financial statements for the year ended 31 December 2012).

#### 6.1.2.4.2.4 Cash flow interest-rate risk

As the Company had no significant interest-bearing assets and liabilities at either 31 December 2011 or 2012, the Company's income and operating cash flows for the year ended 31 December 2012 were substantially independent of changes in market interest rates.

#### 6.1.2.4.2.5 Sovereign debt risk

The Company did not have any exposure to sovereign debt risk as at and during the year ended 31 December 2012 as it did not hold any financial asset of that nature during that year.

#### 6.1.2.4.3 Note 2d (iii): Other significant risk factors

##### 6.1.2.4.3.1 Use of accounting estimates and forecasts

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates and forecasts. It also requires management to exercise judgement in the process of applying the Company's accounting policies, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

The estimates and underlying assumptions are based on historical experience and various other relevant factors (including projected future sales and related cash inflows either from established software products such as RIP software in the Print segment of the Company's business, or from recently launched software applications such as gDoc Fusion in the eDoc segment of the Company's business) that are believed to be reasonable under the circumstances, the results of which form the basis of making management's judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future periods if the revision affects both current and future periods.

Please refer to notes 3f, 6a and 6b to the Company's consolidated financial statements for the year ended 31 December 2012 for further information on critical accounting estimates and the use of sales and cash flow forecasts, as well as the risks attached to them, the downward revisions of which may principally affect the carrying value of goodwill and other intangible assets (including those resulting from the capitalization of development costs), as well as of deferred tax assets.

##### 6.1.2.4.3.2 Future changes in, or interpretations of, accounting principles

The Company prepares its consolidated financial statements in accordance with IFRSs, as amended from time to time, and related interpretations issued by the IASB, as adopted by the EU. Accordingly, changes to these standards by the IASB or delays in the adoption of newly adopted standards by the EU, may have a significant effect on the Company's reported results and may even retroactively affect previously reported transactions or periods.

Accounting principles used by the Company that may be affected by recently issued exposure drafts notably include those relating to revenue recognition, as set out below.

The exposure draft, Revenue from Contracts with Customers, which was published for public comment by the IASB and the Financial Accounting Standard Board (FASB) on 24 June 2010, outlined the IASB's intent to publish a final standard on revenue recognition no later than June 2011 to supersede the existing two standards on revenue recognition: IAS 11, Construction Contracts, and IAS 18, Revenue, as well as related interpretations.

On 15 June 2011, the IASB and the FASB issued a joint press release confirming that a new exposure draft would be issued for comments during the third quarter of 2011, the objective being to issue a new standard in the course of the year ended 31 December 2012.

On 14 November 2011, the IASB and the FASB issued for public comment a second exposure draft to improve and converge the financial reporting requirements of IFRSs and US GAAP for revenue (and some related costs) from contracts with customers.

Both standards-setters now expect to issue a final standard on revenue recognition in the first half of 2013, with an effective date expected to be 1 January 2015 at the earliest, or, more probably, 1 January 2016.

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6.1.2.5 Note 2e: Social consequences of the Company's business

6.1.2.5.1 Note 2e (i): Quantitative information on personnel

6.1.2.5.1.1 Breakdown of staff by geographical area of employment

	31 December 2012	31 December 2011
United Kingdom	64	63
United States of America	9	8
Japan	3	2
Continental Europe	2	2
<b>Total</b>	<b>78</b>	<b>75</b>

6.1.2.5.1.2 Change of staff number by geographical area of employment during 2012

	Joiners	Leavers	Net
United Kingdom	6	5	1
United States of America	1	-	1
Japan	1	-	1
<b>Total</b>	<b>8</b>	<b>5</b>	<b>3</b>

6.1.2.5.1.3 Breakdown of staff by nature of employment

	31 December 2012	31 December 2011
Research and development	45	48
Sales and support	21	16
General and administrative	12	11
<b>Total</b>	<b>78</b>	<b>75</b>

6.1.2.5.1.4 Breakdown of staff by gender

	31 December 2012	31 December 2011
Male	61	59
Female	17	16
<b>Total</b>	<b>78</b>	<b>75</b>

6.1.2.5.1.5 Breakdown of staff by age group

	Male	Female	Total
Under 25	4	-	4
Between 25 and 35	6	3	9
Between 35 and 45	19	3	22
Between 45 and 55	18	5	23
Between 55 and 65	11	6	17
Over 65	3	-	3
<b>Total as at 31 December 2012</b>	<b>61</b>	<b>17</b>	<b>78</b>
<b>Average age in years as at 31 December 2012</b>	<b>45.5</b>	<b>47.8</b>	<b>46.0</b>

6.1.2.5.1.6 Breakdown of staff by gross remuneration level

	Male	Female	Total
Less than € 30,000 a year	3	1	4
Between € 30,000 and € 45,000 a year	9	4	13
Between € 45,000 and € 60,000 a year	11	6	17
Between € 60,000 and € 75,000 a year	20	5	25
More than € 75,000 a year	18	1	19
<b>Total as at 31 December 2012</b>	<b>61</b>	<b>17</b>	<b>78</b>
<b>Average gross remuneration in thousands of euros</b>	<b>67.4</b>	<b>49.8</b>	<b>63.6</b>

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6.1.2.5.1.7 Breakdown of staff by nature of employment

	Male	Female	Total
Part-time employment	1	3	4
Full-time employment	60	14	74
<b>Total as at 31 December 2012</b>	<b>61</b>	<b>17</b>	<b>78</b>

6.1.2.5.2 Note 2e (ii): Use of contractors

The Company employed 3 contractors during the year ended 31 December 2012, 2 of whom were employed on a full-time basis as software developers.

6.1.2.5.3 Note 2e (iii): Other information on the Company's staff

Given the Company's organization, management considers that no other information on the Company's personnel was relevant, being however noted that the Company strictly applies an equal opportunity policy with respect of new hires (with no consideration of age, gender or other factors), as well as staff performance assessment and career progression.

6.1.2.6 Note 2f: Environmental consequences of the Company's business

Following the disposal of the Hardware segment in the first half of the year ended 31 December 2002, the Company's business has been to develop and market printing and electronic document software solutions. As a result, management believes the Company has no activities, which were likely to have significant, detrimental effects on the environment.

Policies aiming at recycling waste which is generated by the Company's business (notably for paper, ink and toner cartridges and other computer consumables) and minimising the Company's environmental footprint to the lowest level possible have been implemented within the Company for several years.

6.1.2.7 Note 2g: Consequences of the Company's business of local communities and stakeholders

Given the Company's size, legal organisation and nature of business, management is not aware of any activity which is likely to have a significant detrimental effect with respect of its relationships with stakeholders (including with its customers and its suppliers), or the way it engages with local communities.

6.1.2.8 Note 2h: Statutory results of the Company's subsidiaries

The information which is presented in the following table is that for the year ended 31 December 2012 and consists of the subsidiary's sales before elimination of any intercompany transactions with other subsidiaries of the Company, as well as its operating, pre-tax and net results.

For the reader's convenience, the information which is presented in the following table in thousands of euros and has been extracted from the subsidiary's accounts which have been prepared in accordance with local accounting principles applicable to that subsidiary:

Subsidiary name	Net sales	Operating profit (loss)	Pre-tax profit (loss)	Net profit (loss)
Global Graphics (UK) Limited	-	-	40	40
Global Graphics Software Limited	8,439	(27)	(373)	12
Global Graphics Software Incorporated	6,179	55	88	88
Global Graphics Kabushiki Kaishiyu	467	24	24	9
Global Graphics Software (India) Private Limited	-	-	-	-
Jaws Systems Limited	-	-	-	-
Global Graphics EBT Limited	-	-	-	-

### 6.1.3 Note 3: The Parent (Global Graphics SA)

#### 6.1.3.1 Note 3a: Overview of the Parent's business and analysis of 2012 statutory results

##### 6.1.3.1.1 Note 3a (i): Overview of the Parent's business

Global Graphics SA is the parent company of the Company, whose shares have been listed on the First Market of the Brussels Stock Exchange (now part of NYSE-Euronext) since 17 April 2001.

Accordingly, the Parent has played a major role in providing funding for the Company's business and in managing the Group's growth.

##### 6.1.3.1.2 Note 3a (ii): Research and development

No research and development activities were undertaken by the Parent in either of the years ended 31 December 2011 and 2012, being noted that significant research and development work is performed by certain operating subsidiaries of the Company, notably Global Graphics Software Limited.

##### 6.1.3.1.2 Note 3a (iii): Discussion of statutory results for the year ended 31 December 2012

The Parent reported a statutory net profit of € 440,012 in the year ended 31 December 2012, compared with a statutory net profit of € 775,625 in the year ended 31 December 2011.

Further detailed analysis is provided below:

- The Parent reported an operating profit of € 43,586 in the year ended 31 December 2012, compared with an operating profit of € 27,618 in the year ended 31 December 2011, after effect of the recharge of management fees made to Global Graphics Software Limited and Global Graphics Software Incorporated for € 547,836 and € 583,313 in the years ended 31 December 2011 and 2012, respectively.
- The Parent reported a financial profit of € 444,773 in the year ended 31 December 2012, compared with a financial profit of € 762,119 in the year ended 31 December 2011, which principally related to the decrease of € 361,000 in the amount of the valuation allowance on the shares held in the share capital of Global Graphics (UK) Limited which was recorded in the year ended 31 December 2012 so that the carrying value of these shares as at 31 December 2012 is equal to their estimated fair value at that date, which was assumed to be equal to the Company's consolidated equity at 31 December 2012 (see also note 5b to the statutory accounts for the year ended 31 December 2012).
- The Parent reported an exceptional loss of € 48,516 for the year ended 31 December 2012, compared with an exceptional loss of € 14,241 for the year ended 31 December 2011, which notably included a loss of € 5,372 with respect of free share grants made in the year ended 31 December 2012, and an additional provision amounting to € 61,408 to cover for the risk of granting free shares at the end of the vesting period (see note 17 to the statutory accounts for the year ended 31 December 2012).
- The Parent reported a current tax benefit amounting to € 169 in the year ended 31 December 2012, compared with a current tax benefit of € 129 in the year ended 31 December 2011.

#### 6.1.3.2 Note 3b: Subsequent events, prospects for the Parent and forecasts for the current year

##### 6.1.3.2.1 Note 3b (i): Significant, subsequent events

No significant subsequent event was to be reported on the date this report was drafted, apart from the decision voted by the Board on 26 March 2013 to implement a legal reorganisation plan during the current year, which should notably result in the transfer of the listing of the Company's share from NYSE Euronext Brussels to NYSE Alternext Brussels, the conversion of the Parent into an European Company (SE), as well as the transfer of the Company's registered office from France to the UK (for further information on this plan, please refer to note 5 below).

##### 6.1.3.2.2 Note 3b (ii): Prospects for the Parent and forecasts for the current year

Non-recurring expenses will be incurred pursuant to the implementation of the legal reorganisation plan referred to under note 3b (i) above; as a result, it is expected that a net statutory loss be reported for the year ending 31 December 2013, before any effect of any write-back of the valuation allowance on the shares held in the share capital of Global Graphics (UK) Limited existing as at 1 January 2013.

6.1.3.3 Note 3c: Information which is specifically required by law

6.1.3.3.1 Note 3c (i): Items which are not deductible for corporate income tax purposes

There were no items referred to under the fourth sub-paragraph of article 39 of the French General Tax Code which were not deductible for corporate income tax purposes to be reported for the year ended 31 December 2012.

6.1.3.3.2 Note 3c (ii): Shares held by certain employees

No rights as defined by article L.225-102 of the French Commercial Code were outstanding as at 31 December 2012.

In their extraordinary meeting held on 27 April 2012, the Company's shareholders voted a resolution, which is valid until 27 June 2014, to grant authority to the Parent's Board to increase the Company's share capital by a maximum amount of € 40,000, through the issue of new shares which could only be purchased by the Company's employees participating to the Parent's Plan d'Epargne d'Entreprise (see note 3h below).

The Board had not used this authority on the date this report was drafted

6.1.3.3.3 Note 3c (iii): Significant shareholders

6.1.3.3.3.1 Double voting rights

Pursuant to the fourteenth decision voted by the shareholders on 21 June 2002, a double voting right is granted to each ordinary share of the Company, which is fully paid for, and which has been registered in the name of the shareholder by the Company's share registrar for a period of a minimum of two consecutive years.

The total number of shares to which a double voting right is attached was 6,720 as at 31 December 2012, compared with 7,720 and 14,151 shares as at 31 December 2011 and 2010, respectively.

6.1.3.3.3.2 Significant shareholders

■ As at 31 December 2012

At 31 December 2012, Stichting Andlinger & Co. Euro-Foundation, a Dutch foundation, which held 2,883,001 shares in the Company's share capital, or 28.02% of the total number of shares of the Company which were outstanding at such date, was the sole shareholder which declared holding more than 5% in the Company's share capital and/or 5% of the voting rights attached to such shares.

Attached to these 2,883,001 shares were 2,883,021 of the 10,296,501 voting rights attached to the Company's shares as at 31 December 2012, which represented 28.00% of the total number of voting rights attached to the Company's ordinary shares which were outstanding at that date.

■ Shareholding threshold crossings which were reported to the Company

On the date this report was drafted, the Company was not aware of any shareholding threshold crossings which occurred in the past three financial years other than the following ones, which were reported to the Company by KBC Asset Management NV ('KBC'):

■ On 31 March 2010, KBC reported to the Company that they crossed the 5% shareholding threshold and were holding 517,180 shares in the Company's share capital (or 5.02% of the Company's share capital), to which were attached an equivalent number of voting rights, representing 5.01% of the 10,296,807 voting rights which were attached to the 10,289,781 shares forming the Company's share capital on that same date.

■ On 18 October 2010, KBC reported to the Company that that crossed the 5% shareholding threshold and that they were holding 500,530 shares in the Company's share (or 4.86% of the Company's share capital), to which were attached an equivalent number of voting rights, representing 4.85% of the 10,299,662 voting rights which were attached to the 10,289,781 shares forming the Company's share capital as at 30 September 2010.

■ Breakdown of share capital and voting rights as at 31 December 2010, 2011 and 2012

The breakdown of the Company's share capital and voting rights for all shares which are not deprived from their voting rights is presented in the following tables as at 31 December 2010, 2011 and 2012.



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The only category of shares which were deprived from their voting rights at each of those dates were the own shares held by the Company at each of these dates, after they were repurchased as part of the Company's share repurchase programme (see note 3c (iv) below).

*As at 31 December 2012*

	Shares		Voting rights	
	Number of shares	% of total number	Number of voting rights	% of total number
Stichting Andlinger & Co. Euro-Foundation	2,883,001	28.02%	2,883,021	28.46%
Own shares which were repurchased as part of the share repurchase programme	165,517	1.61%	-	-
Free float	7,241,263	70.37%	7,247,263	71.54%
<b>Total as at 31 December 2012</b>	<b>10,289,781</b>	<b>100.0%</b>	<b>10,130,984</b>	<b>100.0%</b>

*As at 31 December 2011*

	Shares		Voting rights	
	Number of shares	% of total number	Number of voting rights	% of total number
Stichting Andlinger & Co. Euro-Foundation	2,883,001	28.02%	2,883,021	28.46%
Own shares which were repurchased as part of the share repurchase programme	166,267	1.61%	-	-
Free float	7,240,513	70.37%	7,248,213	71.54%
<b>Total as at 31 December 2011</b>	<b>10,289,781</b>	<b>100.0%</b>	<b>10,131,234</b>	<b>100.0%</b>

*As at 31 December 2010*

	Shares		Voting rights	
	Number of shares	% of total number	Number of voting rights	% of total number
Stichting Andlinger & Co. Euro-Foundation	2,883,001	28.02%	2,883,021	28.44%
Own shares which were repurchased as part of the share repurchase programme	168,081	1.63%	-	-
Free float	7,238,699	70.35%	7,252,830	71.56%
<b>Total as at 31 December 2010</b>	<b>10,289,781</b>	<b>100.0%</b>	<b>10,135,851</b>	<b>100.0%</b>

#### 6.1.3.3.3 Share options

The report of the Board on share options provides all information which is required by law on the 580,000 options on the Company's shares which were outstanding and exercisable as at 31 December 2012, being noted that no share options were granted in the year ended 31 December 2012.

#### 6.1.3.3.4 Free shares

The report of the Board on free shares provides all information which is required by law on grants of free shares, including those granted as Matching Shares under the SIP.

A total of 8,303 free shares were granted in the year ended 31 December 2012, including 5,303 shares as SIP Matching Shares.

#### 6.1.3.3.5 Measures to prevent any abuse of control of the Company

The main measures which were adopted by the Company to prevent any abuse of control of the Company are the following:

- the Company has appointed two independent directors since its shares have been admitted to trading on Easdaq in June 1998 (see note 3e (i) below);

- the roles of Chairman of the Board and of Chief Executive Officer of the Company have been fulfilled by different individuals since 27 April 2007 (see note 3e (ii) below);
- specific provisions were included in the Board charter to mitigate the risk of any conflict of interest and specify what should then be done should such circumstances occur (see note 3k below).

#### 6.1.3.3.4 Note 3c (iv): Share repurchase programme

As at 31 December 2012, the number of own shares held by the Parent was 165,517 shares, or 1.61% of the total number of shares forming the share capital of the Company on that date, having a repurchase cost of € 1,185,640, compared with 166,267 and 168,081 own shares as at 31 December 2011 and 2010, respectively.

All of the own shares held by the Parent as at 31 December 2010, 2011 and 2012 were allocated to the first of the three objectives of the Company's share repurchase programme, which is to meet obligations arising from the Company's share option programmes and other allocations of shares to the Group's employees and/or directors, including through the grant of free shares.

As at 31 December 2012, 150,329 of the 165,517 own shares held by the Parent were allocated to meet the obligation arising from the grant of free shares made by the Board, including a total of 42,329 shares which were granted as SIP Matching Shares at that date.

#### 6.1.3.3.5 Note 3c (v): Information on payment terms

##### 6.1.3.3.5.1 Trade payables

As set out in note 11 to the statutory financial statements for the year ended 31 December 2012, trade payables amounted to € 106,442, and included € 106,398 with respect of accrued accounts payable. The abovementioned amount fully consisted of amounts which were to be paid within a 30-day period from invoice date.

As at 31 December 2011, trade payables amounted to € 129,818 and included € 114,918 with respect of accrued accounts payable. Such amount did include an amount of € 14,352 which was overdue at year-end date, and principally consisted of amounts which were to be paid within a 30-day period from invoice date.

##### 6.1.3.3.5.2 Trade receivables

No information is provided on payment terms for trade receivables as at 31 December 2011 and 2012, since there was no such amount receivable at any of these dates.

#### 6.1.3.4 Note 3d: Allocation of the 2012 statutory net profit

You are proposed to allocate the statutory net profit for the year ended 31 December 2012 as follows:

- source:
    - net statutory profit for the financial year ended 31 December 2012 € 440,012
    - debit balance of the account 'Prior year losses brought forward' at year-end € (28,987,934)
- € (28,547,922)
- proposed allocation: allocation in full to the account 'Share premium', the balance of which is therefore decreased from € 28,797,116 to € 249,194.

Another separate resolution will be proposed to the Company's shareholders on 7 June 2013 to allocate the balance of the share premium, which would therefore be decreased to nil, to the caption 'Reserve for own shares', having therefore a resulting balance of € 249,194.

As required by applicable legal provisions, notably by article 243 bis of the French General Tax Code, you are reminded that the Parent has not distributed a dividend since its inception.

The Board does not expect to change the existing policy with respect of dividend distribution, or to propose any dividend distribution in coming years.

6.1.3.5 Note 3e: Overview of corporate governance policies

6.1.3.5.1 Note 3e (i): Corporate governance principles which were adopted by the Company

With respect of corporate governance policies, on 13 March 2009 the Company elected to refer to corporate governance principles set out in the AFEP-MEDEF Code, with certain qualifications and exemptions.

You are kindly requested to refer to note 2a to the report of the Chairman of the Board as required by article L.225-37 of the French Commercial Code for further information on this adoption, and notably on those principles that the Company decided to adopt with qualifications, as well as explanations on those principles that the Company decided not to adopt given its size and organisation.

6.1.3.5.2 Note 3e (iii) : Management of the Company

In its meeting held on 23 June 2008, after it was made aware of Mr. Freidah's decision to resign from both his positions of CEO and director of the Company, the Board voted:

- firstly, that the most appropriate way of managing the Company was that the roles of Chairman of the Board and of Chief Executive Officer of the Company would continue to be fulfilled by different individuals as had been the case since 27 April 2007; and
- secondly, that Mr. Gary Fry was appointed as the Company's CEO for the duration of his director mandate, being noted that he had been provisionally appointed as a director by the Board on 23 June 2008 for the remaining duration of Mr. Freidah's director mandate, which expired at the end of the annual meeting of the Company's shareholders convened in 2012 to approve the accounts of the last financial year then ended, and that such provisional appointment was confirmed by the shareholders in their meeting held on 24 April 2009.

A Board meeting was convened at the close of the shareholders' meeting on 27 April 2012 to reappoint Mr. Fry as CEO of the Company for the duration of his director mandate (being 4 years).

Abovementioned changes had no effect on the mandate of Mr. Johan Volckaerts as the Company's Chairman of the Board, who was reappointed as a director of the Company for another four-year term by the shareholders in their meeting held on 16 June 2011.

6.1.3.6 Note 3f: The Board of Directors

6.1.3.6.1 Note 3f (i): Director mandates

6.1.3.6.1.1 Minimum number of shares to be held by each of the Company's directors

Pursuant to article 15 of the Company's articles of association, each director must own a minimum of hundred shares during his term of office. The compliance of each of the Company's directors with that statutory provision was checked during the Board meeting held on 25 October 2012.

6.1.3.6.1.2 Directors appointed by the Company's employees

No director was appointed by the Company's employees as set out by applicable provisions of article L.225-27 of the French Commercial Code.

6.1.3.6.1.3 Service agreements

No service agreement providing for post-employment benefits was entered into by the Company with any of its directors.

6.1.3.6.2 Note 3f (ii): Purpose and organisation of the Board of Directors

You are kindly requested to refer to the report drafted by the Chairman of the Board of Directors in accordance with the provisions of article L.225-37 of the French Commercial Code for further information on this.

6.1.3.6.3 Note 3f (iii): Mandates held by the Company's directors in other companies

Please find below the list of mandates which were held by each director of the Company during the past five financial years, as it stood on the date this report was drafted, with indication, as the case may be, of the termination date for such mandates between 31 December 2012 and the date when this report was drafted.

No director of the Company is holding any director or executive officer position in any other company whose shares are admitted to trading than the Company, whether in France or in a foreign country. The professional address of all of the Company's directors is that of the Company's registered office.

6.1.3.6.3.1 Mr. Johan Volckaerts, Chairman of the Board of Directors

Aged 61, and a Belgian national, Mr. Volckaerts was appointed as a director of the Parent when it was incorporated in November 1996.

His current term will expire at the end of the meeting of the Company's shareholders which will be convened in 2015 to approve the accounts of the last financial year then ended.

In addition to being the Parent's Chairman of the Board, Mr. Volckaerts' main business is to be the managing director for Continental Europe of Andlinger & Co., a private equity investment firm.

Mr. Johan Volckaerts had the following mandates in the past five financial years:

■ Mandates held in French companies:

None, either in companies which are part of Global Graphics, or not.

■ Mandates held in foreign companies

*Which are part of Global Graphics*

- chairman of the Board of Directors of Global Graphics (UK) Limited;
- chairman of the Board of Directors of Global Graphics Software Limited; and
- chairman of the Board of Directors of Jaws Systems Limited.

*Which are not part of Global Graphics*

- director of Stichting Andlinger Europe, a Dutch foundation;
- director of Stichting Andlinger Group, a Dutch foundation;
- managing director of Andlinger & Co. CVBA, a Belgian company;
- chairman of the Board of Directors of Synerlab SA, a Belgian company;
- managing director of Timeless BVBA, a Belgian company;
- managing director of Primus BVBA, a Belgian company;
- managing director of Gecova BVBA (now Primus International BVBA), a Belgian company;
- director of Nebus Loyalty Belgium CVBA, a Belgian company;
- director of Nebus Capital Cvba (now Salander BVBA), a Belgian company;
- director of Ancap Primus LLC, a US company, since 7 May 2012;
- director of Stichting GP Finax, a Dutch foundation, since 21 June 2012;
- director of Stichting Hukvaldy, a Dutch foundation, since 21 June 2012;
- director of Stichting Tivox, a Dutch foundation, since 21 June 2012;
- managing director of Primus Holding Sarl, a Luxemburg Company, since 21 June 2012;
- managing director of Lavace S.r.o., a Czech company, since 2 August 2012; and
- director of Stichting Calex, a Dutch foundation, since 23 January 2013.

6.1.3.6.3.2 Mr. Gary Fry, director and Chief Executive Officer

Aged 44, and a British national, Mr. Fry was appointed as a director of the Parent on 23 June 2008.

His current term will expire at the end of the meeting of the Company's shareholders convened in 2016 to approve the accounts of the last financial year then ended.

Before being appointed as Chief Executive Officer of the Company in late June 2008, Mr. Fry has been general manager for the Benelux countries at Adobe Systems Inc. since early December 2005.

In addition to being the Company's Chief Executive Officer and one of the directors of the Parent, Mr. Fry had the following mandates in the past five financial years:

■ Mandates held in French companies:

None, either in companies which are part of Global Graphics or not.

■ Mandates held in foreign companies

*Which are part of Global Graphics*

- director of Global Graphics (UK) Limited since 1 July 2008;
- director of Global Graphics Software Limited since 1 July 2008;

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- director of Jaws Systems Limited since 1 July 2008;
- Chief Executive Officer of Global Graphics Software Incorporated since 1 July 2008; and
- director of Global Graphics Kabushiki Kaishiyu since 1 July 2008.

### *Which are not part of Global Graphics*

Managing director of Fry and Fry Management Consultancy Limited, a UK company, since 23 December 2009.

#### 6.1.3.6.3.3 Mr. Alain Pronost, director and Chief Financial Officer

Aged 46, and a French national, Mr. Pronost was appointed as a director of the Parent on 16 June 2000. His current term will expire at the end of the meeting of the Company's shareholders convened in 2016 to approve the accounts of the last financial year then ended.

Mr. Pronost has been the Company's Chief Financial Officer ('CFO') since 1 August 1999.

In addition to being the Company's CFO and one of its directors, Mr. Pronost had the following mandates in the past five financial years:

- Mandates held in French companies
  - managing director and, since 1 September 2008, liquidator of Stan Invest Sarl;
  - managing director of Financière de la Forge Sarl since 1 September 2006; and
  - liquidator of GL Investissements SAS between 24 January 2008 and 29 December 2008.
- Mandates held in foreign companies
  - director of Global Graphics (UK) Limited;
  - director of Global Graphics Software Limited; and
  - director of Global Graphics EBT Limited, since 3 February 2010.

#### 6.1.3.6.3.4 Mrs Clare Findlay, director

Aged 50, and a British national, Mrs. Findlay was appointed as a director of the Parent on 16 June 2011. Her current term will expire at the end of the meeting of the Company's shareholders convened in 2015 to approve the accounts of the last financial year then ended.

Mrs. Findlay was a director and the Chief Executive Officer of Aspire Technology, Limited, a UK company, until November 2010 when it was acquired by Concentrix Corporation, a US company.

She has been the managing director of Concentrix's UK activities since that date

#### 6.1.3.6.3.5 Mr. Pierre Van Beneden, director

Aged 58, and a French national, Mr. Van Beneden was appointed as a director of the Parent on 20 March 2008.

His current term will expire at the end of the meeting of the Company's shareholders convened in 2014 to approve the accounts of the last financial year then ended.

Mr. Van Beneden has been the Chief Executive Officer of RSD SA, a Swiss company, since 3 March 2008.

Before joining RSD, Mr. Van Beneden was notably Adobe's vice president for EMEA countries between 15 March 2003 and 30 November 2007.

#### 6.1.3.7 Note 3g: Remuneration paid to the Company's directors in the year ended 31 December 2012

As required by article L.225-102-1 of the French Commercial Code, please find hereafter the remuneration paid to the Company's directors, by either the Parent or any of its subsidiaries, in the years ended 31 December 2011 and 2012.

Please also note that the directors are also granted with reimbursement of expenses incurred by them while fulfilling their duties of directors of the Company; such reimbursement is made on documentary evidence for the actual value of the expenses incurred.

For clarity, remuneration paid to the Company's executive officers is presented in tables which have been drafted based on those set out in the AMF Recommendation dated 22 December 2008 on information to be provided with respect of remuneration paid to executive officers, accompanied by narrative information which provides all required information on the amounts paid and the paying parties for the corresponding remuneration.

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6.1.3.7.1 Note 3g (i): Mr. Johan Volckaerts, Chairman of the Board of Directors of the Parent

6.1.3.7.1.1 Summary of amounts due, and paid, to Mr. Volckaerts

The following table provides information on the amounts due, and paid, to Mr. Volckaerts in the years ended 31 December 2011 and 2012:

In euros	Year ended 31 December 2012		Year ended 31 December 2011	
	Amounts due	Amounts paid	Amounts Due	Amounts paid
<b>Cash-based remuneration</b>				
- fixed remuneration	-	-	-	-
- variable remuneration	-	-	-	-
- exceptional remuneration	-	-	-	-
- directors' fees	63,993	63,993	46,149	46,149
- benefits in kind	-	-	-	-
<b>Total cash-based remuneration</b>	<b>63,993</b>	<b>63,993</b>	<b>46,149</b>	<b>46,149</b>
<b>Share-based remuneration</b>				
Value of share options granted during the year	-	-	-	-
Value of free shares granted during the year	-	-	-	-
<b>Total share-based remuneration</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>63,993</b>	<b>63,993</b>	<b>46,149</b>	<b>46,149</b>

6.1.3.7.1.2 Remuneration paid to Mr. Volckaerts by the Parent

Mr. Volckaerts was not paid any remuneration by the Parent in either of the years ended 31 December 2011 or 2012, either in the form of directors' fees or otherwise, with respect of his office of Chairman of the Board of Directors.

6.1.3.7.1.3 Remuneration paid to Mr. Volckaerts by other entities of the Company

■ Directors' fees paid by Global Graphics Software Limited

Mr. Volckaerts was paid directors' fees amounting to € 63,993 (£ 52,019) with respect of his office of Chairman of the Board of Directors of Global Graphics Software Limited in and for the year ended 31 December 2012, compared with € 46,149 (£ 39,879) in and for the year ended 31 December 2011.

■ Indemnity due or liable to be due on termination of office

Mr. Volckaerts is not entitled to any indemnity which would be due or liable to be due on termination of his office.

■ Indemnity relating to a non-compete clause

Mr. Volckaerts is not entitled to any indemnity relating to a non-compete clause which would be due or liable to be due on termination of his office, being noted that, as any other member of the Board of Directors and as provided by the Board charter, he is subject to a non-compete obligation during the one-year period starting on the date of termination of his office, unless such non-compete obligation is either reduced or waived by the Board of Directors.

■ Pension scheme contributions

Mr. Volckaerts is not entitled to any contributions paid by the Company to any compulsory or additional pension schemes.

6.1.3.7.2 Note 3g (ii): Mr. Gary Fry, director and Chief Executive Officer of the Company

6.1.3.7.2.1 Summary of remuneration due, and paid, to Mr. Fry

The following table provides information on the amounts due, and paid, to Mr. Fry in the years ended 31 December 2011 and 2012:

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In euros	Year ended 31 December 2012		Year ended 31 December 2011	
	Amounts due	Amounts paid	Amounts due	Amounts Paid
<b>Cash-based remuneration</b>				
- fixed remuneration	126,691	126,691	112,925	112,925
- variable remuneration	97,951	87,008	86,053	58,482
- exceptional remuneration	-	-	-	-
- directors' fees	15,000	15,000	15,000	15,000
- benefits in kind	13,316	13,316	12,476	12,476
<b>Total cash-based remuneration</b>	<b>252,958</b>	<b>242,015</b>	<b>226,454</b>	<b>198,883</b>
<b>Share-based remuneration</b>				
Value of share options granted during the year	-	-	5,811	5,811
Value of free shares granted during the year	-	-	10,833	10,833
<b>Total share-based remuneration</b>	<b>-</b>	<b>-</b>	<b>16,644</b>	<b>16,644</b>
<b>Total</b>	<b>252,958</b>	<b>242,015</b>	<b>243,098</b>	<b>215,527</b>

6.1.3.7.2. 2 Remuneration paid to Mr. Fry by the Parent

- With respect of his position of Chief Executive Officer

Mr. Fry was not paid any remuneration by the Parent in either of the years ended 31 December 2011 or 2012 with respect of his position of the Parent's Chief Executive Officer.

- With respect of his office of member of the Board of Directors

Mr. Fry was paid directors' fees by the Parent with respect of his office of member of the Parent's Board of Directors, which amounted to € 15,000 (before effect of withholding tax on this amount) in each of the years ended 31 December 2011 and 2012.

6.1.3.7.2.2 Remuneration paid to Mr. Fry by other entities of the Company

The structure of the remuneration due to Mr. Fry for the year ended 31 December 2012 with respect of the employment agreement which was entered into by Global Graphics Software Limited on 1 July 2008, was approved by the Company's remuneration committee as well as the Board on 14 December 2011.

- Cash-based remuneration

*Fixed remuneration*

Based on a proposal made by the Company's remuneration committee, the Board voted on 16 December 2009 to decrease Mr. Fry's fixed remuneration from a gross amount of £ 150,000 in the year ended 31 December 2009 to a gross amount of £ 90,000 in the year ended 31 December 2010.

On 22 April 2010, the Board voted to increase Mr. Fry's fixed remuneration to an annual gross amount of £ 94,500 with effect from 1 April 2010, which was increased to £ 99,135 with effect from 1 April 2011 pursuant to a Board decision made on 15 December 2010, and to £ 103,909 with effect from 1 April 2012 pursuant to a Board decision made on 14 December 2011.

As a result, the gross amount which was due and paid to Mr. Fry in and for the year ended 31 December 2012 was £ 102,715 (€ 126,691), compared with a gross amount of £ 97,976 (€ 112,925) due and paid to Mr. Fry in and for the year ended 31 December 2011.

*Variable remuneration*

Mr. Fry was entitled to a bonus of a maximum gross amount of £ 90,000 for each of the years ended 31 December 2011 and 2012.

The payment of this bonus was subject to the achievement of certain targets relating to the amount of sales reported by the Company for each of these financial years for up to £ 22,500, the amount of operating expenses reported by the Company for each of these financial years for up to another £ 22,500, as well as quarterly performance targets for each of these financial years for up to £ 45,000, being noted that more precise information is not provided on the abovementioned targets to protect the Parent's and Company's legitimate interests.

On 12 February 2013, the Board of Directors voted that the target set with respect of sales for the year ended 31 December 2012 was 75.0% achieved, that the target set with respect of operating expenses for that same year was 100.0% achieved, and that performance targets which were set to Mr. Fry were 90.6% achieved. As a result, on that same date, the Board approved the payment to Mr. Fry of a gross amount of £ 80,156 with respect of the bonus for the year ended 31 December 2012.

Such amount, which was fully accrued for as at 31 December 2012 for € 97,951, was fully paid to Mr. Fry in the course of the first quarter of the current year.

On 7 February 2012, the Board of Directors voted that the target set with respect of sales for the year ended 31 December 2011 was 50.0% achieved, that the target set with respect of operating expenses for that same year was 100.0% achieved, and that performance targets which were set to Mr. Fry were 86.4% achieved. As a result, on that same date, the Board approved the payment to Mr. Fry of a gross amount of £ 72,619 with respect of the bonus for the year ended 31 December 2011.

Such amount, which was accrued for as at 31 December 2011, was paid to Mr. Fry in February 2012.

#### *Car allowance*

As certain employees of the UK subsidiary of the Company, Mr. Fry is entitled to a car allowance.

The amount due and paid to Mr. Fry with respect of such car allowance amounted to £ 10,800 in each of the years ended 31 December 2011 and 2012 (or € 12,476 and € 13,316, respectively).

#### *Indemnity due or liable to be due on termination of his office*

Mr. Fry is not entitled to any indemnity which would be due or liable to be due on termination of his Chief Executive Officer position.

However, should his employment agreement be terminated by the Company, Mr. Fry would be entitled to the payment of a notice period, the duration of which was set to 10 months by the Board on 15 December 2009.

#### *Indemnity relating to a non-compete clause*

In case of termination of his employment agreement with the Company, Mr. Fry is subject to a non-compete obligation of a minimum duration of 6 months, which may be increased up to a maximum of 12 months, reduced or waived by the Board as deemed appropriate. During that period, Mr. Fry will be entitled to a monthly payment amounting to 100% of the average of the remuneration paid to him by the Company during the 12-month period preceding the termination of his employment agreement.

#### *Contributions paid with respect of a defined contribution pension scheme*

Mr. Fry is entitled to the payment by Global Graphics Software Limited of contributions on a defined contribution pension scheme, the amount of which was increased from 9% to 15% of his fixed remuneration with effect from 1 January 2010, as voted by the Board on 15 December 2009.

The amount contributed on this defined contribution pension scheme was £ 14,647 (or € 18,063) in and for the year ended 31 December 2012, and £ 14,696 (or € 16,939) in the year ended 31 December 2011.

#### ■ Share-based remuneration

##### *Grant of share options*

Mr. Fry was granted options to subscribe for an equivalent number of new shares of the Company to be issued on the exercise of such options on 6 August 2008 and 2 November 2011 as set out below, being noted that the exercise of these options must take place no later than 6 August 2016, an earlier exercise being possible under specific circumstances, as set out in note 9c (i) to the statutory financial statements for the year ended 31 December 2012.

The exercise of these options as well as the subsequent sale of newly issued shares resulting from such exercise may only occur in periods when such transactions are not prohibited by applicable provisions of the Company's Code of Dealing in Financial Instruments, which notably prohibits that such transactions are made in the period between the end of a reporting period and the date when corresponding results are released by the Company, in addition to all other applicable regulatory and legal provisions.

##### Options granted to Mr. Fry on 6 August 2008

On 22 July 2008, the Board granted Mr. Fry a total of 400,000 options to subscribe for an equivalent number of new shares of the Company to be issued on the exercise of such options; the effective date of such option grant was 6 August 2008, and the exercise price for these options was € 2.08 per share, which was the average of the closing prices reported for the Company's share over the 20 trading day period ended 5 August 2008.



As voted by the Board on 22 July 2008, Mr. Fry will have to retain a minimum of 5% of the total number of newly issued shares which will be issued when options are exercised the disposal of which will not be required to pay for the exercise value of exercised options and the corresponding contributions and tax liabilities as long as he will continue to be the Company's CEO.

In November 2011, Mr. Fry gave an irrevocable, written consent to waive all of his rights in exercising 200,000 of these 400,000 options as a condition to be granted 200,000 new options by the Board: as a result, as at 31 December 2012 as well as on the date this report was drafted, only 200,000 of the 400,000 options which were granted to Mr. Fry on 6 August 2008 may still be exercised.

The exercise of these 200,000 options may only occur when the average of the closing prices reported for the Company's share over the last 120 trading days has been that the average of the closing prices reported for the Company's share over the last 120 trading days is at least equal to € 4.00 for up to 50,000 of these 200,000 options, to € 8.00 for up to 100,000 of these 200,000 options, to € 12.00 for up to 150,000 of these 200,000 options, and to € 16.00 for all of these 200,000 options.

The cost of these options was assessed by an independent valuator to approximately € 300,000 as at share option grant date.

The amount which was expensed in the Company's consolidated accounts with respect of that grant of options was € 11,539 and € 58,366 in the years ended 31 December 2012 and 2011, respectively.

#### Options granted to Mr. Fry on 2 November 2011

On 2 November 2011, the Board granted Mr. Fry a total of 200,000 options to subscribe for an equivalent number of new shares of the Company to be issued on the exercise of such options, at an exercise price which was the higher of the closing price reported for the Company's share on the last trading day immediately preceding the date of the Board meeting when such option grant was voted, and the average of the closing prices reported for the Company's share over the 20 trading day period during which trades were made in the Company's share which was immediately preceding the date of the Board meeting when such option grant was voted, i.e. € 1,06 per share being the closing price reported for the Company's share on 1 November 2011.

As voted by the Board on 2 November 2011, Mr. Fry will have to retain a minimum of 5% of the total number of newly issued shares which will be issued when options are exercised the disposal of which will not be required to pay for the exercise value of exercised options and the corresponding contributions and tax liabilities as long as he will continue to be the Company's CEO.

The exercise of these 200,000 options may only occur when the average of the closing prices reported for the Company's share over 20 trading days in any 60 trading day period during which trades were made in the Company's share is at least equal to € 2.00 for up to 100,000 of these 200,000 options, and to € 3.00 for the remaining 100,000 options which were granted to Mr. Fry on 2 November 2011.

The cost of these options was assessed by an independent valuator to approximately € 80,000 as at share option grant date.

The amount which was expensed in the Company's consolidated accounts with respect of that grant of options was € 35,459 in the year ended 31 December 2012, compared with € 5,811 in the year ended 31 December 2011.

#### *Grant of free shares*

Mr. Fry was granted free shares by the Board on 10 March 2011, as detailed below; in addition, as an employee of the UK subsidiary of the Company, he also decided to participate to the Share Incentive Plan (SIP), the features of which are set out in note 7b to the Company's statutory financial statements for the year ended 31 December 2012.

#### Grant of free shares to Mr. Fry on 10 March 2011

A total 36,000 free shares were granted to Mr. Fry by the Board on 10 March 2011, with immediate effect.

The total cost of this grant of 36,000 shares was estimated to approximately € 51,000, based on the opening price reported for the Company's share on the date of grant, which was € 1.43.

The irrevocable grant of these shares, which will be shares which have been previously repurchased by the Company as part of its share repurchase programme, will be made at the end of the four-year period starting on the date these shares were granted to Mr. Fry (i.e. on 10 March 2015), provided that Mr. Fry has been an employee or a director of the Company at any time during that period.

As voted the Board on 10 March 2011, Mr. Fry will have to retain a minimum of 25% of the total number granted to him on irrevocable grant date as long as he will continue to be the Company's CEO.

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The amount which was expensed in the Company's consolidated accounts with respect of that grant of free shares was € 12,870 for the year ended 31 December 2012, compared with € 10,360 in the year ended 31 December 2011.

Grant of free shares to Mr. Fry under the SIP

Mr. Fry acquired a total of 1,973 Partnership Shares under the SIP during the year ended 31 December 2011; as a result, he was granted a total of 2,696 free shares (Matching Shares) which will be irrevocably granted to him at the end of a three-year period starting on the date when corresponding Partnership Shares were acquired, provided that Mr. Fry has been an employee or a director of the Company at any time during that period.

The amount which was expensed in the Company's consolidated accounts with respect of that grant of free shares was € 1,125 for the year ended 31 December 2012, compared with € 473 in the year ended 31 December 2011.

6.1.3.7.3 Note 3g (iii): Mr. Alain Pronost, director and Chief Financial Officer of the Company

6.1.3.7.2.1 Summary of remuneration due, and paid, to Mr. Pronost

The following table provides information on the amounts due, and paid, to Mr. Pronost in the years ended 31 December 2011 and 2012:

In euros	Year ended 31 December 2012		Year ended 31 December 2011	
	Amounts due	Amounts paid	Amounts due	Amounts Paid
<b>Cash-based remuneration</b>				
- fixed remuneration	93,000	93,000	93,000	93,000
- variable remuneration	15,938	14,375	14,375	9,375
- exceptional remuneration	-	-	-	-
- directors' fees	54,831	54,831	50,214	50,214
- benefits in kind	200	200	200	-
<b>Total cash-based remuneration</b>	<b>163,969</b>	<b>162,406</b>	<b>157,789</b>	<b>152,589</b>
<b>Share-based remuneration</b>				
Value of share options granted during the year	-	-	363	363
Value of free shares granted during the year	-	-	2,302	2,302
<b>Total share-based remuneration</b>	<b>-</b>	<b>-</b>	<b>2,665</b>	<b>2,665</b>
<b>Total</b>	<b>163,969</b>	<b>162,406</b>	<b>160,454</b>	<b>155,254</b>

6.1.3.7.3. 2 Remuneration paid to Mr. Pronost by the Parent

- With respect of his employment agreement as CFO of the Company

*Fixed remuneration*

The gross amount which was due and paid to Mr. Pronost with respect of his employment agreement as CFO of the Company dated 1 August 1999 was € 93,000 in each of the years ended 31 December 2011 and 2012.

*Variable remuneration*

Mr. Pronost was entitled to a bonus of a maximum gross amount of € 25,000 for each of the years ended 31 December 2011 and 2012. The payment of this bonus was subject to the achievement of certain targets relating to the amount of sales reported by the Company for each of these years for up to € 6,250, the amount of operating expenses reported by the Company for each of these years for up to another € 6,500, as well quarterly performance targets for each of these years for up to € 12,500.

No more precise information is provided on the abovementioned targets to protect the Parent's and Company's legitimate interests.

On 12 February 2013, the Board of Directors voted that the target set with respect of sales for the year ended 31 December 2012 was 50.0% achieved, that the target set with respect of operating expenses for that same year was 100.0% achieved, and that performance targets which were set to Mr. Pronost were 40.0% achieved.

As a result, on that same date, the Board approved the payment to Mr. Pronost of a gross amount of € 15,938 with respect of the bonus for the year ended 31 December 2012. Such amount, which was fully accrued for as at 31 December 2012, was paid to Mr. Pronost for an amount of € 5,000 in January 2013, and, for the balance (i.e. € 10,938) in February 2013.

On 7 February 2012, the Board of Directors voted that the target set with respect of sales for the year ended 31 December 2011 was 50.0% achieved, that the target set with respect of operating expenses for that same year was 100.0% achieved, and that performance targets which were set to Mr. Pronost were 40.0% achieved. As a result, on that same date, the Board approved the payment to Mr. Pronost of a gross amount of € 14,375 with respect of the bonus for the year ended 31 December 2011. Such amount, which was fully accrued for as at 31 December 2011, was paid to Mr. Pronost for an amount of € 5,000 in January 2012 and, for the balance (i.e. € 9,375) in February 2012.

*Other items of cash remuneration*

Mr. Pronost was paid an amount of € 200 in each of the years ended 31 December 2011 and 2012 with respect of petrol costs incurred by him.

*Indemnity due or liable to be due on termination of his office*

On 26 March 2013, as part of the Company's projected legal reorganisation, which is set out in note 5 below, the Board approved the terms of a severance agreement which was entered into by the Parent with Mr. Pronost on 15 March 2013, according to which his employment with the Parent will be terminated on 31 December 2013, he will be entitled to the payment of a bonus amounting to a gross amount of € 25,000 no later than in late November 2013, as well as of a severance amount of € 122,555 (including the severance amount as provided by the applicable collective labour agreement) which will be paid to him in early January 2014.

The severance agreement, as well as its main terms, has been considered as one of the transactions which are referred to under article L.225-38 of the French Commercial Code, the conclusion of which require prior approval from the Board; these are set out in the special report on transactions and commitments with regulated related parties prepared by the Company's statutory auditors for review and approval by the Company's shareholders (see section 5.5 of the Company's annual financial report).

*Indemnity relating to a non-compete clause*

In case of termination of his employment agreement with the Company, Mr. Pronost would be subject to a non-compete obligation of a minimum duration of 6 months, which might be increased up to a maximum of 12 months, reduced or waived by the Board, as deemed appropriate.

During that non-compete period, Mr. Pronost would be entitled to a monthly payment amounting to 50% of the average of the remuneration paid to him by the Company during the 12-month period preceding the termination of his employment agreement. Should such termination be decided by the Company, such monthly payment would amount to 100% of the average of the remuneration paid to Mr. Pronost by the Company during the 12-month period preceding the termination of his employment agreement, as long as he would not have found a new employment.

On 26 March 2013, the Board approved the proposal made by the Company's CEO to waive the non-compete obligation falling on Mr. Pronost when his employment with the Parent would end.

*Contributions paid with respect of a defined contribution pension scheme*

Mr. Pronost is entitled to the payment by the Parent of contributions on a defined contribution pension scheme, the amount of which is equal to 1% of the gross remuneration paid to him in any given year, being noted that additional contributions on that defined contribution pension scheme may be made in any given year provided that such additional contributions are approved by the Board.

The amount contributed on this defined contribution pension scheme was € 1,074 in and for the year ended 31 December 2012, compared with € 1,024 in and for the year ended 31 December 2011.

*Contributions made to savings plans*

The Board of Directors decided on 16 December 2009 that employees of the Parent would be entitled to participate to a Plan d'épargne interentreprises ('PEI'), whose terms provide for an annual contribution by the Parent equal to 300% of the amount contributed by the employee during that year, within a maximum of 8% of the annual limit for the payment of French social security contributions, and to a Plan d'épargne retraite collectif interentreprises ('PERCO-I'), whose terms provide for an annual contribution by the Parent equal to 300% of the amount contributed by the employee during that year within a limit of 16% of the annual limit for the payment of French social security contributions.

Corresponding contributions made by the Parent Being to contributions made by Mr. Pronost on these savings plans in and for the year ended 31 December 2012 were € 2,907 and € 4,248, respectively, compared with respective contributions amounting to € 2,828 and € 3,774 in and for the year ended 31 December 2011.

Contributions made by the Parent to those made by Mr. Pronost on these savings plans are regarded as transactions which are referred to under article L.225-38 of the French Commercial Code, the conclusion of which require prior approval from the Board; these are set out in the special report on transactions and commitments with regulated related parties prepared by the statutory auditors for review and approval by the Company's shareholders (see section 5.5 of the Company's annual financial report).

#### *Grant of share options*

Mr. Pronost was granted options to subscribe for an equivalent number of new shares of the Company to be issued on the exercise of such options on 17 December 2008 and 2 November 2011 as set out below, being noted that the exercise of these options must take place no later than 6 August 2016, an earlier exercise being possible under the same specific circumstances than those applicable to Mr. Fry (see note 3g (ii) above).

The exercise of these options as well as the subsequent sale of newly issued shares resulting from such exercise may only occur in periods when such transactions are not prohibited by applicable provisions of the Company's Code of Dealing in Financial Instruments, which notably prohibits that such transactions are made in the period between the end of a reporting period and the date when corresponding results are released by the Company, in addition to all other applicable regulatory and legal provisions.

#### Grant of share options to Mr. Pronost on 17 December 2008

On 17 December 2008, with immediate effect, the Board granted Mr. Pronost a total of 25,000 options to subscribe for an equivalent number of new shares of the Company to be issued on the exercise of such options, having an exercise price of € 2.08 per share.

In November 2011, Mr. Pronost gave an irrevocable, written consent to waive all of his rights in exercising 12,500 of these 25,000 options as a condition to be granted 12,500 new options by the Board: as a result, as at 31 December 2011 as well as on the date this report was drafted, only 12,500 of the 25,000 options which were granted to Mr. Pronost on 17 December 2008 may still be exercised.

The exercise of these 12,500 options may only occur when the average of the closing prices reported for the Company's share over the last 120 trading days has been that the average of the closing prices reported for the Company's share over the last 120 trading days is at least equal to € 4.00 for up to 3,125 of these 12,500 options, € 8.00 for up to 6,250 of these 12,500 options, € 12.00 for up to 9,375 of these 12,500 options, and to € 16.00 for all of these 12,500 options.

The cost of these options was assessed by an independent valuator to approximately € 12,000 as at share option grant date.

The amount which was expensed in the Company's consolidated accounts with respect of that grant of options was € 2,160 and € 318 in the years ended 31 December 2012 and 2011, respectively.

#### Options granted to Mr. Pronost on 2 November 2011

On 2 November 2011, the Board granted Mr. Pronost a total of 12,500 options to subscribe for an equivalent number of new shares of the Company to be issued on the exercise of such options, at an exercise price which was the higher of the closing price reported for the Company's share on the last trading day immediately preceding the date of the Board meeting when such option grant was voted, and the average of the closing prices reported for the Company's share over the 20 trading day period during which trades were made in the Company's share which was immediately preceding the date of the Board meeting when such option grant was voted, i.e. € 1,06 per share being the closing price reported for the Company's share on 1 November 2011.

The exercise of these 12,500 options may only occur when the average of the closing prices reported for the Company's share over 20 trading days in any 60 trading day period during which trades were made in the Company's share is at least equal to € 2.00 for up to 6,250 of these 12,500 options, and to € 3.00 for the remaining 6,250 options which were granted to Mr. Pronost on 2 November 2011.

The cost of these options was assessed by an independent valuator to approximately € 5,000 as at share option grant date.

The amount which was expensed in the Company's consolidated accounts with respect of that grant of options was € 2,216 in the year ended 31 December 2012, compared with € 363 in the year ended 31 December 2011.

*Grant of free shares*

A total of 4,000 free shares were granted to Mr. Pronost by the Board on 10 March 2011, with immediate effect.

The total cost of this grant of 4,000 shares was estimated to approximately € 6,000, based on the opening price reported for the Company's share on the date of grant, which was € 1.43.

The irrevocable grant of these shares, which will be shares which have been previously repurchased by the Company as part of its share repurchase programme, will be made at the end of the two-year period starting on the date these shares were granted to Mr. Pronost (i.e. on 10 March 2013), provided that Mr. Pronost has been an employee or a director of the Company at any time during that period.

In addition, Mr. Pronost will be required to hold all of these shares for a subsequent two-year period ending on 10 March 2015.

On 26 March 2013, the Board acknowledged that the abovementioned continuing employment condition was fulfilled by Mr. Pronost during the two-year period ended 10 March 2011, and confirmed the final grant of these 4,000 shares to him.

The amount which was expensed in the Company's consolidated accounts with respect of that grant of options was € 2,860 in the year ended 31 December 2012, compared with € 2,302 in the year ended 31 December 2011.

■ With respect of his office of member of the Board of Directors

Mr. Pronost was paid directors' fees by the Parent which amounted to € 15,000 in each of the years ended 31 December 2011 and 2012.

6.1.3.7.3.2 Remuneration paid to Mr. Pronost by other entities of the Company

Mr. Pronost was paid directors' fees by Global Graphics Software Limited which amounted to € 39,831 (£ 32,288) in the year ended 31 December 2012, compared with € 35,214 (£ 30,658) in the year ended 31 December 2011.

6.1.3.7.4 Note 3g (iv): Mr. Pierre Van Beneden, director

Mr. Van Beneden was paid directors' fees by the Parent amounting to € 15,000 in each of the years ended 31 December 2011 and 2012, with respect of his office of member of the Board of Directors, before effect of withholding as a result of being a non-resident for personal income tax purposes.

6.1.3.7.5 Note 3g (v): Mrs. Clare Findlay, director (since 16 June 2011)

Mrs. Findlay was paid directors' fees by the Parent amounting to € 15,000 in the year ended 31 December 2012 and to € 7,500 in the year ended 31 December 2011 (pursuant to her appointment to the Board on 16 June 2011) with respect of her office of member of the Board of Directors, before effect of withholding as a result of being a non-resident for personal income tax purposes.

6.1.3.8 Note 3h: Authorisations granted to the Board of Directors by the shareholders

The following table provides information on the authorisations which were granted to the Board of Directors by the shareholders on 27 April 2012, and which are still valid on the date this report was issued.

It is also important to note that, on 27 April 2012, the shareholders granted the Board with applicable authority to use the authorisations referred to in notes 3h (iii) to 3h (x) in case of a public offer on the Company's shares.

Unofficial translation of the original version in French language

Nature of the authorisation	Corresponding possible transaction	Maximum nominal amount	Type of instruments	Unused portion	Expiry date
Authorisation to implement a share repurchase programme, granted on 27 April 2012	Repurchase of ordinary shares at a maximum price of € 10.00 per share	One million shares	Ordinary shares	One million shares (unused in total on the date this report was drafted)	27 October 2013
Authorisation to decrease the share capital amount through the cancellation of own shares (granted on 27 April 2012)	Decrease of the share capital amount through the cancellation of own shares repurchased by the Parent	One million shares	Ordinary shares	One million shares (unused in total on the date this report was drafted)	27 April 2014
Authorisation to effect a share capital increase (granted on 27 April 2012)	Increase of the share capital amount through incorporation of profit, earnings or premiums	€ 10,000,000	Ordinary shares	€ 10,000,000 (unused in total on the date this report was drafted)	27 June 2014
Authorisation to effect a share capital increase (granted on 27 April 2012)	Increase of the share capital amount through an issue of shares or financial instruments, while maintaining the preferential subscription right	€ 2,000,000 (such limit being inclusive of that resulting from capital increases made while waiving the preferential subscription right)	Ordinary shares or other instruments giving right to the share capital	€ 2,000,000 (unused in total on the date this report was drafted)	27 June 2014
Authorisation to effect a share capital increase (granted on 27 April 2012)	Increase of the share capital amount through an issue of shares or financial instruments, while waiving the preferential right of subscription, to be made through either public or private offerings	€ 2,000,000 (such limit being inclusive of that resulting from capital increases made while maintaining the preferential right of subscription)	Ordinary shares or other instruments giving right to the share capital	€ 2,000,000 (unused in total on the date this report was drafted)	27 June 2014
Authorisation to increase the planned amount of capital increases in case of excess demand (granted on 27 April 2012)	Increase of the share capital amount through an issue of shares or financial instruments, as shown above	Possible increase of the planned amount by 15%, capped to the abovementioned € 2,000,000 limit	Ordinary shares or other instruments giving right to the share capital	Unused in total on the date this report was drafted	27 June 2014
Authorisation to effect a share capital increase to pay for contributions in kind (granted on 27 April 2012)	Increase of the share capital amount to pay for contributions in kind made to the Company	10% of the amount of the share capital (stand-alone limit)	Ordinary shares or other instruments giving right to the share capital	10% of the amount of the share capital (unused in total on the date this report was drafted)	27 June 2014
Authorisation to effect a share capital increase for the participants to the PEE (granted on 27 April 2012)	Increase of the share capital amount, while waiving the preferential right of subscription, for the sole benefit of the participants to the PEE	€ 40,000 (stand-alone limit)	Ordinary shares or other instruments giving right to the share capital	€ 40,000 (unused in total on the date this report was drafted)	27 June 2014
Authorisation to implement a Share Incentive Plan (SIP), granted on 27 April 2012	Grant of free shares previously repurchased as part of the share repurchase programme	150,000 shares, such limit being shared with the authorisations to grant options and/or shares	Ordinary shares	144,980 shares, after effect of the grant of 5,020 free shares (of which 2,020 under the SIP)	27 June 2014
Authorisation to grant options to subscribe for new shares or purchase existing shares, granted on 27 April 2012	Grant of options to subscribe for new ordinary shares or to purchase existing shares which were previously repurchased	Same as above	Ordinary shares	Same as above	27 June 2015
Authorisation to grant free shares, granted on 27 April 2012	Grant of free shares which are newly issued shares, or shares being previously repurchased as part of the share repurchase programme	Same as above	Ordinary shares	Same as above	27 June 2015

6.1.3.8.1 Note 3h (i): Authorisation to implement a share repurchase programme

By voting the ninth resolution in their ordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority to implement a share repurchase programme through which the Board may repurchase, on or several occasions, at times it shall consider appropriate, up to one million shares at a maximum price of € 10.00 per share.

Such repurchases of shares would be made to pursue the following objectives:

- to meet obligations arising from the Company's share option programme or other allocations of shares to the employees and/or directors of the Company, in the forms and conditions as prescribed by applicable law, including the allocation of shares as the result of the implementation of a plan d'épargne d'entreprise, or the grant of free shares;
- to cancel some or all of the ordinary shares which would be repurchased; and
- to provide liquidity on the secondary market for the shares of the Company through the appointment of an investment service provider and the conclusion of a liquidity providing contract.

Such share repurchases may be undertaken when a take-over bid or a public offer exchange of shares is in progress, provided that such repurchases are made in compliance with provisions of article 232-15 of the Règlement général of the Autorité des marchés financiers, and also that the offer is a cash offer only, and that the share repurchases are effected as part of an ongoing share repurchase programme and are not used as a way to counter the take-over bid or public exchange of shares.

On the date this report was drafted, the Board had not used this authorisation, which is valid until 27 October 2013.

6.1.3.8.2 Note 3h (ii): Authorisation to decrease the capital through the cancellation of own shares

By voting the tenth resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority to decrease, on or several occasions, at times it would consider appropriate, the amount of the Company's share capital through the cancellation of a maximum of one million of its own shares, which were previously repurchased as part of the Company's share repurchase programme.

On the date this report was drafted, the Board had not used this authorisation, which is valid until 27 April 2014.

6.1.3.8.3 Note 3h (iii): Authorisation to increase the share capital through the incorporation of share premiums, retained earnings or otherwise retained profit

By voting the eleventh resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority, which is valid until 27 June 2014, to increase the share capital of the Company through the incorporation in the share capital of share premiums, retained earnings, otherwise retained profit, or any other amounts the capitalisation of which is possible, in the form of either the allocation of free, newly issued shares, or an increase in the par value of existing shares, or a combination of these two methods.

The total nominal amount of capital increases which may be effected pursuant to this authorization shall not exceed an aggregate amount of € 10 million, being noted that this figure would not include the nominal amount of any additional ordinary shares the issue of which would be required to maintain the rights of those holding financial instruments giving access to the Company's share capital as required by law. The abovementioned limit would also be separate from any other limit set in the authorizations granted to the Board by the shareholders on 27 April 2012, which are set out in notes 3h (iv) to (vii) below.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.4 Note 3h (iv): Authorisation to increase the share capital through cash contributions

6.1.3.8.4.1 While maintaining the existing shareholders' preferential rights of subscription

By voting the twelfth resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority, which is valid until 27 June 2014, to increase the share capital of the Company at times it shall consider appropriate through an issue of ordinary shares or any other financial instruments giving right, immediately or in a deferred way, to ordinary shares of the Company, while maintaining the existing shareholders' preferential rights of subscription.

The amount of the capital increases which would be effected pursuant to this authorisation may not exceed an aggregate nominal amount of € 2 million, being noted that this figure would include the nominal amount of any additional ordinary shares the issue of which would be required to maintain the rights of those holding financial instruments giving access to the Company's share capital as required by law. Such figure would also include the nominal amount of any share capital increases which would be effected pursuant to the authorisations to increase the share capital of the Company through an issue of ordinary shares or any other financial instruments giving right, immediately or in a deferred way, to ordinary shares of the Company, while waiving the existing shareholders' preferential rights of subscription (see below).

As required by law, financial instruments which would be issued pursuant to this authorisation would allow for the issue of ordinary shares of any company which, directly or indirectly, owns more than 50% of the capital of the Company, or of any company the Company owns, directly or indirectly, more than 50% of the share capital.

Should these subscriptions have not reached the proposed increase in the number of the Company's shares, the Board of Directors would be granted with appropriate authority to either restrict the amount of the planned share capital increase to the amount of subscriptions which were received by the Company provided that this would meet corresponding legal requirements, or freely allocate all or part of shares which would not have been subscribed for, or also make an offer to the public of all or part of shares which would not have been subscribed for.

On the date this report was drafted, the Board had not used this authorisation.

#### 6.1.3.8.4.2 While waiving the existing shareholders' preferential rights of subscription

By voting the thirteenth and fourteenth resolutions in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority, which is valid until 27 June 2014, to increase the share capital of the Company at times it shall consider appropriate through an issue of ordinary shares or any other financial instruments giving right, immediately or in a deferred way, to ordinary shares of the Company, while waiving the existing shareholders' preferential right of subscription, such issues being made by way of either of a public offering (fourteenth resolution) or a private placement of shares (fifteenth resolution).

##### ■ Made by way of a public offering of shares

Any issues made pursuant to this authorization would be made while waiving existing shareholders' preferential subscription rights, by way of a public offering, being noted that the Board of Directors is granted with appropriate authority to grant the Company's shareholders with a priority delay for subscribing for the new shares.

The total nominal value of shares which be issued pursuant to this authorization may not exceed € 2 million. Such figure would include the par value of any shares which would be issued pursuant to the authorizations to increase the share capital of Company while maintaining the existing shareholders' preferential subscription rights (see above), or while waiving such rights and effecting the share issue by way of a private placement (see below).

The total nominal value of financial instruments giving right to the share capital which be issued pursuant to this authorization may not exceed € 2 million. Such figure would include the par value of any financial instruments giving right to the share capital which would be issued pursuant to the authorizations to increase the share capital of Company by issuing ordinary shares or financial instruments giving right to the share capital while maintaining the existing shareholders' preferential subscription rights (see above), or while waiving such rights and effecting the share issue by way of a private placement (see below).

The amount to be received by the Company for each of the new shares issued or to be issued, after giving effect, in the case of an issue of warrants the exercise of which would allow for the subscription of ordinary shares, of the issue price of such warrants, shall be at least equal to the minimum required by applicable legal and regulatory provisions in force at the time the Board will use the authorization, and will therefore be equal to the minimum price which is set out in article R.225-119 of the French Commercial Code.



In the case of an issue made to satisfy the contribution of shares brought to the Company through a public exchange of shares, and within the limits mentioned above, the Board of Directors shall be granted with appropriate authority to draft the list of shares brought into the exchange, set the conditions of the issue, the exchange formula, as well as the amount to be paid in cash as the case may be, and also define the precise terms of the issue.

On the date this report was drafted, the Board had not used this authorisation.

■ Made by way of a private placement

Any issues made pursuant to this authorization would be made while waiving the existing shareholders' preferential subscription rights, by way of an offer referred to under paragraph II of article L.411-2 of the French Financial and Monetary Code.

The total nominal value of shares which would be issued pursuant to this authorization may not exceed € 2 million. Such figure would include the par value of any shares which would be issued pursuant to the authorizations to increase the share capital of Company while maintaining the existing shareholders' preferential subscription rights, or while waiving such rights and effecting the share issue by way of a public offer (see above).

The total nominal value of financial instruments giving right to the share capital which be issued pursuant to this authorization may not exceed € 2 million, being noted that, in any given year, it may also not be higher than 20% of the outstanding share capital amount before effect of the increase. Such figure would include the par value of any financial instruments giving right to the share capital which would be issued pursuant to the authorizations to increase the share capital of Company by issuing ordinary shares or financial instruments giving right to the share capital while maintaining the existing shareholders' preferential subscription rights, or while waiving such rights and effecting the share issue by way of a public offer (see above).

The amount to be received by the Company for each of the new shares issued or to be issued, after giving effect, in the case of an issue of warrants the exercise of which would allow for the subscription of ordinary shares, of the issue price of such warrants, shall be at least equal to the minimum required by applicable legal and regulatory provisions in force at the time the Board will use the authorization, and will notably be equal to the minimum required by article R.225-119 of the French Commercial Code.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.5 Note 3h (v): Authorisation to increase the amount of issues when the demand exceeds the number of shares which was initially planned to be issued

By voting the fifteenth resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority, which is valid until 27 June 2014, to increase the amount of share capital increases, in accordance with conditions set out in article L.225-135-1 of the French Commercial Code (i.e. a maximum increase of 15% of the planned amount of the capital increase in accordance with the provision of article R.225-118 of the same Code), and within the limits set by the shareholders on 23 April 2010, when the demand for the Company's shares exceeds the number of shares which was initially planned to be issued.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.6 Note 3h (vi): Authorisation to increase the share capital to pay for contributions in kind

By voting the sixteenth resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority, which is valid until 27 June 2014, to increase the amount of the share capital through an issue of ordinary or financial instruments giving right to the share capital to pay for any contribution in kind made to the Company, consisting of either shares or financial instruments giving right to the share capital, within the limit of 10% of the amount of the share capital before effect of the share capital increase.

The par value of ordinary shares to be issued pursuant to this authorization may not exceed 10% of the total par value of the shares forming the share capital of the Company before taking into account the effect of the transaction.

This limit is to be considered independently from any other share capital increase limits set pursuant to other authorisations given to the Board of Directors to increase the Company's share capital.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.7 Note 3h (vii): Authorisation to increase the share capital through an issue of shares which would be reserved to employees participating to the Parent's PEE

By voting the seventeenth resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority which is valid until 27 June 2014, to increase the amount of the share capital through an issue of ordinary shares which would be reserved to those employees participating to the Parent's Plan d'Epargne Entreprise and which would be effected in accordance with the conditions set out in article L.3332-18 and subsequent articles of the French Labour Code, either through the issue of ordinary shares of the Company or through the allocation of free shares or other financial instruments giving right to the share capital of the Company, being noted that the existing shareholders' preferential subscription rights would then be waived as required by law.

In accordance with the provisions of article L.3332-19 of the French Labour Code, the price for the shares to be issued may neither be lower than 80% of the average of the first price traded in each of the twenty trading days immediately preceding the decision of the Board of Directors to increase the share capital and to issue new shares (or 70% of such average, when the period over which corresponding shares may not be disposed of by the recipient is a minimum of ten years, as allowed by article L.3332-18 of the French Labour Code), nor higher than such average.

The maximum cumulative amount of any capital increases which would be made pursuant to this authorisation shall be € 40,000, being noted that this limit is to be considered independently from any other share capital increase limits set pursuant to other authorisations given to the Board of Directors to increase the Company's share capital.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.8 Note 3h (viii): Authorisation to continue to operate the Share Incentive Plan

By voting the eighth resolution in their ordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority to implement a Share Incentive Plan (SIP), under which the Board may allot free shares, notably to employees or directors of its UK subsidiary, on the condition of a prior purchase by the recipients of such allotments of free shares ('Matching Shares') of ordinary shares of the Company ('Partnership Shares') in those proportions which were voted by the Board on 17 December 2008). As a result, a participant to the SIP which would have acquired 2,000 Partnership Shares may be granted a maximum of 2,750 Matching Shares, provided that he would comply with holding obligations provided in the SIP rules.

The maximum number of shares (which have to be existing shares) which may be granted pursuant to this authorisation is 150,000 shares, being noted that this limit also includes all grants of share options and all allotments of free shares which would be made pursuant to the authorisations referred to in notes 3h (ix) and 3h (x) below.

As indicated in the Board's report on grants of free shares which is attached to this report, on the date this report was drafted, a total of 2,020 shares were allotted as SIP Matching Shares pursuant to this authorisation, which is valid until 27 June 2014.

6.1.3.8.9 Note 3h (ix): Authorisation to grant options on the Company's shares

By voting the eighteenth resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority, in accordance with the provisions of article L.225-177 of the French Commercial Code, to grant options to subscribe for new shares to be issued on the exercise of options, or to purchase existing shares which would have been previously repurchased by the Company as part of its share repurchase programme, to employees of the Parent, or to employees of its direct or indirect subsidiaries as defined in article L.233-3 of the French Commercial Code, or to some of them, such authority being valid until 27 June 2015.

The total number of options which may be granted pursuant to this authorisation may not result in the number of new shares to be issued or shares to be purchased to be higher than 150,000 shares, provided all other legal limits are complied with, being noted that such limit will include all free shares which may be allocated pursuant to the authorisations to allocate free shares which was granted to the Board by the shareholders on 27 April 2012 (see note 3h (x) below) or to implement a Share Incentive Plan (see note 3h (viii) above), whether or not such allocations of free shares have become irrevocable.

On the date this report was drafted, no options were granted pursuant to this authorisation.

6.1.3.8.10 Note 3h (x): Authorisation to grant free shares

By voting the nineteenth resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority, in accordance with the provisions of articles L.225-197-1 and L.225-197-2 of the French Commercial Code, to grant free shares to employees of the Parent, or to employees of its direct or indirect subsidiaries as defined in article L.233-3 of the French Commercial Code, or to some of them, such authority being valid until 27 June 2014.

Free shares may be either new or existing, ordinary shares of the Company, and may result in a maximum number of shares to be granted to be 150,000, being noted that such limit will include all shares which may be granted under the Share Incentive Plan (see note 3h (viii) above) as well as all options on the Company's shares which may be granted pursuant to the authorisation to grant such options as set out in note 3h (ix) above.

On the date this report was drafted, a total of 3,000 shares were granted pursuant to this authorisation, which were all still outstanding.

6.1.3.8.11 Note 3h (xi): Authorisation to use authorisations in case of a public offer

By voting the twentieth resolution in their extraordinary meeting on 27 April 2012, the shareholders granted the Board of Directors with appropriate authority to use the authorisations relating to share capital increases, notably those set out in notes 3h (iii) to 3h (x) above in case of a public offer on the Company's shares.

On the date this report was drafted, the Board had not used this authorisation, which is valid until 27 October 2013, and for which the Board applies for the authorisation to be renewed for another eighteen-month period (see note 6 below).

6.1.3.9 Note 3i: Director shareholdings

6.1.3.9.1 Note 3i (i): Measures to mitigate the risk of insider trading by the Company's directors

6.1.3.9.1.1 Applicable provisions of the Board charter

Prior approval from the Chairman of the Board (and for the latter, prior approval from two other members of the Board) is mandatory before a director may purchase, sell or otherwise deal (this including any exercise of share options) in the Company's financial instruments.

6.1.3.9.1.2 Applicable provisions of the Code of Dealing in Financial Instruments

Under the Company's Code of Dealing in Financial Instruments, any transaction of the Company's shares including the exercise of share options is prohibited during certain closed periods, notably in the periods between quarter-end date and the first trading day immediately following the date when corresponding quarterly results are released, or within the two trading period before the release by the Company of any price-sensitive information, confirmation of the closed period for trading in the Company's financial instruments being announced by the Company's Chief Financial Officer in an email sent to all of the Company's employees.

6.1.3.9.2 Note 3i (ii): Director shareholdings

The information which is provided hereafter relates to the Company's shares which were held by the members of the Board of Directors in their own names, in the names of their spouses and children living with them as the case may be, as at 31 December 2012.

6.1.3.9.2.1 Mr. Johan Volckaerts, Chairman of the Board of Directors

- Number of shares held as at 1 January 2012: 225,766 shares;
- Shares purchases during the year ended 31 December 2012: none;
- Shares disposals during the year ended 31 December 2012: none;
- Number of shares held as at 31 December 2012: 225,766 shares.

6.1.3.9.2.2 Mr. Gary Fry, director and Chief Executive Officer

- Number of shares held as at 1 January 2012: 3,883 shares (including 1,973 SIP Partnership Shares);
- Shares purchases during the year ended 31 December 2012: none;
- Shares disposals during the year ended 31 December 2012: none;
- Number of shares held as at 31 December 2012: 3,883 shares.

6.1.3.9.2.3 Mr. Alain Pronost, director and Chief Financial Officer

- Number of shares held as at 1 January 2012: 13,253 shares (of which 1,000 in his spouse's name);
- Shares purchases during the year ended 31 December 2012: 1,000 shares on 6 June 2012 at a price of € 1,02 per share;
- Shares disposals during the year ended 31 December 2012: a total of 7,284 shares (of which 1,000 by his spouse), including the following transactions
  - 791 shares sold by Mr. Pronost on 2 November 2012 at a price of € 1.20 per share;
  - 1,493 shares sold by Mr. Pronost on 7 November 2012 at a price of € 1.20 per share;
  - 1,000 shares sold by his spouse on 7 November 2012 at a price of € 1.18 per share; and
  - 4,000 shares sold by Mr. Pronost on 12 November 2012 at a price of € 1.21 per share;
- Number of shares held as at 31 December 2012: 6,969 shares.

6.1.3.9.2.4 Mr. Pierre Van Beneden, director

- Number of shares held as at 1 January 2012: 12,180 shares;
- Shares purchases during the year ended 31 December 2012 : none;
- Shares disposals during the year ended 31 December 2012 : none;
- Number of shares held as at 31 December 2012: 12,180 shares.

6.1.3.9.2.5 Mrs. Clare Findlay, director

- Number of shares held as at 1 January 2012: 10 shares;
- Shares purchases during the year ended 31 December 2012 : 100 shares on 26 October 2012 at a price of € 1.25 per share;
- Shares disposals during the year ended 31 December 2012 : none;
- Number of shares held as at 31 December 2011: 110 shares.

6.1.3.9.3 Note 3i (iii): Share options granted to the Company's directors

Please refer to the report of the Board of Directors on the Company's share options which provide all required information on the options granted to Messrs. Fry and Pronost.

6.1.3.9.4 Note 3i (iv): Free shares granted to the Company's directors

Please refer to the report of the Board of Directors on free share grants which provide all required information on the grant of 36,000 and 4,000 free shares made by the Board on 10 March 2011 to Messrs. Fry and Pronost, respectively.

6.1.3.10 Note 3j: Criminal conviction, liquidation or public sanctions of the Company's directors

To the Company's knowledge, on the date when this report was drafted, no member of the Company's Board of Directors has been in the past five years subject to a fraud or other criminal conviction, or to public sanction by statutory or regulatory authorities, associated with a bankruptcy, a sequestration of goods or liquidation, nor has been prevented by a court from acting as a member of a management of supervisory body of an issuer or from involvement in managing the business of an issuer.

6.1.3.11 Note 3k: Conflicts of interest

Article 5.5 of the Board charter mandates that any member of the Company's Board of Directors who considers he may be in a potential conflict of interest position must provide the Board with full, precise and complete information of what he feels to become an actual, likely or even potential conflict of interest which he may have, either directly or indirectly.

Such information shall be given either orally during any Board meeting to other Board members, or in writing by way of a letter sent for the attention of the Chairman of the Board who has then a duty to bring this to the attention of all other Board members by including this item on the agenda of the next Board meeting so that the situation may be assessed and a vote may be organised on the matter, being noted that the director who is involved in such conflict of interest may not participate in any vote on it.

To the Company's knowledge, on the date when this report was drafted, there were no conflicts of interest between the duties of the members of the Company's Board of Directors with regards to the Company and their private interests or duties.

6.1.3.12 Note 3l: Family relationships

To the Company's knowledge, on the date when this report was drafted, there were no family relationships between any members of the Company's Board of Directors.

**6.1.4 Note 4: Additional disclosures which are required by law**

6.1.4.1 Note 4a: Board fees for the current year

You are proposed to set the aggregate amount of board fees to be allocated among the members of the Board of Directors to € 40,000 in the year ending 31 December 2013.

6.1.4.2 Note 4b: Schedule of results for the past five financial years

Please see the schedule, which is attached to this report and provides an overview of the Parent's financial performance for the years ended 31 December 2008 to 2012 inclusively.

6.1.4.3 Note 4c: Statutory auditors' mandates and fees

6.1.4.3.1 Note 4c (i): Statutory auditors' mandates

6.1.4.3.1.1 Statutory auditors' mandates

The mandate of KPMG SA as first statutory auditor of the Company was renewed for a period of six financial years by the shareholders on 25 April 2008.

The mandate of Secef Sarl as second statutory auditor of the Company was renewed for a period of six financial years by the shareholders on 23 April 2010.

6.1.4.3.1.2 Deputy statutory auditors' mandates

KPMG Audit IS SAS was appointed by the shareholders on 16 June 2011 as first deputy statutory auditor of the Company to replace Mr. Peiffer for the remaining duration of his term of office, which was renewed for a period of six financial years by the shareholders on 25 April 2008.

The mandate of Mr. Patrick Baci as first deputy statutory auditor of the Company was renewed for a period of six financial years by the shareholders on 23 April 2010.

6.1.4.3.2 Note 4c (ii): Statutory auditors' fees

The table which is presented below provides information on the amount of fees which were expensed in the Company's consolidated accounts for the year ended 31 December 2012 with respect of audit fees. Please note that the amounts which are presented below are exclusive of VAT, as well as of any amounts which expensed by the Company with respect of travel and subsistence expenses by the Company's statutory auditors, or the contributions borne on them with regards to the Haut conseil du commissariat aux comptes (H3C) or for the quality control undertaken by the CNCC.

In euros	KPMG SA		Secef Sarl	
	Fee amount	% of total	Fee amount	% of total
<b>Audit and review of statutory and consolidated financial statements</b>				
Global Graphics SA	79,050	50.0%	25,950	89.6%
Subsidiaries	70,005	44.3%	-	-
<b>Audit-related fees</b>				
Global Graphics SA	9,000	5.7%	3,000	10.4%
Subsidiaries	-	-	-	-
<b>TOTAL AUDIT FEES</b>	<b>158,055</b>	<b>100.0%</b>	<b>28,950</b>	<b>100.0%</b>
<b>TOTAL NON-AUDIT FEES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FEES</b>	<b>158,055</b>	<b>100.0%</b>	<b>28,950</b>	<b>100.0%</b>

Fees which were expensed in the year ended 31 December 2012 with respect of audit-related fees related to work performed by the Company's statutory auditors to draft special reports which were presented to the extraordinary meeting of the Company's shareholders on 27 April 2012, when the authorisations to decrease the amount of the Parent's share capital referred to under note 3h (ii) above or to increase the amount of the Parent's share capital referred to under notes 3h (iv), 3h (vi) and (vii), as well as 3h (ix) and (x) above were voted by the Company's shareholders.

**6.1.4.4 Note 4d: Transactions and commitments with related regulated parties**

You are proposed to vote for each of the transactions as defined in article L.225-38 of the French Commercial Code, which have all been authorized by the Board, and are presented in the special report of the Company's statutory auditors.

**6.1.4.5 Note 4e: Elements likely to have an influence in case of a public offer**

As required by article L.225-100-3 of the French Commercial Code, please find hereafter the elements which are likely to have an influence in the case of a take-over bid or a public offer of exchange of the Company's shares:

- the structure of the Parent's share capital, as well as any direct or indirect holdings in the Parent's share capital which are known to the Board to the Directors, are set out in note 3c (iii) above;
- the Parent's articles of association do not provide for any restriction in the exercise of voting rights which would be more stringent than provide by applicable legal and regulatory provisions;
- on the date this report was drafted, the Company's management was not aware of any agreements regarding its shares which were entered into by its shareholders;
- in accordance with provisions of the fourth paragraph of article 13 of the Parent's articles of association, any shareholder which would come to hold, alone or in concert, whether directly or indirectly, for a minimum of two consecutive years, a minimum of 34% of the total number of the Company's shares or voting rights attached to such shares, and provided he is the principal shareholder, may request that the shareholders may be proposed a list of candidates among which they are to elect the majority of the members of the Board of Directors
- there is no share to which would be attached specific control rights;
- there are no control mechanisms provided in any employee share plan including control rights which are not exercised;
- all outstanding authorizations granted to the Board by the shareholders which are under validity are set out in note 3h above; and
- the 580,000 options to subscribe for an equivalent number of ordinary shares of the Company which were granted with respect of the authority granted to the Board by the shareholders on 25 April 2008 and 16 June 2011, and which were still outstanding on the date this report was drafted, may be exercised regardless of the minimum share price conditions attached to the grant of such options, in case of a change in the control of the Company (please refer to the Board's report on share options for further details on circumstances allowing for such early exercise of options).

**6.1.5 Note 5: Projected legal reorganisation of the Company**

**6.1.5.1 Note 5a: Context of the projected legal reorganisation**

A project was initiated to understand the various steps to be followed to undertake a reorganisation of the Company's legal structure, in an attempt to: (i) simplify the Company's organisation and make it more legible; (ii) to reduce costs which result from the current organisation (notably through the winding up of those entities not having any operational activity); and (iii) to combine activities in those countries where the Company still has operational entities (which is no longer the case in France since May 2002 when the Company's Hardware division was disposed of).

On 12 February 2013, the Board was given a brief update on this project before it was given a detailed presentation on 26 March 2013, when it approved the reorganisation's main steps, which are as follows:

- step 1: on 7 June 2013, the Company's shareholders will be invited to vote on the proposed transfer of the Company's share listing from NYSE Euronext Brussels to NYSE Alternext Brussels (see note 5b below);

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- step 2: on that same date, the Company's shareholders will be invited to vote on the proposed conversion of the Parent into an European Company (SE) which will be registered in France, including the projected amendments to the Parent's articles of association (see note 5c below);
- step 3: the Company's shareholders will be requested to vote on the contemplated transfer of the Company's registered office during a meeting which is projected to be convened before the end of the current financial year, most likely in next October (see note 5d below); and
- step 4: it is scheduled that a single entity will be created through the combination of the UK-based entities, and the contribution to Global Graphics SE of all of the assets and liabilities of Global Graphics (UK) Limited, including all of the assets and liabilities contributed by Global Graphics Software Limited (see note 5e below), such transactions being expected to take effect based on values as of 1 January 2014.

### 6.1.5.2 Note 5b: Proposed transfer of listing of the Company's shares to NYSE Alternext

#### 6.1.5.2.1 Note 5b (i): Overview of NYSE Alternext

Contrary to NYSE Euronext, which is a regulated market as defined in the EU directive on markets of financial instruments, NYSE Alternext is an organised multilateral trading facility within the scope of that directive, which is operated by NYSE Euronext.

#### 6.1.5.2.2. Note 5b (ii): Legal framework of the projected transfer of listing of the Company's share

The Company contemplates to benefit from a direct admission of its shares on NYSE Alternext Brussels in accordance with applicable regulatory provisions, and notably with articles 3.3 (iii) and 3.4.3 of NYSE Alternext Rules, since the Company complies with the corresponding requirements which are the following:

- **First requirement** : not having a market capitalisation in excess of Euro 1 billion  
This first requirement is met by the Company, since its market capitalisation was Euro 12.8 million, based on the closing price reported for the Company's share on 25 March 2013, which was Euro 1.24.
- **Second requirement**: having a free float in excess of Euro 2.5 million  
This second requirement is also met by the Company, whose free float may be estimated to 70.4% of the total number of shares forming its share capital, taking into account the own shares held by the Company as treasury shares and the shares held by the Company's reference shareholder (see note 3c (iii) above), i.e. approximately Euro 11.1 million as at 25 March 2013.
- **Third requirement**: appointment of a Listing sponsor  
Unless this requirement is waived by NYSE Euronext, the Company will have to appoint a Listing Sponsor within the three-month period after the listing transfer on NYSE Alternext is effective.

In addition, it is important to note that:

- the transfer of the Company's share listing is subject to the acceptance by NYSE Euronext of the Company's requests to delist its shares from NYSE Euronext and to list its shares on NYSE Alternext (see note 5b (v) below);
- article 7 §4 of the law of 2 August 2002 relating to the financial supervision and to financial services grants the Financial Services and Markets Authority ('FSMA') to oppose to the delisting of an issuer's shares in order to protect the interests of minority shareholders.

#### 6.1.5.2.3 Note 5b (iii): Rationale for the proposed transfer of listing of the Company's shares

On 26 March 2013, the Board voted to propose to the shareholders that the listing of the Company's shares be transferred from NYSE Euronext Brussels, where the Company's shares have been admitted to trading since 17 April 2001, to NYSE Alternext Brussels, after considering that the Company is required to comply with a complicated set of regulations, which are no longer appropriate with respect of the Company's position and market capitalisation, and are not resulting into any benefits in terms of share value or liquidity of the Company's share.

The projected transfer of listing of the Company's shares on NYSE Alternext, which has developed a regulatory framework which is tailored to small- and mid-caps, should allow the Company to continue to comply with its financial reporting obligations at a lower cost.

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### 6.1.5.2.4 Note 5b (iv): Main consequences of the projected transfer of listing of the Company's shares

Though no longer required to do so after its shares are listed on NYSE Alternext Brussels, the Company will continue to prepare its consolidated in accordance with IFRSs.

Similarly the Company's statutory and consolidated accounts will continue to be subject to an audit by the Company's statutory auditors, as required by applicable regulatory and legal provisions.

#### 6.1.5.2.4.1 With regards to periodic disclosure obligations

The Company will publish within the four months from year-end date its statutory and consolidated accounts (prepared in accordance with IFRSs), a report of the Company's operations during the year under reporting, as well as the statutory auditors' reports thereon, but will no longer be required to draft and publish the Chairman of the Board's report on internal control and corporate governance referred to under article L.225-37 of the French Commercial Code.

The Company will publish within the four months from half-year end date interim consolidated accounts (which will be prepared in accordance with IFRSs but which will no longer be subject to any review by the Company's statutory auditors), and a report of the Company's operations during the period under reporting.

The Company expects to stop publishing quarterly financial information once the transfer of the listing of the Company's share to NYSE Alternext has been completed: as a result, it expects not to provide any financial information for the quarter and the nine-month period ending 30 September 2013.

#### 6.1.5.2.4.2 With regards to ongoing disclosure obligations

The Company will continue to disclose all information which is deemed to have a significant effect on the Company's share price, in accordance with applicable legal and/or regulatory provisions, including those resulting from the NYSE Alternext Rule Book.

The Company will also continue to disclose the notifications of those transactions on the Company's shares made by the Company's officers, those relating to shareholder reporting thresholds, and declarations of intent.

In addition, the Company will also meet the new requirements arising from its listing on NYSE Alternext Brussels with regards to transparency.

#### 6.1.5.2.4.3 With regards to the protection of minority interests

The protection of minority interests will be effective in case of a change in the control of the Company through the obligation to launch a mandatory public offer on the Company's shares should one person, acting alone or in concert, come to hold, either directly or indirectly, more than 50% of the number of shares forming the Company's share capital or 50% of the voting rights attached to these shares.

In addition, in accordance with the provisions of article 231-1-4 of the Règlement général of the AMF and article L.433-5 of the French Monetary and Financial Code, the Company will continue to be subject, during the three-year period starting on the date when its shares are delisted from NYSE Euronext, to the mandatory public offer regime as well as to disclosure requirements relating to shareholder reporting thresholds and intent notifications which are applicable to companies the shares of which are admitted to trading on NYSE Euronext.

Finally, once the Company's shares are admitted to trading on NYSE Alternext Brussels, certain provisions of Belgian law will apply, starting with those referred to under article 4 of the law of 1 April 2007 relating to public offerings.

### 6.1.5.2.5 Note 5b (v): Indicative timetable for the proposed transfer of the Company's share listing

Below are the key tentative dates for the proposed transfer of listing of the Company's share, being noted that the implementation of this transfer will also be subject to approval from both NYSE Euronext and the FSMA as set out in note 5b (ii) above::

- 7 June 2013 Approval of the proposed transfer of listing by the Company's shareholders
- 10 June 2013 Disclosure of the approval of the proposed transfer of listing  
Filing of the request to delist the Company's shares from NYSE Euronext  
Filing of the request to list the Company's shares on NYSE Alternext
- 10 August 2013 Listing of the Company's shares on NYSE Alternext  
Delisting of the Company's shares from NYSE Euronext



Information of the final timetable for the proposed transfer of the Company's share listing from NYSE Euronext to NYSE Alternext will be provided in due course by the Company.

6.1.5.3 Note 5c: Projected conversion of Global Graphics into a SE

6.1.5.3.1 Note 5c (i): Introduction

The purpose of this note is to provide a summary of the expected legal and economic consequences of the projected conversion of the Company into a European Company ('SE'), and information on expected consequences of this conversion on the shareholders and employees of Global Graphics SA.

The complete version of the Board's report on the conversion of the Company into a SE is provided in note 6.5 of the Company's annual financial report.

6.1.5.3.2 Note 5c (ii): Rationale for the conversion of the Company into a SE

The multinational reach of the Company, as highlighted by its presence into several countries of the European Union ("EU"), does justify the proposed conversion into a SE.

This conversion will provide the Company with a legal statute which is recognized in each of the EU Member States, as well as a legal framework which will be consistent with its economic substance.

In addition to being beneficial for the Company's recognition, the conversion into a SE will also allow the Company to undertake within a clearly defined legal framework certain transactions the implementation of which may be difficult to make by a French *société anonyme*, including the possibility of transferring its registered office from one EU Member State to another EU Member State without incurring the tax consequences of being dissolved.

It is projected that the Company's transfer of the Company's registered office of the Company from France to the UK will be on the agenda of an extraordinary meeting of the Company's shareholders, which is expected to be convened in October 2013 (see note 5d below).

6.1.5.3.3 Note 5c (iii): Conditions to be met for the conversion into a SE to be possible

In accordance with provisions of the Council Regulation (EC) No. 2157/2001 of 8 October 2011 on the statute for a European company (the "SE Regulation"), a limited company incorporated under the laws of a given EU Member State and having its registered office and central administration in the European Union, may be transformed into a SE provided that it has a subsidiary company governed by the laws of another EU Member State since a minimum of two years, and that the amount of its subscribed share capital is in excess of € 120,000.

On the date this report was drafted, both conditions were fulfilled since the Company, which is a French *société anonyme* having its registered office and central administration in France, has a subscribed share capital amounting to € 4,115,912, and has had two UK-based subsidiaries, namely Global Graphics (UK) Limited and Global Graphics EBT Limited, for more than two years.

6.1.5.3.4 Note 5c (iv): Main consequences of the projected conversion of the Company into a SE

6.1.5.3.4.1 Legal consequences of the conversion of the Company into a SE

The main legal consequences of the conversion of the Company into a SE will be the change of the corporate name into 'Global Graphics SE' and the amendments to be made to the Company's articles of association to ensure that these comply with provisions of both the SE Regulation and French Company Law.

The conversion of the Company into a SE will neither result in a new legal personality or the winding up of the Company, nor any change to the number and par value of the Company's issued shares.

In addition, current mandates of the Company's directors and statutory auditors will continue under the same terms and conditions and for the same remaining duration as prior to the completion of the process to convert the Company into a SE.

6.1.5.3.4.2 Consequences of the conversion into a SE for the Company's shareholders

The conversion of the Company into a SE, which will have to be approved by an extraordinary decision of the Company's shareholders (see note 5c (ii) below), will have no effect on the rights of the Company's shareholders, who will automatically become shareholders of Global Graphics SE without having anything to undertake to ensure this, and will keep the same number of shares in the Company's share capital as well as the same proportion in the voting rights attached to the Company's shares.

Similarly, the conversion of the Company into a SE will have no effect on the transferability of the Company's shares or the right for a shareholder to receive a dividend as the case may be.

#### 6.1.5.3.4.3 Consequences of the conversion into a SE for the Company's creditors

The conversion of the Company into a SE will in itself have no effect on the rights of the Company's creditors.

#### 6.1.5.3.4.4 Consequences of the conversion into a SE for the Company's employees

The negotiation procedure with the employees (or their representatives, as the case may be) of the companies involved in the creation of a SE is specified in the SE Directive, which was implemented under articles L.2351-1 to L.2353-32 of the French Labour Code.

In addition to the provision of information required by abovementioned provisions, a Special Negotiating Body ("SNB") will have to be established, the aim of which is to set up a negotiation procedure in order to conclude a written agreement with the employees or their representatives on arrangements relating to employee involvement in the SE. In the specific case of Global Graphics SA, since it only has one employee (namely Mr. Alain Pronost), he will be the sole member of the SNB.

Management expects that an agreement which will determine the arrangements for employee involvement in Global Graphics SE ahead of the date of the shareholders' meeting when the Company's shareholders will be requested to approve the proposed conversion of the Company into a SE.

#### 6.1.5.3.4.5 Tax consequences of the conversion into a SE

The conversion of the Company into a SE should not result in any specific tax impact with regards to corporation tax in the extent that no new legal person is created nor the Company's tax regime is changed, since there is no immediate transfer of the Company's registered office outside of France.

#### 6.1.5.3.5 Note 5c (v): Procedure to be followed for the conversion into a SE to become effective

For further information on this, please refer to note 6 of the Board's report on the projected conversion into a SE, which is set out in section 6.5 of this annual financial report.

#### 6.1.5.3.6 Note 5c (vi): Draft articles of association of Global Graphics SE

For further information on this, please refer to note 7 of the Board's report on the projected conversion into a SE, which is set out in section 6.5 of this annual financial report

#### 6.1.5.4 Note 5d: Proposed transfer of the Company's registered office from France to the UK

##### 6.1.5.4.1 Note 5d (i): Legal framework

In accordance with the provisions of article L.229-2 of the French Commercial Code, any SE which is duly registered with the Register of Trade and Companies may transfer its registered office to any other EU Member State. However, it may only do so if that transfer is approved by an extraordinary decision of the Company's shareholders, i.e. by two thirds of the voting rights attached to the shares held by those shareholders who attended the meetings, or were represented at that meeting or voted by post.

A right to request for a repurchase of his/her/its shares is granted to all shareholders who will vote against the transfer of the Company's registered office as proposed by the Board (see note 5d (iii) below). It is however important to note that such share repurchase request will in any way not be considered as a public offering on the Company's shares.

##### 6.1.5.4.2 Note 5d (ii): Rationale for the projected transfer of the Company's registered office

As set in note 5a above, the main reasons for the projected transfer of the Company's registered office is to group the Company's activities in those countries in which the Company has operational entities, which is no longer the case in France since the disposal of the Hardware segment of business in May 2002, and also to achieve savings with respect of administrative expenses.

##### 6.1.5.4.3 Note 5d (iii): Main steps of the projected transfer of the Company's registered office

###### 6.1.5.4.3.1 Disclosure of the projected transfer of the Company's registered office

In accordance with the provisions of article 8§2 and 3 of the SE Regulation, a report will be drafted by the Board providing information on the legal and economic aspects of the projected transfer, as well as its consequences for the Company's shareholders, employees and creditors.

This report will be filed with the office of the Nancy Commercial Court a minimum of two months ahead of the date of the extraordinary meeting of the Company's shareholders when they are to vote on the projected transfer. A notice of the projected transfer of the registered office will also be published in a legal gazette of the Meurthe-et-Moselle département and in the BALO, in accordance with the provisions of articles L.229-2, L.229-3 and R.229-5 of the French Commercial Code.

#### 6.1.5.4.3.2 Shareholders' decision of the transfer of the Company's registered office

In accordance with the provisions of article 37§3 of the SE Regulation, when the shareholders of a company vote for its conversion into a SE, they may not vote for the transfer of its registered office to another EU Member State at the same occasion.

This is the reason why the Company's shareholders will be convened to another meeting in October 2013 when they will vote on the projected transfer of the Company's registered office from France to the UK, as well as on the amended articles of association of the Company.

#### 6.1.5.4.3.3 Control of the legal compliance of operations by a notary

In accordance with the provisions of article 8§8 of the SE Regulation, and of the seventh paragraph of article L.229-2 of the French Commercial Code, a certificate will be issued by a notary in which he will confirm that all of the formalities which are required for the transfer of a company's registered office have been duly undertaken and executed.

#### 6.1.5.4.3.4 Registration of the Company in the UK

The Company will be registered in the UK with the Registrar of Companies at Companies House, based on the certificate issued by the French notary, and after all required formalities have been completed.

Companies House will then notify the Nancy Register of Trade and Companies of the Company's registration in the UK, so that it can be struck off the French Register of Trade and Companies.

The effective transfer of the Company's registered office will be effective on the date when the Company is registered with Companies House and will be disclosed by way of a notice in a legal gazette of the Meurthe-et-Moselle département, as well as in the Official Journal of the European Union.

#### 6.1.5.4.4 Note 5d (iv): Main consequences of the transfer of the registered office from France to the UK

##### 6.1.5.4.4.1 Legal consequences of the transfer

The main consequences of the transfer of the Company's registered office from France to the UK will be substantial amendments to the Company's articles of association, even though this transfer will not result in the winding up of the Company, or the creation of a new legal personality, and will not have any consequences on the Company's main characteristics such as its corporate name, its SE statute or its financial year-end date.

Amendments to be made to the Company's articles of association, which will be effective from the date when the transfer of the registered office is effective, will be the following:

- **Applicable law:** from the effective date of transfer of the Company's registered office, the Company will be governed by provisions of applicable EU legislation and by UK Company Law, as well as by its articles of association;
- **Registered office location:** it will be located at 2030 Cambourne Business Park, in Cambourne near Cambridge, in the UK, where the registered offices of the Company's two subsidiaries are also located;
- **Governance bodies:** the mandates of the current members of the Board will automatically ceased on the date when the transfer of the Company's registered office becomes effective; on the date they will vote on the proposed transfer of the Company's registered office, the Company's shareholders will also have to appoint the members of the Company's Board of Directors, who will be appointed on the date when the transfer of the Company's registered office becomes effective.

- Statutory auditors: the mandates of the current statutory auditors of the Company will automatically cease on the date when the transfer of the Company's registered office becomes effective; on the date they will vote on the proposed transfer of the Company's registered office, the Company's shareholders will also have to appoint a statutory auditor which will need to be duly registered in the UK to perform an audit of the statutory and consolidated accounts of the Company from the date the transfer of the Company's registered office becomes effective, starting with those for the financial year ended 31 December 2013.
- Statutory accounts of Global Graphics SE will be prepared in British pounds and in accordance with applicable accounting principles (i.e. UK GAAP), whereas the Company's consolidated accounts will continue to be prepared in Euros and in accordance with IFRSs as a result of the listing of the Company's share in euros on NYSE Alternext Brussels.

#### 6.1.5.4.4.2 Consequences of the transfer of the Company's registered office for its shareholders

##### ■ General

The transfer of the Company's registered office from France to the UK, which will have to be approved by an extraordinary decision of the Company's shareholders (see note 5d (iii) below), will have no effect on the rights of the Company's shareholders, who will keep the same number of shares in the Company's share capital as well as the same proportion in the voting rights attached to the Company's shares. Similarly, the conversion of the Company into a SE will have no effect on the transferability of the Company's shares or the right for a shareholder to receive a dividend as the case may be.

##### ■ Share repurchase requests

In accordance with the provisions of the third paragraph of article L.229-2 and those of article R.229-2 of the French Commercial Code, the Company's shareholders who have voted against the proposed transfer of the Company's registered office, or have abstained while taking part to that vote, will be entitled to oppose to the transfer of the Company's registered office, while those shareholders who did not participate to the meeting or approved the transfer may not oppose to the transfer.

Those shareholders who opposed the proposed transfer may have their shares repurchased by the Company; for being valid, such share repurchases request must be made to the Company within the 30-day period following the latest of the notices the provision of which is required by article R.229-5 of the French Commercial Code, and sent to the Company's registered office by registered letter.

The Company will then send the shareholder a share repurchase offer by way of a registered letter within the 15 day period following the receipt of the share repurchase request, which will notably include the following information:

- the price at which each share will be repurchased, which will be set in accordance with the provisions of article L.433-4 of the French Monetary and Financial Code;
- the proposed means of payment;
- the period during which the offer will be valid, which will be a minimum of 20 calendar days; and
- the place where the offer acceptance must be sent to.

Any dispute formed by a shareholder with respect of the share repurchase price will have to be brought to the competent court within the jurisdiction of the Appeal Court of Nancy, and within the period set by the share repurchase offer, in accordance with the provisions of article R.229-8 of the French Commercial Code.

Unless otherwise decided by the Company's management, the transfer of the Company's registered office will not be put on hold as a result of the share repurchase transactions.

In order to protect the financial position of the Parent and of the Company, should the Company receive share repurchase requests representing more than 1.0% of the total number of shares forming the Company's share capital, the Company's shareholders will be proposed to grant the Board with the authority to put the registered office transfer process to an end.

■ Additional information

The Board's report on the proposed transfer of the Company's registered office will provide appropriate information on any matters affecting the rights and obligations of the Company's shareholders, including main differences between French and UK company law, for instance with regards to double voting rights.

6.1.5.4.4.3 Consequences of the proposed transfer of the Company's registered office for its creditors

The proposed transfer of the Company's registered office from France to the UK will in itself have no effect on the rights of the Company's creditors.

6.1.5.4.4.4 Consequences of the proposed transfer of the Company's registered office for its employees

The Parent has only one employee, Mr. Alain Pronost, who is also one of the Company's directors. The proposed transfer of the Company's registered office from France to the UK will in itself have no effect on the employment contract of Mr. Pronost, whose employment with the Company will terminate on 31 December 2013, as set out in the severance agreement entered into on 15 March 2013 (see note 3g (iii) above).

6.1.5.4.4.5 Tax consequences of the transfer of the Company's registered office

The transfer of the Company's registered office from France to the UK will result in the transfer of the Parent's net assets to the UK, since the Company will not keep any permanent establishment in France. This transfer will notably generate the following tax consequences:

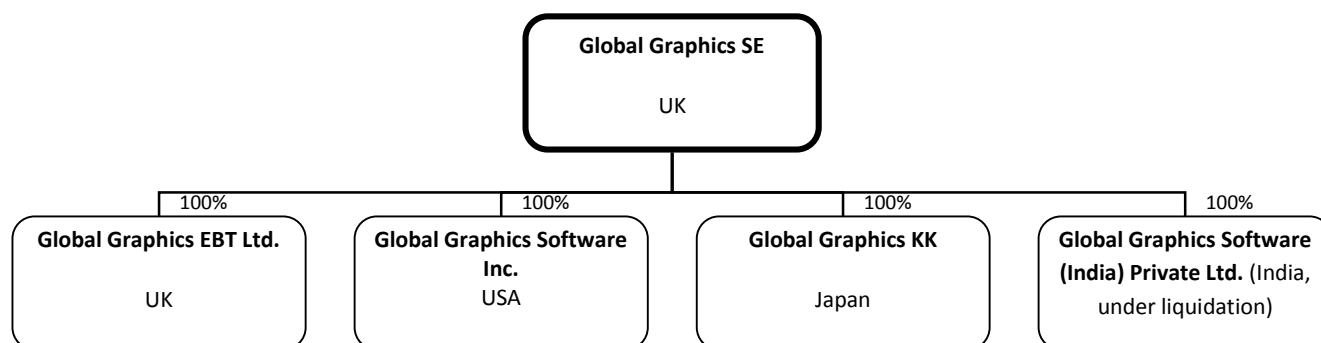
- any profit made by the Parent between 1 January 2013 and the effective date of transfer of the Company's registered office to the UK will be taxed using the applicable corporate tax rate;
- any outstanding tax losses which would be carried forward before the effective date of transfer of the Company's registered office to the UK and would not be used to offset taxable profit made by the Parent between 1 January 2013 and the effective date of transfer may no longer be carried forward; and
- any capital gains arising on the transfer of the Parent's net assets, starting with those made on the transfer of the shares of its UK subsidiaries, will be taxed using the applicable corporate tax rate.

It is however important to note that, since the shares of these subsidiaries have been held for more than two years by the Parent on the date this report was drafted, any capital gains arising from the transfer of these shares would benefit from the tax regime specified under article 219 I-a of the French General Tax Code which provide for no taxation of these capital gains provided that a fraction of the corresponding transfer costs are taxed using the applicable corporate tax rate. In 2013, such fraction is equal to 12% of the gross amount of the capital gain (before the offset of any capital losses as applicable) arising on the disposal of these shares; because of existing tax loss carry forwards as at 1 January 2013, amounting to a total of € 5,469,778, which can be offset against this fraction of corresponding transfer costs, no tax is expected to be due and paid with respect of the capital gain arising from the transfer of these shares.

6.1.5.5 Note 5e: Combination of the UK legal entities

The last step of the projected legal reorganisation of the Company is scheduled to take place in the first quarter of the financial year ending 31 December 2014 and will consist in the hive-up of (i) all of the assets and liabilities of Global Graphics Software Limited to its parent company, Global Graphics (UK) Limited, and (ii) of all of the assets and liabilities of Global Graphics (UK) Limited to its parent company, Global Graphics SE.

As a result, the Company's corporate structure would be as follows:



6.1.5.6 Note 5f: Anticipated expenses and expected savings

The Company expects to incur expenses ranging between Euro 0.4 and 0.5 million during the current financial year, as a result of the implementation of the legal reorganisation plan set out in notes 5a to 5e above, of which an expense of approximately Euro 0.2 million as a result of the termination of the employment agreement of Mr. Pronost as set out in note 3g (iii) above.

However, it expects to generate annualized cost savings ranging between Euro 0.3 and 0.4 million as a result of this reorganisation plan, with effect from the financial year ending 31 December 2014, including Euro 0.2 million pursuant to the termination of the employment agreement of the Company's current CFO, the balance notably arising from a decrease in audit fees resulting from the absence of review by the Company's auditors of the half-year accounts once the listing of the Company's shares has been transferred to NYSE Alternext, and secondly from the absence of requirement to appoint a second statutory auditor as currently required once the Company's registered office has been transferred to the UK.

6.1.5.7 Note 5g: information available on the proposed legal reorganisation of the Company

All the press releases and other documents relating to the proposed legal reorganisation of the Company (including the reports drafted by either the Company's Board of Directors, the conversion auditors or the valuation auditor) will be available in a dedicated section of the Investors section of the Company's website at: [www.globalgraphics.com](http://www.globalgraphics.com)

**6.1.6 Note 6: Authorisation requested from the Company's shareholders on 7 June 2013**

As set out in note 3h (xi) above, the authorisation which was granted by the shareholders to the Board on 27 April 2012 to use, over an 18-month period, the authorisations given by the shareholders in the case of a take-over bid or a public exchange offer on the Company's shares, which are referred to under notes 3h (iii) to 3h (x), will expire on 27 October 2013.

You are therefore proposed to grant the Board with appropriate authority over an 18-month period to use the authorisations referred to under notes notes 3h (iii) to 3h (x) above, in the case of a take-over bid or a public exchange offer on the Company's shares in the next eighteen months, being noted that such authorisation could only be used with respect of the reciprocity exception in accordance with applicable legal provisions.

This new authorisation would cancel any unused portion of any existing authorisation which had the same purpose from date it would be granted by the shareholders.

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You are proposed to give full discharge to the Board and to the Company's statutory auditors for the fulfillment of their respective duties in and for the year ended 31 December 2012.

You will now hear the reports prepared by the Company's auditors.

The Company's Board of Directors recommends that you vote to approve the various resolutions which are proposed to you.

## 6.2 Schedule of statutory results for the last five financial years

Unless otherwise stated, and except share number, all amounts which are provided in the following table are in euros.

	Note	Years ended 31 December				
	ref.	2008	2009	2010	2011	2012
<b>Share capital as at 31 December</b>						
Share capital amount		4,115,912	4,115,912	4,115,912	4,115,912	4,115,912
Number of outstanding shares		10,289,781	10,289,781	10,289,781	10,289,781	10,289,781
Maximum number of additional shares to be issued following:						
- the conversion of bonds		-	-	-	-	-
- the exercise of options	1	673,841	594,940	654,940	605,000	580,000
<b>Operations and results</b>						
Sales for the year		497,172	480,401	574,178	547,836	583,313
Profit (loss) before income tax and employee profit-sharing scheme expense, as well as depreciation and allowances on provisions	2	(162,449)	2,400	(64,642)	70,507	69,788
Income tax (expense) / benefit		70	353	124	129	169
Employee profit-sharing scheme expense		-	-	-	-	-
Profit (loss) after income tax and employee profit-sharing scheme expense, depreciation and allowances on provisions et provisions	3	(34,775,271)	982,788	(2,669,774)	775,625	440,012
Distributed result		-	-	-	-	-
<b>Results per share</b>						
Profit (loss) per share after income tax and employee profit-sharing expenses, but before depreciation and allowances on provisions	3	(0.01)	0.00	(0.01)	0.01	0.01
Profit (loss) per share after income tax and employee profit-sharing expenses, depreciation and allowances on provisions et provisions		(3.17)	0.09	(0.24)	0.07	0.04
Gross amount of the dividend per share		0.00	0.00	0.00	0.00	0.00
<b>Information on personnel</b>						
Average number of employees		1	1	1	1	1
Wages and salaries for the year	4	93,000	96,125	113,089	100,177	102,973
Total employee benefits and employer contributions for the year	4	42,161	49,750	58,333	54,513	57,097

### Notes:

1. Taking into account, at each year-end date presented above, all share options which have been granted by the Company's Board of Directors since the inception of the Company, as well as all options which were exercised or forfeited to date.
2. Depreciation charges and allowances are presented net of any write-backs, as applicable.
3. The number of shares used for the computation of per share amounts is equal, at each year-end date presented, to the sum of: (i) the outstanding number of ordinary issued shares, and (ii) the number of new shares which would be issued following the exercise of all of the share options which are outstanding at such year-end date.
4. Including the year-end bonus and vacation pay accruals, and related contributions, as applicable.

### 6.3 Report of the Board of Directors on options on the Company's shares

Pursuant to article L.225-184 of the French Commercial Code, please find hereafter the report prepared by the Company's Board of Directors on transactions which are specified under the provisions of articles L.225-177 to L.225-186 of this Code and relate to options to subscribe for, or purchase, shares of Global Graphics SA (the "Company") for the year ended 31 December 2012.

This report was drafted by the Company's Board of Directors on 26 March 2013.

When voting the eighteenth decision on 27 April 2012, the Company's shareholders:

- gave the Board of Directors appropriate authority to grant, in accordance with article L.225-177 of the French Commercial Code, at its discretion, a maximum of 150,000 options to employees of the Company, or employees of companies which are, directly or indirectly, under the control of the Company (as defined in article L.233-3 of the French Commercial Code) and are part of the Global Graphics group of companies, or certain of these employees, giving the right to subscribe to ordinary shares of the Company to be issued upon exercise of such option rights, or to purchase existing shares of the Company which were previously repurchased by the Company as part of its share repurchase programme.

This authority was granted to the Company's Board of Directors for a 38-month period which started on the date the shareholders voted on it, and which was due to expire on 27 June 2015;

- voted that the abovementioned limit will also include the par value of the free shares which would be granted under the Share Incentive Plan or otherwise as the result of the utilisation by the Board of Directors of the authority granted by the Company's shareholders when they voted the eighth and nineteenth resolutions of the same meeting; and,
- also voted that this authorisation would cancel the unused portion of the authorisation having the same purpose which was granted to the Board by the Company's shareholders.

Please find hereafter information as required by law, on:

- share options which were outstanding as at 31 December 2012;
- share options which were granted to each of the Company's directors and were outstanding as at 31 December 2012, as well as information on share options which were exercised by the Company's directors during the year ended 31 December 2012.

Because the Company has one employee, who is also one of the Company's directors, it is not required to provide any information on:

- options which were granted by the Company to its ten employees who were not directors of the Company and were granted the largest numbers of options during the year ended 31 December 2012, in the absence of such beneficiaries;
- options which were exercised during the year ended 31 December 2012 by its ten employees who were not one of its directors and exercised the largest numbers of options during the year ended 31 December 2012, in the absence of such beneficiaries.

#### 6.3.1 Note 1: Summary of the main rules of the Company's share option plan

##### 6.3.1.1 Note 1a: Rules which are common to all grants of share options

- Each option when exercised gives the right to one newly issued, ordinary share of the Company having a par value of € 0.40.
- Options can only be granted to, and exercised by, an individual who is either an employee or a director of the Company or one of its subsidiaries at both grant and exercise dates. Should the beneficiary no longer be fulfilling such continuous employment condition, he may only exercise the portion of options which are vested at the termination date of his employment with the Company. Unvested options may not be exercised at any future date.
- Option rights once granted cannot be sold by the individual receiving them. Only newly issued shares following the exercise of these options are freely transferable, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.
- Neither the exercise of options nor the subsequent sale of the resulting newly issued shares can create any incidental tax or social security liabilities for either the Company or the subsidiary of which the individual is an employee or a director.



6.3.1.2 Note 1b: Rules which are specific to certain grants of share options

6.3.1.2.1 Note 1b (i): Grants of share options made in the years ended 31 December 2008 to 2010

- The exercise of options may be done by the recipients of the share option grants in one or several transactions, at the discretion of the recipient of the share option grant, no later than on 6 August 2012 but only from the date when that the average of the closing prices reported by NYSE-Euronext for the Company's share over the last 120 trading days is at least equal to € 4.00 for the first quarter of the total number of options granted to a recipient, to € 8.00 for the second quarter of the total number of options granted to a recipient, to € 12.00 for the third quarter of the total number of options granted to a recipient, and to € 16.00 for the last quarter of the total number of options granted to a recipient.
- All unvested options will automatically vest and may therefore be exercised, regardless of whether or not the abovementioned minimum share price conditions are met, should one or several shareholders acting in concert come to hold more voting rights than the Company's reference shareholder, Stichting Andlinger & Co. Euro-Foundation, which held 2,883,001 shares of the Company's shares (i.e. 28.02% of the Company's share capital) as at 31 December 2012, to which were attached 2,883,021 voting rights ('de facto control'), or one third or more of the total number of shares or voting rights attached to the Company's shares ('legal control'), being noted that such threshold was reduced to 30.0% of the total number of shares forming the Company's share capital or the voting rights attached to the Company's shares with effect from 1 February 2011, pursuant to the decrease to that level of the threshold the crossing of which triggers the requirement to initiate a public offer.

6.3.1.2.2 Note 1b (ii): Grant of share options made on 2 November 2011

- The grant of a given number of share options to an individual by the Board on 2 November 2011 was subject to the irrevocable written acceptance by that individual to waive all of his/her rights to exercise an equal number of options which were previously granted to him/her.
- The exercise of options may be done by the recipient of such share option grant but only from the date when the closing price reported for the Company's share will be at least equal to € 2.00 during a minimum of 20 trading days over any period of 60 trading days during which trades occurred in the Company's share for the first half of the number of the options granted on 2 November 2011, and to € 3.00 (computed as mentioned above) for the remaining half.
- An accelerated vesting of these options, regardless of whether or not the abovementioned minimum share price conditions were met, would occur should one or several shareholders acting in concert (as defined by article L.233-3 of French Commercial Law) come to hold more than 30.0% of the total number of shares forming the Company's share capital or of the voting rights attached to such shares.

**6.3.2 Note 2: Grants of share options made up to 31 December 2012**

6.3.2.1 Note 2a: Outstanding and exercisable options as at 31 December 2012

The following table provides information and options to subscribe for new shares of the Company which were outstanding and exercisable as at 31 December 2012, being noted that no option to purchase shares of the Company was granted at that date.

Share option grant date	Share option expiry date	Outstanding options	Exercise price in €	Exercisable options	Exercise price in €
6 August 2008	6 August 2016	200,000	2.08	-	-
18 September 2008	6 August 2016	20,000	1.94	-	-
17 December 2008	6 August 2016	75,000	2.08	-	-
28 July 2010	6 August 2016	10,000	1.65	-	-
2 November 2011	6 August 2016	275,000	1.06	-	-
<b>Total</b>		<b>580,000</b>	<b>1.58</b>	-	-

Assuming that all options which were outstanding as at 31 December 2012 be exercised, the number of shares forming the Company's share capital would increase from 10,289,781 to 10,869,781 shares, or a theoretical maximum dilution of 5.6%

6.3.2.2 Note 2b: Grants made to the Company's directors

6.3.2.2.1 Note 2b (i): Mr. Johan Volckaerts, Chairman of the Board of Directors

At both 31 December 2011 and 2012, Mr. Johan Volckaerts was not granted any share options on the Company's shares, either granted by the Company, or by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.2.2 Note 2b (ii): Mr. Gary Fry, Chief Executive Officer and director

As at 31 December 2011 and 2012, after he gave his irrevocable consent to waive his right to exercise 200,000 of the 400,000 options which were granted to him on 6 August 2008, Mr. Gary Fry was holding:

- firstly, 200,000 options to subscribe for the same number of newly issued ordinary shares of the Company upon exercise of these options, which were granted to him on 6 August 2008, at an exercise price of € 2.08 per share; and
- secondly, 200,000 options to subscribe for the same number of newly issued ordinary shares of the Company upon exercise of these options, which were granted to him on 2 November 2011, at an exercise price of € 1.06 per share.

As at 31 December 2011 and 2012, Mr. Fry was not granted any share options on the Company's shares by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.2.3 Note 2b (iii): Mr. Alain Pronost, Chief Financial Officer and director

As at 31 December 2011 and 2012, after he gave his irrevocable consent to waive his right to exercise 12,500 of the 25,000 options which were granted to him on 17 December 2008, Mr. Alain Pronost was holding:

- firstly, 12,500 options to subscribe for the same number of newly issued ordinary shares of the Company upon exercise of these options, which were granted to him on 17 December 2008, at an exercise price of € 2.08 per share; and
- secondly, 12,500 options to subscribe for the same number of newly issued ordinary shares of the Company upon exercise of these options, which were granted to him on 2 November 2011, at an exercise price of € 1.06 per share.

As at 31 December 2011 and 2012, Mr. Pronost was not granted any share options on the Company's shares by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.2.4 Note 2b (iv): Mr. Pierre Van Beneden, director

As at 31 December 2011 and 2012, Mr. Pierre Van Beneden was not granted any share options on the Company's shares, either granted by the Company, or by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.2.5 Note 2b (v): Mrs. Clare Findlay, director

As at 31 December 2011 and 2012, Mrs. Clare Findlay was not granted any share options on the Company's shares, either granted by the Company, or by a company of which she is a director and which either a subsidiary of, or related to, the Company.

6.3.2.3 Note 2c: Grants to the ten employees who were granted the largest number of options

No share options were granted to the ten employees who are not directors of the Company and were granted the largest numbers of options during the year ended 31 December 2012.

**6.3.3 Note 3: Exercise of options by the Company's directors in the year ended 31 December 2012**

No share options were exercised by any of the Company's directors in either of the years ended 31 December 2011 or 2012.

#### 6.4 Report of the Board of Directors on grants of free shares

Pursuant to article L.225-197-4 of the French Commercial Code, please find hereafter the report prepared by the Board of Directors on transactions which are specified under the provisions of articles L.225-197-1 to L.225-197-3 of this Code and relate to grants of free shares of Global Graphics SA (the "Company") for the year ended 31 December 2012.

This report was drafted by the Company's Board of Directors on 26 March 2013.

When voting the nineteenth decision on 27 April 2012, the Company's shareholders:

- voted that the maximum number of shares of the Company which may be granted pursuant to such resolution was 150,000, such number also including the number of free shares to be granted under the Share Incentive Plan as well as the number of options to subscribe for or purchase new shares of the Company which might be granted by the Board of Directors pursuant to the authority granted by the shareholders when voting the eighth and eighteenth resolutions of the same extraordinary meeting;
- decided that any grants of shares which would be made would be of either existing, issued ordinary shares or new shares to be issued on irrevocable grant date;
- granted, in accordance with provisions of articles L.225-197-1 and L.225-197-2 of the French Commercial Code, the Board with appropriate authority to grant free shares to directors and employees of the Company, or any company, which is, directly or indirectly, a subsidiary of the Company as defined in article L.233-3 of the French Commercial Code, or some of them, such authority being granted to the Board for a 38-month period starting on the date it was granted by the shareholders; and
- also voted that this authorisation would cancel the unused portion of the authorisation having the same purpose which was granted by the Company's shareholders on 16 June 2011.

Please find hereafter information which is required by law on:

- grants of free shares made up to 31 December 2012; and
- grants of free shares made up to 31 December 2012 to each of the Company's directors.

Because the Company has only one employee who is also one of the Company's directors, it is not required to provide any information relating to grants of shares made by the Company to the ten employees of the Company who are not one of its directors and were granted the largest number of shares during the year ended 31 December 2012, because there are none of them.

Such information is however provided with respect of the grants of free shares made to the ten employees of the Global Graphics group of companies who are not directors of the Company and were granted the largest number of shares during the year ended 31 December 2012.

##### 6.4.1 Note 1: Main rules of the Company's share grant plans

6.4.1.1 Note 1a: Grant of free shares made by the Company's Board of Directors

6.4.1.1.1 Note 1a (i): Grant of free shares made by the Board on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 free shares to certain employees of the UK- and US-based subsidiaries of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 29 July 2013 ('vesting period') provided that the following conditions are met:

- Continuing employment condition: free shares will be irrevocably granted at the end of the vesting period to an individual who, at any time during such two-year (if a resident in France for income tax purposes at grant date) or four-year (in all other cases) vesting period starting on share grant date to the recipient by the Company's Board of Directors and ending on irrevocable grant date of such shares, is either an employee or a director of one of Global Graphics group of companies.
- Neither the irrevocable grant of these shares nor their subsequent sale may create any incidental income tax or social security liability for either the Company or one of its subsidiaries of which the beneficiary is an employee or a director; instead, the individual remains liable for any corresponding liability.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting would be shares which would have been repurchased by the Company as part of its share repurchase programme, and that these shares would be freely transferable once irrevocably granted to those beneficiaries who are not resident in France for income tax purposes, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

6.4.1.1.2 Note 1a (ii): Grant of free shares made by the Board on 10 March 2011

On 10 March 2011, the Company's Board of Directors made a grant of 96,000 free shares to certain employees of the Company, including a grant of 36,000 shares to Mr. Gary Fry and of 4,000 shares to Mr. Alain Pronost (see note 2c below).

The irrevocable grant of these shares will occur at the end of a two-year vesting period ended 10 March 2013 for the recipients of that share grant which were residents in France for income tax purposes on the date of grant by the Board of Directors (such vesting period being followed by another two-year period ending 10 March 2015 during which these shares may not be disposed of), or a four-year vesting period ending 10 March 2015 for the other recipients of such grant of shares, provided that the same conditions than those set for the grant of options made by the Board on 29 July 2009 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be shares which would have been repurchased by the Company as part of its share repurchase programme, and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

6.4.1.1.3 Note 1a (iii): Grant of free shares made by the Board on 2 November 2011

On 2 November 2011, the Company's Board of Directors made a grant of 24,000 free shares to certain employees of the UK- and US-based subsidiaries of the Company.

The irrevocable grant of these shares will occur at the end of a four-year vesting period ending 2 November 2015 for the other recipients of such grant of shares, provided that the same conditions than those set for the grants of options made by the Board on 29 July 2009 and 10 March 2011 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be either shares which would have been repurchased by the Company as part of its share repurchase programme, or newly issued shares, and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

6.4.1.1.4 Note 1a (iv): Grant of free shares made by the Board on 25 October 2012

On 25 October 2012, the Company's Board of Directors made a grant of 3,000 free shares to two employees of the UK-based subsidiaries of the Company.

The irrevocable grant of these shares will occur at the end of a four-year vesting period ending 25 October 2016 for the other recipients of such grant of shares, provided that the same conditions than those set for the grants of options made by the Board on 29 July 2009, 10 March 2011 and 2 November 2011 have been met.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting period would be shares which would have been repurchased by the Company as part of its share repurchase programme, and that these shares would be freely transferable once irrevocably granted provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

6.4.1.2 Note 1b: Grants of free shares made under the Share Incentive Plan

Pursuant to the authorization granted by the Company's shareholders on 29 April 2009, a Share Incentive Plan ('SIP') was implemented in May 2009 for the benefit of those employees of the UK subsidiary of the Company who decide to participate to the SIP, who may be granted free, ordinary shares of the Company ('Matching Shares') in proportion of the purchase of ordinary shares of the Company ('Partnership Shares') made through a deduction on their net pay.

The irrevocable grant of these shares will only take place at the end of a three-year period starting on the date of purchase of each lot of Partnership Shares; however an irrevocable grant would be made earlier should the SIP participant be made redundant by the Company's subsidiary before the end of that vesting period; in such case, the irrevocable grant of Matching Shares would occur on the last day of the redundant employee's notice period.

#### **6.4.2 Note 2: Grants of free shares made up to 31 December 2012**

6.4.2.1 Note 2a: Summary of free share grants made up to 31 December 2012

6.4.2.1.1 Note 2a (i): Grants of free shares made by the Board of Directors on 29 July 2009

As at 31 December 2012, the residual number of shares granted by the Board on 29 July 2009 which may be granted at the end of the vesting period is 21,000.

6.4.2.1.2 Note 2a (ii): Grants of free shares made by the Board of Directors on 10 March 2011

As at 31 December 2012, the residual number of shares granted by the Board on 10 March 2011 which may be granted at the end of the share vesting period is 84,000.

6.4.2.1.3 Note 2a (iii): Grants of free shares made by the Board of Directors on 2 November 2011

As at 31 December 2012, the residual number of shares granted by the Board on 2 November 2011 which may be granted at the end of the vesting period is 24,000.

6.4.2.1.4 Note 2a (iv): Grants of free shares made by the Board of Directors on 25 October 2012

As at 31 December 2012, the residual number of shares granted by the Board on 25 October 2012 which may be granted at the end of the vesting period is 3,000.

6.4.2.1.5 Note 2a (v): Grants of free shares made under the Share Incentive Plan

During the year ended 31 December 2012, 5,303 Matching Shares were granted to participants to the Share Incentive Plan operated by the Company.

Accordingly, at 31 December 2012, a total of 42,329 own shares were allocated as SIP Matching Shares.

6.4.2.2 Note 2b: Potential dilutive effect of grants of free shares

With the possible exception of the 24,000 shares which were granted on 2 November 2011, when shares which would be granted at the end of the vesting period for that grant decision could be either newly issued or existing shares, grants of free shares which were made up to 31 December 2012, either under the SIP or otherwise, have no dilutive effect because they related to shares which would have been previously repurchased as part of the Company's share repurchase programme.

As a result, the maximum potential dilutive effect of the grants of free shares made up to 31 December 2012 is 0.2%.

6.4.2.3 Note 2c: Grants of shares made to the Company's directors up to 31 December 2012

6.4.2.3.1 Note 2c (i): Grants of shares made to Mr. Fry, Chief Executive Officer and director

- Grant of 36,000 free shares voted by the Board on 10 March 2011; and
- Grant of 2,696 Matching Shares pursuant to the purchase of 1,973 Partnership Shares during the year ended 31 December 2011.

6.4.2.3.2 Note 2c (ii): Grants to shares made to Mr. Pronost, Chief Financial Officer and director

The sole grant of free shares made to Mr. Pronost, either by the Company, or by a company of which he is a director and which either a subsidiary of, or related to, the Company, was the grant of 4,000 shares voted by the Board on 10 March 2011

6.4.2.4 Note 2d: Grants of shares made to the 10 employees granted the largest number of shares

The total number of free shares which were granted to the four employees who are not directors of the Company and were granted the largest numbers of shares during the year ended 31 December 2012 was 8,303, of which 5,303 as Matching Shares under the SIP.

## 6.5 Report of the Board of Directors on the proposed conversion into a SE

This report was drafted by the Company's Board of Directors of Global Graphics SA (the "Company") on 26 March 2013 with respect of the proposed conversion of the Company into a European Company ("SE"), in accordance with applicable provisions of Title II of Council Regulation (EC) No. 2157/2001 of 8 October 2011 on the statute for a European company (the "SE Regulation"), and of article L.225-245-1 of the French Commercial Code.

Its purpose is to explain the economic and legal aspects of the proposed conversion of the Company into a SE, as well as to indicate the expected consequences of this conversion on the situation of the Company's shareholders and employees.

On 7 June 2013, the Company's shareholders will be proposed to approve the proposed conversion of the Company into a SE.

### 6.5.1 Note 1: Description and main characteristics of the Company subject to the conversion

#### 6.5.1.1 Note 1a: Form and registered office of the Company

The Company is a French *société anonyme* with a board of directors, having its registered office at 146 boulevard de Finlande, Z.I. Pompey Industries, 54340 Pompey, in France.

#### 6.5.1.2 Note 1b: Registration and applicable law

The Company is registered with the Trade and Companies Register of Nancy under number 409 983 897, and is governed by the laws and regulations in force in France, as well as by its current articles of association.

#### 6.5.1.3 Note 1c: Business overview

The Company is the ultimate holding company of the Global Graphics group of companies, which is a worldwide leader in the development and supply of software solutions to the graphic arts, digital printing and electronic document sectors, notably to Original Equipment Manufacturers ("OEMs").

#### 6.5.1.4 Note 1d: Term of the Company

The term of the Company is set at 99 years after its initial registration with the Trade and Companies Register, i.e. on 19 December 2095, unless the Company's early dissolution or the extension of its term is voted by its shareholders.

#### 6.5.1.5 Note 1e: Share capital

The Company's share capital is divided into 10,289,781 shares, each having a par value of € 0.40, and being fully paid-up.

#### 6.5.1.6 Note 1f: Listing of the Company's shares

The Company's shares have been admitted to trading on NYSE Euronext Brussels since 17 April 2001. On 7 June 2013, the Company's shareholders will be proposed to vote for the transfer of the listing of the Company's share to NYSE Alternext Brussels.

### 6.5.2 Note 2: Rationale of the proposed conversion of the Company into a SE

The multinational reach of the Company, as highlighted by its presence into several countries of the European Union ("EU"), does justify the proposed conversion into a SE.

This conversion will provide the Company with a legal statute which is recognized in each of the EU Member States, as well as a legal framework which will be consistent with its economic substance.

In addition to being beneficial for the Company's recognition, the conversion into a SE will also allow the Company to undertake within a clearly defined legal framework certain transactions the implementation of which may be difficult to make by a French *société anonyme*, including the possibility of transferring its registered office from one EU Member State to another EU Member State without incurring the tax consequences of being dissolved.

It is projected that the Company's transfer of the Company's registered office of the Company from France to the UK will be on the agenda of an extraordinary meeting of the Company's shareholders, which is expected to be convened in October 2013.

### 6.5.3 Note 3: Conditions to be met for the conversion into a SE to be made

In accordance with provisions of the SE Regulation, a limited company incorporated under the laws of a given EU Member State and having its registered office and central administration in the European Union, may be transformed into a SE provided that it has a subsidiary company governed by the laws of another EU Member State since a minimum of two years, and that the amount of its subscribed share capital is in excess of € 120,000.

On the date this report was drafted, both conditions were fulfilled since the Company, which is a French *société anonyme* having its registered office and central administration in France, has a subscribed share capital amounting to € 4,115,912, and has held two UK-based subsidiaries, namely Global Graphics (UK) Limited and Global Graphics EBT Limited, for more than two years.

### 6.5.4 Note 4: Legal status of the proposed conversion into a SE

The proposed conversion of the Company into a SE is governed by: (i) the provisions of the SE Regulation (and in particular its articles 2§4 and 37 relating to the creation of a SE by way of conversion of an existing limited company), (ii) articles L.225-245-1 and R.229-20 to R.229-22 of the French Commercial Code, and (iii) the provisions of the EU Directive No. 2001/86/EC of 8 October 2001, supplementing the SE statute with regards to the employee involvement (the "SE Directive"), as well as corresponding provisions of articles L.2351-1 to L.2353-32 of the French Labour Code when the SE Directive was transposed.

### 6.5.5 Note 5: Consequences of the projected conversion of the Company into a SE

#### 6.5.5.1 Note 5a: Legal consequences of the projected conversion

##### 6.5.5.1.1 Note 5a (i): Corporate name of the Company following its change of corporate form

After the completion of the change of the Company's corporate form, its corporate name will be "Global Graphics SE".

##### 6.5.5.1.2 Note 5a (ii): Registered office and central administration of Global Graphics SE

The registered office and central administration of Global Graphics SE will initially remain in France, where the Company currently has its registered office.

Should the projected transfer of the registered office of Global Graphics SE from France to the UK be voted by the Company's shareholders, the registered office of Global Graphics SE would then be transferred to the latter country.

##### 6.5.5.1.3 Note 5a (iii): Articles of association of Global Graphics SE

A copy of the draft version of the articles of association of Global Graphics SE after completion of the conversion of the Company into a SE, subject to their approval by the Company's shareholders on 7 June 2013, is set out in note 7 to this report.

Such draft articles of association are compliant with the SE Regulation, and with applicable provisions of French Company Law.

At the outcome of its conversion into a SE, in accordance with provisions of articles 38b and 43 to 45 of the SE Regulation, the Company will remain organized as a one-tier system company, and will therefore continue to have a board of directors (see note 5a (vi) below).

##### 6.5.5.1.4 Note 5a (iv): Legal personality

In accordance with article 37§2 of the SE Regulation, the change of corporate form will not result in the winding up of the Company or in the creation of a new legal person: after completion of the conversion into a SE, and of its registration with the Trade and Companies Register of Nancy as a SE, the Company will simply continue to conduct its business under the form of a SE.

##### 6.5.5.1.5 Note 5a (v): Shares of Global Graphics SE

The number of shares issued by the Company as well as their par value will not be modified by the conversion of the Company into a SE.

The Company's shares will initially continue to be admitted to trading on NYSE Euronext Brussels; the transfer of the listing of the Company's share will not be effective before the end of a two-month period starting on the date when the Company's shareholders approve such listing transfer.

#### 6.5.5.1.6 Note 5a (vi): Structure of the SE

The SE Regulation provides for a limited number of rules with respect of the organization of the SE and refers to applicable provisions of the law in which the SE has its registered office.

The organisation of Global Graphics SE will therefore be mainly governed by the provisions of the French Commercial Code relating to the management and the governance of the French *sociétés anonymes*, with exception of certain specific rules provided by the SE regulation, notably the requirement for the Board of Directors to meet at least every three months.

All of the rules provided by the SE Regulation have been included in the draft articles of association which are set out in note 7 to this report.

As a result thereof, Global Graphics will keep its current corporate bodies of a *société anonyme* in accordance with the provisions of the SE Regulations, notably:

- a general meeting of the Company's shareholders:

The rules used for computing the majority at general meetings of shareholders will be modified in accordance with the provisions applicable to the SE.

Whereas in a French *société anonyme*, abstention or the return of a blank ballot paper is deemed to be a vote against the proposed resolution, the calculation of the majority with respect of the resolutions proposed to a general meeting of a SE only includes votes which have been validly cast, which exclude votes attached to those shares in respect of which the shareholder has either not taken part in the vote, or has abstained, or has returned a blank or null ballot paper.

- a one-tier system company with a board of directors:

At the completion of the process to convert the Company into a SE, the members of the Board of Directors of Global Graphics SE will remain the same as those of Global Graphics SA.

Accordingly, the terms of the current mandates of the Company's directors will continue in the same conditions and for the same duration than prior to the completion of the process to convert the Company into a SE.

On 7 June 2013, for the avoidance of doubt, the Company's shareholders will be requested to acknowledge this and confirm the continuation of the mandate of the current directors of the Company.

#### 6.5.5.1.7 Note 5a (vii): Statutory auditors of the Company

At the completion of the process to convert the Company into a SE, the statutory auditors of Global Graphics SE will remain the same as those of Global Graphics SA.

Accordingly, the terms of the current mandates of the Company's statutory auditors will continue in the same conditions and for the same duration than prior to the completion of the process to convert the Company into a SE.

On 7 June 2013, for the avoidance of doubt, the Company's shareholders will be requested to acknowledge this and confirm the continuation of the mandates of the current statutory auditors of the Company.

#### 6.5.5.2 Note 5b: Consequences of the projected conversion for the Company's shareholders

The conversion of the Company into a SE will in itself not change the rights of the Company's shareholders who will keep the same number of shares in the share capital of Global Graphics SE, as well as the same proportion in the total number of voting rights attached to the shares of the Company.

It will not have any effect on the transferability of the Company's shares, or the right for a shareholder to receive a dividend, whenever distributed by the Company.

Actually, the conversion into a SE will strengthen the rights of the Company's shareholders since article 55§1 of the SE Regulation notably provides for the possibility for one or several shareholders holding together a minimum of 10% of the subscribed capital of the Company to request for a general meeting of the Company's shareholders to be convened and to set the agenda of that meeting, whereas such possibility is not allowed by the provisions of French Company Law.



6.5.5.3 Note 5c: Consequences of the projected conversion for the Company's creditors

The projected conversion of the Company into a SE will in itself not result in any change in the rights of the Company's creditors.

Actually, each third party which was a creditor of the Company prior to the completion of the process to convert the Company into a SE will retain all of its rights with regards to the Company after the completion of that conversion process.

6.5.5.4 Note 5d: Consequences of the projected conversion for the Company's employees

The negotiation procedure with the employees (or their representatives, as the case may be) of the companies involved in the creation of a SE is specified in the SE Directive, which was implemented under articles L.2351-1 to L.2353-32 of the French Labour Code.

In addition to the provision of information required by abovementioned provisions, a Special Negotiating Body ("SNB") will have to be established, the aim of which is to set up a negotiation procedure in order to conclude a written agreement with the employees or their representatives on arrangements relating to employee involvement in the SE. In the specific case of Global Graphics SA, since it only has one employee (namely Mr. Alain Pronost), he will be the sole member of the SNB.

Management expects that an agreement which will determine the arrangements for employee involvement in Global Graphics SE ahead of the date of the shareholders' meeting when the Company's shareholders will be requested to approve the proposed conversion of the Company into a SE.

6.5.5.5 Note 5e: Tax aspects of the projected conversion

The conversion of the Company into a SE should not result in any specific tax impact with regards to corporation tax in the extent that no new legal person is created nor the Company's tax regime is changed, and since there is no immediate transfer of the Company's registered office outside of France. With regards to registration fees, the transaction of converting the Company into a SE will have to be registered with the French tax authorities within 30 days of its realization. Since the conversion of the Company into a SE is not regarded as the creation of a new company, no other fee than the fixed stamp duty referred to under article 680 of the French General Tax Code will be due (which currently amounts to € 125).

**6.5.6 Note 6: Procedure to be followed**

6.5.6.1 Note 6a: Conversion auditors

As required by article 37§6 of the SE Regulation and by article L.225-245-1 of the French Commercial Code, one or several conversion auditors (*commissaires à la transformation*) will be appointed by the President of the Commercial Court of Nancy ruling upon a request filed by the Chairman of the Board, acting on behalf of the Company as voted by the Board of Directors on 26 March 2013.

In accordance with article R.229-21 of the French Commercial Code, the conversion auditor(s) is (are) selected from a list of auditors which is referred to under article L.822-1 of the French Commercial Code, or among experts which are included in one of the lists established by the courts. Because they have a deep knowledge of the Company, and since there are no legal or regulatory provisions prohibiting them from being appointed as conversion auditors, the appointment of the Company's current statutory auditors as conversion auditors will be requested by the Chairman of the Board.

In accordance with article 37§6 of the SE Regulation and by article L.225-245-1 of the French Commercial Code, the conversion auditors will be tasked to draft a report which will be made available to the Company's shareholders, stating that the Company has net assets which are at least equal to the aggregate of: (i) the amount of the Company's issued share capital, and (ii) the reserves the distribution of which is prohibited by provisions of either French Company Law or the Company's articles of association (notably including the legal reserve).

6.5.6.2 Note 6b: Specific advantages granted as part of the conversion process

Neither members of the Company's Board of Directors nor the Company's statutory auditors will be entitled to any specific advantages with in connection with the proposed conversion of the Company into a SE.

6.5.6.3 Note 6c: Registration and publicity of the proposed conversion of the Company into a SE

The conversion project will be filed with the office of the Commercial Court of Nancy, in the jurisdiction of which the Company is registered, and will be subject to publicity through the insertion of a notice in a legal gazette as well as in the Bulletin Légal des Annonces Obligatoires (“BALO”) no later than one month ahead of the first meeting of the Company’s shareholders which will be convened to vote on the conversion project.

The proposed conversion will also give rise to the issue of a press release, in both French and English, to which this report (including the revised version of the Company’s articles of association) will be attached. Such press release will be available for consultation or download in a dedicated page of the Investor section of the Company’s website.

6.5.6.4 Note 6d: Approval of the proposed conversion and of the revised articles of association

In accordance with article 37§6 of the SE Regulation and article L.225-245-1 of the French Commercial Code, during their meeting on 7 June 2013, the Company’s shareholders will vote on the proposed conversion as well as the revised articles of association of the Company under the quorum and majority rules which are required for the amendment of the articles of association of French *sociétés anonymes*, in accordance with the provisions of article L.225-96 of the French Commercial court.

6.5.6.5 Note 6e: Effective date of the conversion into an SE

The conversion of the Company into a SE will be effective from the date when the Company will be registered as a SE with the Nancy Trade and Companies Register.

In accordance with article 12§2 of the SE Regulation, the registration of the SE may only take place when the procedure relating to the involvement of employees as set out in the SE Directive has been completed.

To this effect, the SNB was set up at the close of the Board meeting on 26 March 2013 which voted to approve the proposed conversion of the Company into a SE. As indicated in note 5d above, it is expected that an agreement on arrangements relating to employee involvement in the SE will be entered into ahead of the date when the Company’s shareholders will vote on the proposed conversion of the Company into a SE.

**6.5.7 Note 7: Draft articles of association of Global Graphics SE**

The following draft articles of association of Global Graphics SE have been drafted assuming that the proposed transfer of listing of the Company’s share from NYSE Euronext Brussels to NYSE Alternext Brussels, which is set out in note 5b of the Board’s report on operations for the year ended 31 December 2012 would be approved by the Company’s shareholders on 7 June 2013.

For clarity and legibility purposes, when the provisions of an article of these articles of association have been amended as a result of the conversion of the Company into a SE, a mention thereof is indicated in the title of the corresponding article.

**Article 1 - Form of the Company [amended wording]**

The Company, which was initially formed as a corporation [*société anonyme*], was converted into a European corporation (Societas Europaea or “SE”) pursuant to a decision voted by its shareholders on 7 June 2013.

It is governed by applicable European and national provisions as well as by these articles of association.

**Article 2 - Name of the Company [amended wording]**

The Company’s name shall be: Global Graphics.

The Company’s name will be preceded or followed by the “SE” acronym.

**Article 3 - Purpose of the Company [unchanged wording]**

The purposes for which the Company has been established shall be as follows, either in France or abroad:

- studying, developing and manufacturing any material, equipment, supplies and products relating to mechanics in general and more specifically to graphic arts and related industries;

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- acquiring interests in any industrial or commercial corporation or business concern, either incorporated or to be incorporated, within the field of graphic arts and related industries, as well as any direct or indirect shareholding, under whatever form, to any operation which is related to such activities;
- purchasing and managing any securities and any similar corporate interests;
- performing administrative, financial, or commercial services for the benefit of the Company and its subsidiaries;
- taking, obtaining, conceiving, applying for, contributing to the development of, and acquiring and/or disposing of, patents and other intellectual property rights;
- purchasing, leasing and renting land and buildings as well as any other tangible assets which would be appropriate for the Company's operations; and
- more generally, taking or engaging in any operations or transactions of any nature relating directly or indirectly to the above mentioned purposes, or relating to similar or connected purposes.

The Company is entitled to carry out any operations which are compatible with the Company's purposes, or relative to those purposes, or which may be required to implement those purposes.

### **Article 4 - Registered office [amended wording]**

The Company's registered office is located at 146 boulevard de Finlande, Z.I. Pompey Industries, 54340 Pompey (France).

### **Article 5 - Term of the Company [amended wording]**

The term of the Company is set at 99 years after its initial registration with the Trade and Companies Register, unless the Company's early dissolution or the extension of its term is voted by its shareholders.

### **Article 6 - Share capital formation [unchanged wording]**

At the time of the incorporation of the Company, a total amount of FF. 12,000,000.00 was contributed in cash.

The share capital was increased by way of cash contributions by an amount of FF. 3,400,000.00 following the Board of Directors' decision dated 10 June 1998 making use of the authorisation granted by the shareholders on 5 May 1998.

On 26 May 1999, the shareholders voted to increase the share capital by way of a contribution of a fraction of the share premium for an aggregate amount of FF. 4,803,475.60. During the same meeting, the conversion of the share capital into euros was approved (€ 3,280,000.00).

The share capital was increased by way of cash contributions by an amount of € 200,000.00 as duly authorised by the shareholders on 26 May 1999.

The share capital was increased by way of cash contributions by an amount of € 480,000.00 following the Board of Directors' decision dated 9 March 2000 to make use of the authorisation granted by the Company's shareholders on 10 December 1999. The Board of Directors' meetings held on 17 and 24 March 2000 set the final terms of the latter transaction.

On 23 October 2000, the shareholders voted to increase the share capital by an amount of € 236,078.00 as a consideration for the contribution of the 1,000 preference shares in the share capital of Jaws Systems Limited held by 5D Solutions Ltd. for an aggregate amount of € 21,688,485.86.

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On 20 January 2005 the Board of Directors noted that a total of 38,557 new shares were issued as the result of the exercise of an equivalent number of share options in the year ended 31 December 2004.

As a result, the share capital was increased by an amount of € 15,422.80

On 19 January 2006 the Board of Directors noted that a total of 128,457 new shares were issued as the result of the exercise of an equivalent number of share options in the year ended 31 December 2005.

As a result, the share capital was increased by an amount of € 51,382.80

On 7 February 2007 the Board of Directors noted that a total of 90,321 new shares were issued as the result of the exercise of an equivalent number of share options in the year ended 31 December 2006.

As a result, the share capital was increased by an amount of € 36,128.40

On 12 February 2008 the Board of Directors noted that a total of 42,251 new shares were issued as the result of the exercise of an equivalent number of share options in the year ended 31 December 2007.

As a result, the share capital was increased by an amount of € 16,900.40

### **Article 7 - Share capital [unchanged wording]**

The Company's share capital amounts to € 4,115,912.40 and is divided into 10,289,781 shares each having a par value of € 0.40, which are all fully paid, and are each of the same class.

### **Article 8 - Special rights [unchanged wording]**

These articles do not confer any special rights to any persons, whether or not these persons are holding shares of the Company.

### **Article 9 - Form of shares [unchanged wording]**

Fully paid up shares are registered either in the shareholder's name under a nominative form or, whenever permitted by the applicable law, as bearer shares, upon discretion of the shareholder.

### **Article 10 - Identification of shareholders [amended wording]**

The Company is entitled to request at any time from the clearing and settlement agencies all information which is prescribed by applicable legal and regulatory provisions relating to the identity of the holders of the Company's shares or of financial instruments giving right to the Company's share capital.

The Company is also entitled to request in accordance with applicable legal provisions the identity of the holders of shares when it considers that some of the holders of shares the identity of whom was provided to the Company are holding shares on behalf of third parties.

### **Article 11 - Capital increases and decreases and negotiation of fractional shares [unchanged wording]**

Increases in share capital shall be effected, notwithstanding the existence of fractional shares.

Whenever it is necessary to hold several shares of specific sort or class in order to exercise specific rights, notably in the case of an exchange or an allotment of shares during transactions such as a decrease in the amount of the share capital, or an increase in the amount of the share capital by way of incorporation of retained earnings, of a merger, or by any other way, holders of one share or a number below that required will not be granted any right with regard to the Company, and such holders shall be personally responsible for consolidating, and possibly purchasing or selling, the required number of shares.

In the event of a decrease in the amount of the share capital by way of a decrease in the number of outstanding shares, of an exchange of shares subsequent to a merger, a demerger, a share consolidation or a share split, holders of shares shall be required to sell or purchase such shares they either have in excess, or are short of, in order to allow the exchange of old shares with new ones.

**Article 12 - Transfer of shares [amended wording]**

Shares are freely transferable but shall only be transferred to third parties to the Company by transfer from one account to another, as permitted by applicable legal and regulatory provisions.

Only fully paid shares are transferable.

**Article 13 - Rights and duties attached to the shares [unchanged wording]**

The ownership of shares mandates a strict compliance with the present articles of association as well as with the resolutions which are duly passed by any shareholders' meeting.

Each share entitles the holder of such a share to a portion in the Company's net profit and net assets, which is in proportion of his shareholding.

Shareholders shall not bear losses in excess of the amount of their contributions to the share capital.

Any shareholder who has held, for a period of a minimum two years, either alone or in association with other shareholders, and either directly or not, more than 34% in the share capital or in the voting rights, shall be entitled, as long as he is the main shareholder, to request that a list of candidates put by him be submitted to the next annual meeting; the latter shall choose the majority of board members within this list.

Whenever needed, and provided that this complies with legal requirements, all shares shall be taken together, irrespective of any tax exemptions or allocations, in addition to any taxes likely to be covered by the Company, before any shares be redeemed during the life of the Company or when the Company is being wound up, so that, given their respective par value, all existing shares shall be redeemed at the same net value, irrespective of their origin or their date of issue.

**Article 14 - Shareholder reporting thresholds [unchanged wording]**

Any natural or legal person, acting alone or in concert with others, who would come to hold any number of the Company's outstanding shares or voting rights in excess of one of the reporting thresholds defined by law, shall comply with applicable reporting requirements within the timeframe indicated by law.

Such reporting requirements shall also apply when the person comes to dispose of such a number of shares or voting rights that one or several reporting thresholds are reached.

All terms and conditions specified for such reporting requirements in article L233-7 and subsequent articles of the French Commercial Code are applicable.

This is notably the case of the following reporting requirements:

- Any person on whom fall any reporting requirements in accordance with the above-mentioned legal provisions shall also notify his intention regarding the Company's shares or voting rights over the next six months from the reporting date as soon as that person comes to hold in excess of one tenth, three twentieths, one fifth or one quarter of the outstanding number of the shares forming the Company's share capital or of the voting rights attached to such shares.
- Such person shall specifically indicate how the acquisition of shares was financed, whether he is acting alone or in concert with others, whether he contemplates to purchase additional shares or not, whether he intends to take control of the Company, what strategy he contemplates with respect of the Company and how he expects to implement such strategy, as well as any temporary sale agreement relating to the Company's shares and/or voting rights.
- Such person shall also indicate whether the acquirer contemplates to request his appointment or the appointment of one or several persons as a director of the Company.
- This notification shall be sent to the Company and the market regulators, and also made available to the general public, in accordance with applicable regulations.
- In case of a change in intentions within the next six month period starting on the date of filing of such intention declaration, a new intention declaration, which must indicate the intentions for the next six months and provide the rationale for such change in intentions, must be sent to the Company and to the market regulators without any delay, and also made available to the general public in the same terms and conditions than for the initial intention declaration.

Should a shareholder fail to provide any required notification (in the terms and conditions set out in article L.233-7 and subsequent articles of the French Commercial Code), he would face the sanctions which are set out in article L.233-14 of such Code, and would notably be deprived from the voting right attached to each share above the number of shares or voting rights giving rise to a notification duty for any meeting of shareholders which would take place during a period of two years following the date at which the appropriate notification had been done.

Similarly, a shareholder who would not have made the notifications required as to his intention regarding the Company's shares when holding in excess of one tenth, three twentieths, one fifth or one quarter of the outstanding number of the shares forming the Company's share capital or of the voting rights attached to such shares would be deprived from the voting right attached to each share above the number of shares or voting rights giving rise to such notification duty for any meeting of the shareholders which would take place during a period of two years following the date at which the appropriate notification had been done.

The voting rights attached to the shares which were not properly notified may not be exercised or delegated during that same period.

**Article 15 - Board of Directors: powers, composition and organisation [amended wording]**

The Company shall be managed by a Board of Directors consisting of at least three and no more than twelve members, which are appointed by the shareholders.

Unless otherwise stated by specific provisions of the French Commercial Code, each Board member shall be the owner of hundred shares of the Company. Should a Board member not be the owner of the required number of shares at the time of his appointment or should he cease to own that required number during his term of office, he shall automatically be deemed to retire, provided he would have not done the necessary to comply with such provisions within the six months following his appointment or the date when he has ceased to own the above-mentioned number of shares.

Board members shall be appointed for a term of office of four years.

No more than a third of the total number of Board members may be aged over seventy years old. Should such limit be exceeded the oldest director is deemed to retire.

Board meetings shall be convened by the Chairman of the Board, as often he deems suitable and as required by the Company's business, and at least every three months, at a location which is indicated in the notice of the Board meeting.

Should any board meeting have not taken within the last two months, a minimum of a third of the total number of directors may request the Chairman to convene a Board meeting with a defined agenda. The Chief Executive Officer may also request the Chairman to convene a Board meeting with a defined agenda. The Chairman is then bound by these meeting requests.

The Board of Directors shall deliberate and take action in accordance with provisions of the French Commercial Code.

The charter for the Board of Directors may allow that all directors attending meetings of the Board of Directors by videoconference and other means of telecommunications shall be considered as attending the meeting and having full capacity to vote, under the limits and according to the conditions set out by applicable legal and regulatory provisions.

The Board of Directors shall set the strategic orientations of the Company and shall have a duty to ensure these are effectively applied. It may deliberate on any question falling into the scope of the Company's purposes provided it does not conflict with specific powers granted by law to shareholders. It has a control power on any subject regarding the Company's operations and may exercise such power when deemed appropriate.

The Board of Directors shall appoint one of its members as its Chairman and set the Chairman's remuneration.

The Chairman of the Board represents the Board of Directors. He shall organize and conduct the board meetings and be responsible for the way the Board operates vis-à-vis the shareholders. He has a duty to make sure that the directors may properly undertake their duties.

The age limit for someone to be appointed as the Company's Chairman is seventy years old.

**Article 16 - Management of the Company [unchanged wording]**

The management of the Company is performed by either the Chairman of the Board, or by another natural person, elected either from among other members of the Board or from outside the Board of Directors, and having the title of "Directeur Général".

The Board of Directors shall choose between either options and may change such option at any time. In each case, proper information has to be made available to both the Company's shareholders and third parties.

Should the Chairman of the Board also be the Company's Directeur Général, all provisions of the current articles relating to the Directeur Général are also applicable to the Chairman of the Board.

Should the Chairman of the Board be another person than the Company's Directeur Général, the Board of Directors shall appoint a Directeur Général; the applicable age limit will be the same as for the Chairman.

The Directeur Général is vested with all powers to act on behalf of the Company under any circumstances. However such powers must be exercised only within the scope of the Company's purposes and provided they do not conflict with powers that are specifically granted by law to either the Company's shareholders or the Company's Board of Directors.

The Directeur Général may propose to the Board of Directors that are appointed one or several (up to five) Directeurs Généraux Délégués. The applicable age limit will be the same as for the Chairman. Directeurs Généraux Délégués shall have the same powers as the Directeur Général vis-à-vis third parties.

As part of the internal organization of the Company, such powers may be restricted by the Board of Directors although such restriction would be without any effect to third parties.

**Article 17 - Shareholders' meetings [amended wording]**

Shareholders' meetings shall be convened in accordance with legal and regulatory provisions applicable to French companies, as well as with applicable provisions to companies the shares of which are admitted to trading on NYSE Alternext Brussels.

Meetings of the Company's shareholders shall be held at the Company's registered office or on any other place located within metropolitan France or in Belgium.

Any shareholder shall be entitled to attend, to be represented or to vote by postal vote at any shareholders' meeting irrespective of the number of shares he holds, provided that these shares are fully paid and are registered in his name no later than a minimum of three working days before the date of the meeting at midnight, Paris time, either with the Company's share registrar, for shares registered in the name of the shareholder; or with a registered intermediary entitled to keep securities' accounts.

Any shareholder holding shares belonging to a specific class of shares may attend any special meetings of holders of shares of that category.

Voting rights attached to shares are proportionate to the number of shares held and one voting right is attached to each of the Company's shares.

However, a double voting right is granted to each share which is fully paid, and for which it can be evidenced that the share has been held under a nominative form by the same shareholder for a minimum of two consecutive years.

Moreover, in case of a capital increase realised by incorporation of retained earnings, retained profit, or share premium, such double voting right will be granted to each newly issued share granted to a shareholder for each existing share he was holding for which such double voting right was granted. For other shares, such double voting rights may be acquired, cease or be transferred in accordance with applicable law provisions.

A share which is no longer registered under a nominative form or for which the ownership is transferred to another person gives no longer right to a double voting right, with the exception of specific cases as set out in the first and second paragraphs of article L.225-124 of the French Commercial Code.

Votes are cast either by show of hands or by roll call. A secret poll on any resolution may be held on the request of shareholders representing - either because they are attending the meeting or because they duly represent other shareholders - the majority required for the vote of such resolution.

**Article 18 - Shareholders' right to obtain certain information [unchanged wording]**

Shareholders shall have temporary or permanent rights, depending upon the nature of the information requested, to obtain certain information in accordance with terms and provisions of French Company Law. These ensure that any shareholder be granted with the necessary information to fully understand the current financial position of the Company and fully exercise his rights as a shareholder.

In addition, any document of information provided by provisions of the rules applicable on each of the stock exchanges where the Company's shares are listed is to be made available at the request of any shareholder in accordance with the forms and deadlines as set out in the applicable rules.

**Article 19 - Year-end date [unchanged wording]**

The financial year shall start on 1 January and end on 31 December.

**Article 20 - Allocation and distribution of profits [unchanged wording]**

The difference between the total income and the total expenses in each financial year, after deduction of depreciation and amortization expenses if any, shall make the Company's net profit or loss for that year.

Five per cent (5%) of the net profit after deduction of any prior year accumulated losses shall be retained and allocated to the legal reserve. Such an allocation is no longer required once this reserve reaches a level equal to ten per cent (10%) of the Company's share capital. Additional allocations shall be made if, for whatever reason, the amount of the reserve falls below this level.

Distributable profits for any financial year shall be made from the net profit for the related year, increased or decreased as the case may be, by any profit or loss carried forward from prior years.

Such profits are available for distribution, and should such a distribution be decided by the shareholders' meeting, such profits could either be distributed, upon the Board's proposal, in part or in total as a dividend, or allocated as retained earnings as well as accumulated profit brought forward.

In addition, dividends may also be distributed from the Company's retained earnings subject to shareholders' approval. In such a case, the passed resolution will specify the retained earnings captions from which dividends are distributed. As a general rule, any dividend distribution for any financial year is first allocated from that year's net profit.

The revaluation reserve cannot be distributed, but can be transferred into the share capital for either a fraction or the total amount of that reserve.

The shareholders' meeting may offer any shareholder the option to receive all or part of dividends or interim dividends, if any, in the form of additional shares rather than in cash.



## CHAPTER 7 - REPORTS ON INTERNAL CONTROL AND RISK MANAGEMENT

### 7.1 Report of the Chairman of the Board of Directors

#### 7.1.1 Note 1: Introduction

As required by the provisions of article L.225-37 of the French Commercial Code, please find hereafter information on corporate governance principles which the Company elected to adopt (note 2), on the composition of the Board of Directors, including the application of the principle of a balanced representation of both genders within the Board (note 3), the conditions of preparation and organisation of board meetings (note 4), the ways for shareholders to participate to general meetings (note 5), as well as the internal control and risk management procedures which have been implemented within the Company, notably those relating to the preparation and processing of financial information with respect of both the Company's statutory and consolidated accounts (note 6).

This report was drafted by the Company's Board of Directors on 26 March 2013.

#### 7.1.2 Note 2: Corporate governance principles which were elected by the Company

##### 7.1.2.1 Note 2a: Election, with exceptions, of the AFEP-MEDEF Code

With respect of corporate governance principles, on 13 March 2009, the Company elected to refer to corporate governance principles which are set out in the corporate governance code which was drafted by the AFEP and the MEDEF (the 'AFEP-MEDEF Code'), in October 2003, with subsequent revisions in December 2008 and April 2010.

The up-to-date version of this code may be found at: [www.medef.com](http://www.medef.com).

The provisions which the Company adopted with certain qualifications notably included the following:

- the evaluation of the Board's performance, which is to be performed annually, and done in a formal way every third year: the Board has not undertaken such evaluation to date; and
- the possibility to depart from the principle relating to the compensation of executive directors of companies whose shares are admitted to trading on a regulated market when it comes to set the relative proportion of grants of share options or free shares made to executive officers compared with their total remuneration, or the obligation to terminate an existing employment agreement in the event of the appointment to an executive position.

In addition, the Company elected not to comply with certain of the AFEP-MEDEF Code for the following reasons:

- the Board has no appointment committee as it considers that selecting and appointing executive officers is a task which is performed in a better way when performed by the whole Board rather than such a committee;
- directors who are members of the Board's committees (see note 4e below) are not paid any specific remuneration with respect of such memberships, by way of board attendance fees or otherwise;
- information on the remuneration packages of executive officers is not made public immediately after the close of the Board meeting approving such packages, as the Board considers that the provision of such information in its report on the Company's operations for the corresponding financial year is sufficient with respect of the size of the Parent and of the Company;
- The Company does not disclose the remuneration of its executive officers in those tables which are set as appendices to the AFEP-MEDEF Code as it considers that these tables are not appropriate with respect of the extent of information the Company wishes to disclose on the remuneration of its directors.

Please refer to note 3g to the Board's report on operations for the year ended 31 December 2012 for further information on remuneration paid to the Company's directors in and for the years ended 31 December 2011 and 2012.

7.1.2.2 Note 2b: Consideration given to the adoption of the Middlednext Code

In the first quarter of the financial year ended 31 December 2011, the Board has initiated a review to assess whether it was relevant to continue to refer to the AFEP-MEDEF Code as its set of corporate governance principles, or to elect for the corporate governance code for small- and midcaps which was drafted by Middlednext in December 2009, since the latter was deemed to be more appropriate for the Company with respect of its size.

As a result of the Company's legal reorganisation plan referred to under note 5 to the Board's report on operations for the year ended 31 December 2012, which provides information on the proposed transfer of the listing of the Company's share from NYSE Euronext to NYSE Alternext, as well as the planned transfer of the Company's registered office from France to the UK, the Board voted on 26 March 2013 to continue to refer to the AFEP-MEDEF Code as its set of corporate governance principles up to the effective date of transfer of the Company's registered office to the UK.

**7.1.3 Note 3: Composition of the Company's Board**

7.1.3.1 Note 3a: Number of directors and duration of their term of office

As set out in note 3f of the Board's report on 2012 operations, the Board currently consists of five members which were elected for a four-year term of office, as provided by the third paragraph of article 15 of the Company's articles of association.

7.1.3.2 Note 3b: Applicable age limits

As set out in the fourth paragraph of article 15 of the Company's articles of association, no more than a third of the total number of Board members may be over seventy years old. Should such limit be reached, the oldest director is deemed to retire immediately.

As set out in the tenth paragraph of the same article, the age limit for a natural person to be appointed as the Company's Chairman of the Board is also seventy years.

On the date this report was drafted, none of the Board members was aged more than seventy years old.

7.1.3.3 Note 3c: Balanced representation of genders in the Board

In accordance with the provisions of the law n°2011-103 dated 27 January 2011 relating to a balanced representation of genders in boards and to professional equality (also referred to as 'loi Copé-Zimmermann'), and because the Board only comprised male directors, on 10 March 2011, the Board acknowledged that it was required that a female director be appointed at the next meeting on the Company's shareholders, convened on 16 June 2011 to approve the statutory and consolidated accounts for the financial year ended 31 December 2010.

Mrs. Clare Findlay was appointed as a director of the Company on 16 June 2011 for a four-year term of office which will end at the close of the annual general meeting which will be held in 2015 to approve the statutory and consolidated accounts for the last financial year then ended.

On the date this report was drafted, the Company's Board of Directors consisted of one female member and four male members. As a result, the Company already complies with the requirement set by the loi Copé-Zimmermann to comprise a minimum of 20% of female members no later than at the close of the first annual general meeting which will be held after 1 January 2014.

7.1.3.4 Note 3d: Independent directors

7.1.3.4.1 Note 3d (i): Independent directors who are currently in office

As required by the Board charter, on the date this report was drafted, the Company's Board currently comprised two independent directors, who were the following:

- Mr. Pierre Van Beneden, who was appointed on a provisional basis on 20 March 2008 to replace a director who resigned for the remaining duration of the latter's mandate, being noted that such provisional appointment was confirmed by the shareholders on 25 April 2008, and that his term of office was renewed on 23 April 2010 for a four-year period which will end at the close of the annual general meeting which will be held in 2014 to approve the statutory and consolidated accounts for the last financial year then ended; and
- Mrs. Clare Findlay (see note 3c above).

7.1.3.4.2 Note 3d (ii): Criteria used to assess whether a director may or not qualify as independent

The criteria used by the Company's to assess whether a director may or not qualify as an independent director, which are set out in article 4 of the Board charter, are directly derived from those set out in the AFEP-MEDEF Code.

As a result, an independent director is considered to be any member of the Board who has no specific interest, either direct or indirect, in his/her relationship with the Parent, Company, nor the Company's management, or the Company's main shareholders, which would interfere with the exercise of that individual's independent judgment in carrying out the responsibilities of a member of the Company's Board or a member of any committee set up by the Board.

Accordingly, the persons who have or have had one of the following relationships with the Company over the past five years may not be considered as independent directors of the Company:

- a present or former employee or senior executive of the Company, or a senior executive or a member of the board of directors of an associated company; or
- a close family member of one of the Company's directors, executive officers or senior employees; or
- a controlling or dominant shareholder, or an executive, a board member or otherwise a representative of an entity that is a controlling or a dominant shareholder of the Company; or
- an individual with business, financial or close family relationships with a controlling or dominant shareholder; or
- a person being bound, directly or indirectly, to any customer or supplier that is either material for the Company or for which the Company accounts for a significant part of its business; or
- a person having any other type of relationship that might interfere with the exercise of objective judgment, including, but not restricted to, benefiting from related party transactions; or
- a person holding a notifiable holding or interest, or serving as a director or an executive officer of another company which holds a notifiable holding or interest in the Company, or in which the Company holds a notifiable holding or interest; or
- a person who is having a service contract, who is holding share options or other conditional share awards, or receiving remuneration other than attendance fees, including, but not restricted to, consultancy payments, pension benefits or bonuses from the Company; or,
- a person who was one of the Company's auditors or worked for one of the Company's auditors.

Moreover, a person who was a director for more than 12 consecutive years may no longer be considered as independent.

On 26 April 2012, after having heard Mrs. Findlay and Mr. Van Beneden, the Board confirmed that they both complied with abovementioned independence criteria.

7.1.3.5 Note 3e: Management of the Parent and of the Company

7.1.3.5.1 Note 3e (i): Fulfilment of Chairman of the Board and CEO positions by different individuals

The Board voted on 27 April 2007 that the roles and duties of Chairman of the Board were no longer compatible with those of Chief Executive Officer ('CEO') and that having the same person to fulfil both roles was no longer the most appropriate solution for the Company.

7.1.3.5.1.1 The Chairman of the Board position

On the same day, the Board also voted that Mr. Johan Volckaerts be re-appointed as Chairman of the Board until the expiry of his term of office, which was scheduled to end at the close of the annual general meeting held in 2011 to vote on accounts for the year ended 31 December 2010.

On 16 June 2011, during its meeting which was held at the close of the ordinary and extraordinary meeting of the Company's shareholders during which Mr. Johan Volckaerts was reappointed as a director of the Company for a four-year mandate, the Board voted that Mr. Johan Volckaerts be re-appointed as Chairman of the Board until the expiry of his current term of office as a director of the Company, which is scheduled to end at the close of the annual general meeting held in 2015 to vote on accounts for the last financial year then ended.

#### 7.1.3.5.1.2 The CEO position

Pursuant to Mr. Freidah's resignation from both his positions of CEO and director of the Company on 20 June 2008, Mr. Gary Fry was appointed as CEO of the Company for the remaining duration of his predecessor's term of office which was scheduled to end at the close of the annual general meeting held in 2012 to vote on accounts for the year ending 31 December 2011.

On 27 April 2012, the Company's shareholders reappointed Mr. Gary Fry as a director of the Company for a four-year mandate, which is scheduled to end at the close of the annual general meeting held in 2016 to vote on accounts for the last financial year then ended.

The board meeting which was convened at the close of that annual general meeting voted to re-appoint Mr. Gary Fry as the Company's CEO for the duration of his director mandate.

#### 7.1.3.5.2 Note 3e (ii): Restrictions to the powers granted to the Company's CEO

No restrictions to the powers of the Chief Executive Officer have been voted so far.

Nevertheless, article 7 of the Company's Board charter requires that certain transactions be approved by the Board before they are entered into by the Company (see note 4a below).

### 7.1.4 Note 4: Purpose and organisation of the Company's Board of Directors

#### 7.1.4.1 Note 4a: The Board charter

On 10 December 2002, the Board established a first draft charter of the Board of Directors (the 'Board charter'), which was subsequently completed and amended on 6 May 2003 and resulted in a final charter. Compliance with the provisions of the Board charter is mandatory for every member of the Board whether an individual or the representative of a legal person appointed as a director of the Company.

A revised version of the Board charter was voted by the Board on 19 January 2006, which was completed and subsequently amended on various occasions, and for the last time on 14 December 2011:

- article 3 of the Board charter clarifies the respective roles of the Board and management of the Company;
- article 4 of the Board charter clarifies the criteria used to consider whether a director may be considered as independent, notably by providing a list of relationships that may impede director independence (see note 3d above), and also requires that a review of the actual independence of the directors who consider themselves as independent be undertaken each year;
- article 5 of the Board charter sets out the directors' duties which notably include a duty of loyalty to the Company, the requirement to own a minimal number of shares of the Company (each director must own a minimum of one hundred shares of the Company during his term as required by the second paragraph of article 15 of the Company's articles of association), a non-competition obligation during the term of the director's office and in the year after the termination of such office, a duty to prevent potential conflicts of interest by disclosing these to the Board, a duty of confidentiality on any information which has been provided to him in connection with his functions and which has not yet been publicly released, a duty to prepare and attend meetings, and the prohibition to undertake insider trading;
- article 7 of the Board charter defines the nature of transactions for which Board approval is required before they are entered into by the Company, which are as follows:
  - the acquisition of a business segment, an asset or a group of assets, for an aggregate value in excess of Euro 0.5 million;
  - the disposal of a business segment, an asset or a group of assets, for an aggregate net book value in excess of 10% of total consolidated assets, or implying a reduction in the consolidated net sales estimated to be in excess of 20% of such consolidated sales,
  - the incorporation, the decision to make a company dormant, the wind-up or liquidation of any Group company representing more than 20% of total consolidated sales, or more than 10% of total adjusted operating result; and,

- any material transaction which cannot be considered as part of the normal course of the Company's business or of the Company's strategy which would have been made public, either relating to the Company's operating or financing activities, notably those which would potentially result in additional liabilities, either contingent or not, or would create additional off balance sheet obligations for the Company.

A list of these transactions is included as an appendix to the Board charter, which notably includes a prior approval requirement for any agreement by which any third party would be granted an exclusive right on any item of the Company's intellectual property.

#### 7.1.4.2 Note 4b: Other mandates or positions held by the Company's directors

Please see note 3f (iii) to the Board's report on the Company's operations for the year ended 31 December 2012 for further information on other mandates or position held by the Company's directors at the end of that year as well as in the past five financial years.

#### 7.1.4.3 Note 4c: Remuneration paid to the Company's directors and executive officers

##### 7.1.4.3.1 Note 4c (i): Remuneration paid in and for the years ended 31 December 2011 and 2012

Please see note 3g to the Board's report on the Company's operations for the year ended 31 December 2012 for further information on remuneration paid to the Company's directors and executive officers in and for the years ended 31 December 2011 and 2012.

##### 7.1.4.3.2 Note 4c (ii): Board attendance fees

###### 7.1.4.3.2.1 Allocation of board attendance fees for the years ended 31 December 2011 and 2012

Please see note 3g to the Board's report on the Company's operations for the year ended 31 December 2012 for further information on remuneration paid to the Company's directors and executive officers in and for the years ended 31 December 2011 and 2012, being noted that no remuneration was due and paid to Mr. Volckaerts in those years with respect of his position of Chairman of the Board.

###### 7.1.4.3.2.2 Contemplated allocation for the current year

On 7 June 2013, as set out in note 4a to the Board's report on the Company's operations for the year ended 31 December 2012, the shareholders will be proposed to grant a total amount of € 40,000 as board attendance fees for the year ending 31 December 2013.

The allocation of such amount will be voted by the Board in its meeting which will be held at the close of that meeting of the Company's shareholders, being noted that, in 2013, as was already the case in prior years, the participation to Board committees will not result in any additional board fee payments for the members of these committees.

##### 7.1.4.3.3 Note 4c (iii): Executive officers' remuneration

###### 7.1.4.3.3.1 Guiding principles

As indicated in article 2 of the charter of the Company's Remuneration committee, the Company's objective is to provide remuneration to the executive directors as well as any other employee in such a manner as to attract and retain the best available personnel for positions of responsibility with the Company, to provide short- and long-term financial incentives for such persons to perform the best of their abilities for the Company, and to create the conditions for the success of the Company's business.

###### 7.1.4.3.3.2 Remuneration paid to the Company's CEO in and for the year ended 31 December 2012

Please see note 3g (ii) to the Board's report on the Company's operations for the year ended 31 December 2012 for further information on remuneration paid to the Company's Chief Executive Officer in and for the year ended 31 December 2012.

#### 7.1.4.4 Note 4d: Organisation of the Company's Board in the year ended 31 December 2012

##### 7.1.4.4.1 Note 4d (i): Number of meetings held in the year ended 31 December 2012

The Board held 8 meetings in the year ended 31 December 2012 (8 also in the year ended 31 December 2011), a number which exceeds the minimum number of 5 meetings a year which is required by article 6 of the Board charter.

The main purpose of one of these eight meetings, which was held on 19 March 2012, was to review draft versions of the Company's statutory and consolidated accounts for the year ended 31 December 2011, as well as of all documents required by French Company Law in connection with the ordinary and extraordinary meeting of the Company's shareholders convened on 27 April 2012.

The main purpose of another four of these eight meetings, which were held respectively on 7 February, 26 April, 29 August and 25 October 2012, was to review draft versions of the Company's condensed consolidated accounts and management reports thereon for the quarters and periods ended 31 December 2011, 31 March 2012, 30 June 2012 and 30 September 2012, respectively.

The main purpose of the meeting held on 12 December 2012 was to approve the Company's budget for the year ending 31 December 2013.

#### 7.1.4.4.2 Note 4d (ii): Attendance at meetings

Mrs. Clare Findlay as well as Messrs. Gary Fry and Alain Pronost attended each of the eight meetings of the Board which were held in the year ended 31 December 2012, while Messrs. Johan Volckaerts and Pierre Van Beneden attended six of the eight meetings of the Board which were held in 2012.

#### 7.1.4.4.3 Note 4d (iii): Notices of Board meetings

##### 7.1.4.4.3.1 Notices of Board meetings to directors

Notices of meetings to directors may be done by all appropriate means (and most often, by e-mail) within a reasonable period of time ahead of the meeting date. Such date together with the timing, venue and draft agenda of the meeting has most often been set at the close of the previous Board meeting.

Article 6 of the Board charter requires that attached to such notice are all documents informing them of the agenda of the meeting as well as on all topics which will be discussed during the meeting.

##### 7.1.4.4.3.2 Notices of Board meetings to the Company's statutory auditors

The Company's statutory auditors are requested to attend every Board meeting when such request to attend the meeting is mandatory by law (notably when the Company's annual statutory or consolidated accounts or interim accounts are reviewed by the Board) or is found appropriate by the Chairman of the Board.

The Company's auditors were given notice of five of the eight Board meetings which were held during the year ended 31 December 2012, including the meeting during which the Company's statutory accounts and consolidated accounts and the report on operations for the year ended 31 December 2011 were drafted by the Board on 19 March 2012, as well as the meetings during which the condensed consolidated accounts for the quarter and the year ended 31 December 2011 as well as for the first three quarters of the year ended 31 December 2012 were drafted by the Board on 7 February, 26 April, 29 August and 25 October 2012, respectively.

##### 7.1.4.4.4 Note 4d (iv): Board discussions and votes

Article 6 of the Board charter states that topics discussed during Board meetings are settled through a vote by the Board members under the terms and conditions of the French Commercial Code, notably on annual statutory accounts or quarterly accounts approval, and on draft resolutions submitted to a vote of the shareholders as well as, more generally, any major decision affecting the Company.

##### 7.1.4.4.5 Note 4d (v): Use of video- or teleconference

In accordance with the provisions of article 15 of the Company's articles of association, all members of the Board attending the meeting of the Board by means of video-conferencing shall be considered as attending the meeting and having full capacity to vote.

However, in accordance with the applicable legal provisions, this means of participation is subject to restrictions, which require that members of the Board should attend meetings in person to have full voting capacity to vote when drafting either the statutory or consolidated accounts as well as the Board's report on the Company's operations for a given year.

The Company made use of video-conferencing for two of the eight Board meetings held in 2012 (for one meeting in 2011), being noted that attending to Board meetings is a possible option for any Board member who could not physically attend any meeting of the Company's Board.

7.1.4.5 Note 4e: The Board committees

The Board decided that it was appropriate to create two committees, the audit committee and the remuneration committee, as set out below. A report of the decisions voted by each of these committees is provided to the Board, initially in an oral statement by the chairman of the corresponding committee, and subsequently under the form of written minutes of the committee's meetings, a copy of which is provided to the Chairman of the Company's Board of Directors.

7.1.4.5.1 Note 4e (i): The Company's audit committee

7.1.4.5.1.1 Purpose and objectives of the Company's audit committee

According to article 1 of the charter of the Company's audit committee, its primary role is to oversee the Company's financial reporting and audit process to ensure the balance, transparency and integrity of statutory and consolidated financial information which is released by the Company.

The audit committee must also review:

- the effectiveness of the Company's internal financial control and risk management systems;
- the existence of an efficient, independent audit process, including recommending the appointment and assessing the performance and independence of the Company's statutory auditors; and
- the relevance of the Company's procedures for monitoring compliance with laws and regulations affecting financial reporting, as part of its duty to monitor the process used by the Company to prepare its financial information as required by applicable provisions of article L.823-19 of the French Commercial Code.

7.1.4.5.1.2 Composition of the Company's audit committee

The current members of the Company's audit committee are Mrs. Clare Findlay, who has been a member of the committee since 16 June 2011 and its chairperson since 27 July 2011, as well as Messrs. Johan Volckaerts and Pierre Van Beneden.

The Board considers that the criteria which were used to decide of the composition of the Company's audit committee, including the independence of a majority of its members, or their skills in accounting and/or financial matters, are identical to those set out in the 22 July 2010 report drafted by the workgroup on audit committees which was set up by the AMF.

■ Criteria used to nominate members of the Company's audit committee

The Board will nominate the members of the Company's audit committee and the Chairman of that committee, who is always an independent director.

Members of the Company's audit committee are appointed for the duration of their term of office as directors, i.e. for four years.

As required by its charter, the Company's audit committee must comprise a minimum of three members and the majority of members shall be independent directors of the Company, as defined in article 3 of the charter of the Company's audit committee, the definition of an independent member being identical to that used for the Board (see note 3d above).

During the year ended 31 December 2012, the Company's audit committee comprised three members, two of which were independent, or a proportion of two thirds of its members as required by corresponding provisions of the AFEP-MEDEF Code.

■ Minimum skill requirements for audit committee members

Each member of the Company's audit committee must have a sufficient knowledge of the Company's activities and business and have minimal background in accounting of financial matters.

In addition, at least of the members of the Company's audit committee must have a significant experience in accounting of financial matters, as required by applicable provisions of article L.823-19 of the French Commercial Code.

Given their academic background and business experience (see note 3f (iii) to the Board's report on operations for the year ended 31 December 2012 for further information on this), the Board considered that each of the members of the Company's audit committee, starting with its two independent members, Mrs. Clare Findlay and Mr. Pierre Van Beneden, were having the required significant experience in accounting of financial matters.

#### 7.1.4.5.1.3 Meetings of the Company's audit committee

As indicated in article 5 of the charter of the Company's audit committee, meetings are held not less than four times a year and should correspond to the Company's financial reporting cycle.

In 2012, the Company's audit committee held 4 meetings, to review draft versions of statutory and consolidated accounts for the year ended 31 December 2011 on 19 March 2012, and to review draft versions of condensed consolidated accounts for the quarter and the year ended 31 December 2011 on 7 February 2012, and for the first two quarters of the year ended 31 December 2011 on 26 April and 29 August 2012.

Each of the members of the Company's audit committee attended each of the four meetings of the Company's audit committee which were held in the year ended 31 December 2012.

#### 7.1.4.5.2 Note 4e (ii): The Company's remuneration committee

##### 7.1.4.5.2.1 Purpose and objectives of the Company's remuneration committee

According to its charter, the primary purpose of the Company's remuneration committee is to set the terms and conditions of the remuneration paid by the Company to its directors and senior management, notably the variable part of their remuneration (such as bonuses) or the deferred part of their remuneration (such as grants of share options or free shares).

##### 7.1.4.5.2.2 Composition of the Company's remuneration committee

The Board will nominate the members of the Company's remuneration committee as well as its Chairman, who shall always be an independent director.

Members are appointed for the duration of their term of office as directors, i.e. for four years.

The Company's remuneration committee must comprise a minimum of three members and the majority of members shall be independent directors of the Company, as defined in article 4 of the charter of the Company's remuneration committee.

The current members of the Company's remuneration committee are Mrs. Clare Findlay, as well as Messrs. Johan Volckaerts and Pierre Van Beneden, who was appointed Chairman of the remuneration committee initially on 22 July 2008; Mr. Van Beneden was reappointed as chairman of the Company's remuneration committee on 28 July 2010 pursuant to his reappointment as a director by the Company's shareholders on 23 April 2010.

##### 7.1.4.5.2.3 Meetings of the Company's remuneration committee

As set out in the charter of the Company's remuneration committee, meetings are held as often as required and at least once a year.

The Company's remuneration committee did not hold any meeting during the year ended 31 December 2012.

#### 7.1.4.5.3 Effect of the planned legal reorganisation of the Company on the Board's committees

The planned legal reorganisation of the Company, which is set out in note 5 to the Board's report on 2012 operations, will result in the Board's committees to stop their activities, the corresponding purposes being fulfilled by the Board.

### 7.1.5 Note 5: Shareholders' meetings

#### 7.1.5.1 Note 5a: Attendance to meetings and information on voting procedures

##### 7.1.5.1.1 Note 5a (i): Attendance to meetings

###### 7.1.5.1.1.1 No minimum shareholding condition

Any shareholder may attend or participate to shareholders' meetings regardless of his/her holding in the Company, notwithstanding any contrary provisions of the Company's articles of association.

###### 7.1.5.1.1.2 How to demonstrate you are a shareholder of the Company

Any shareholder of a company whose shares are admitted to trading on a regulated market or to performing transactions of a central depository is entitled to participate in a meeting of the shareholders of such company provided that the shares he/she holds in that company are registered in his/her name or in the name of the registered intermediary on behalf of him/her as set out in the



seventh paragraph of article L.228-1 of the French Commercial Code, no later than three business days before the date of the shareholders' meeting at midnight, Paris time, either with the Company's share registrar for shares registered in the name of the shareholder, or with a registered intermediary entitled to keep securities' accounts.

The record of bearer shares in securities' accounts kept by a registered intermediary is duly evidenced by a certificate which may be delivered by the registered intermediary, including by electronic means provided that conditions set out in article R.225-61 of the French Commercial Code are then met, which has to be attached to the postal vote form, the proxy statement, or to the request to get an entrance card mentioning the name of the shareholder or the name of the registered intermediary which represents the shareholder.

That certificate may also be delivered to the shareholder willing to attend the meeting should he not have received his entrance card at midnight, Paris time, on the third business day immediately preceding the meeting date.

#### 7.1.5.1.2 Note 5a (ii): Information on voting procedures

Should they not be in a position to attend the meeting, shareholders may vote by postal vote, send a proxy statement to the Company, or give a mandate, being noted that, in that case, pursuant to the provisions of the decree n°2010-1619 dated 23 December 2010, and under the conditions of articles L.225-106 of the French Commercial Code, this mandate may be given to any legal or natural person whether or not a shareholder of the Company.

Any shareholder who has followed any of the above-mentioned procedures may still dispose of part or all of the shares he holds in the Company. However, should such disposal occur no later than midnight, Paris time, on the third business day immediately preceding the meeting date, the Company will be entitled to cancel or amend the postal vote, proxy statement, entrance card or certificate of participation of the shareholder based on information of such disposal provided by the registered intermediary to the Company or its share registrar.

The registered intermediary has no obligation to notify the Company of any share disposal or other types of share transactions which would be entered into after midnight, Paris time, on the third business day immediately preceding the meeting date, even in the existence of an agreement providing for the opposite.

A single form which may be used either to vote by proxy statement or by postal vote will be mailed to all shareholders who have registered their shares with the Company's share registrar.

The holder of bearer shares may obtain the proxy statement and postal vote form by sending a registered letter to the Company's share registrar no later than six days before the meeting date.

To be valid, the postal vote, once completed and duly signed, must be sent back to the Company's share registrar no later than three days before the meeting date.

Should a shareholder decide to vote by postal vote or by proxy statement, or request an entrance card, he/she will no longer be entitled to vote by any other means, notwithstanding any contrary clause of the Company's articles of association.

#### 7.1.5.2 Note 5b: Written question from shareholders

Any shareholder is entitled to put questions in writing to the Company's Chairman of the Board until the fourth business day immediately preceding the date of the shareholders' meeting.

Questions shall be asked by sending either a registered letter to the registered office of the Company, or an e-mail to: [investor-relations@globalgraphics.com](mailto:investor-relations@globalgraphics.com) no later than four business days ahead of the date when the meeting is scheduled.

In order to be taken into account, questions must be accompanied by a statement of ownership in the Company's shares.

#### 7.1.5.3 Note 5c: Addition to the meeting's agenda of points or draft resolutions

##### 7.1.5.3.1 Note 5c (i): Ways to request the addition of points or draft resolutions

The addition to the meeting's agenda of points or draft resolutions by those shareholders who meet the conditions which are required by law must be made by one of the ways referred to in note 5b above.

7.1.5.3.2 Note 5c (ii): Period during which such requests may be made

In accordance with the provisions of article R.225-73 of the French Commercial Code, requests for the addition to the meeting's agenda of points and/or draft resolutions must be sent within the twenty-day period following the date of issue of the notice of the meeting at the Bulletin des Annonces Légales et Obligatoires ('BALO'), which must be made no later than thirty-five days before the meeting date, and no later than the twenty-fifth day preceding the date of the shareholders' meeting.

7.1.5.3.3 Note 5c (iii): Conditions to be made for making such request

7.1.5.3.3.1 Minimum holding in the Company's shares

Shareholders requesting the addition to the meeting's agenda of points or draft resolutions must justify that they own or represent the required number of shares by attaching to their request a statement of ownership in the Company's shares, either in the Company's registered accounts or in the bearer shares accounts maintained by an authorised intermediary, on the date they issue such request.

The examination by the shareholders during the meeting of the additional points and draft resolutions which will be filed by the shareholders shall be subject to the provision by the authors of a new statement of ownership proving the registration of the Company's shares in the same conditions than indicated above, no later than midnight, Paris time, on the third business day immediately preceding the date of the meeting.

7.1.5.3.3.2 Rationale for such request

Any request for the addition to the meeting's agenda of any points must be supported by appropriate evidence in accordance with the provisions of article R.225-71 of the French Commercial Code.

Any request for the addition to the meeting's agenda of draft resolutions must be supported by the text of the draft resolutions, which may be accompanied by a brief summary of the grounds, as well as the information required at 5° of article R.225-83 of the French Commercial Code if the draft resolution deals with the proposed appointment of a member of the Company's Board of Directors.

7.1.5.4 Note 5d: Elements likely to have an influence in case of a public offer

Please see note 4e to the Board's report on the Company's operations for the year ended 31 December 2012 for further information on these elements.

**7.1.6 Note 6: Internal control environment and procedures.**

7.1.6.1 Note 6a: Basic principles of internal control

7.1.6.1.1 Note 6a (i): Definition and objectives of internal control

Internal control is not a function but a set of means implemented by management to control the Company's operations.

Internal control can be defined as a process implemented by the Company's Board with support of senior management within the Company designed to provide reasonable assurance that the Company's strategy is properly deployed within the organization and to achieve the following objectives:

- best use of existing resources;
- quality and reliability of financial and management information;
- compliance of the Company's policies with existing legislation and regulations;
- best operating processes; and
- best use and safeguarding of assets.

One of the objectives of an internal control system is to prevent and master error and fraud risk; however, as any control system, no full guarantee may be provided that such error or fraud risks will be completely mastered or eliminated.

7.1.6.1.2 Note 6a (ii): Framework used by the Company

The Company adopted a definition of internal control, which was substantially similar to that of the internationally adopted "COSO" framework.

Internal control, defined as indicated above, consists of five interrelated components:

- control environment;
- internal risk assessment;
- control activities;
- information and communication; and
- monitoring.

#### 7.1.6.1.3 Note 6a (iii): Importance given to internal control

The control environment sets the tone in an organization, influencing the control consciousness of its staff.

It is the foundation for all other components of internal control.

Control environment factors include:

- the integrity, ethical values and competence of the Company's people, notably of its management;
- the way management develops the Company's employees;
- management philosophy and operating style;
- the way management organises the Company; and
- the way management assigns authority and responsibility.

On 22 July 2008 the Board adopted the Company's business conduct and ethics code, which has been updated since then, and for the last time on 14 December 2011, which governs the way management expects the Company to be managed, and which deals with the following items: transparency of financial information, importance of internal control, prohibition of certain transactions, conflict of interest identification and reporting, confidentiality obligations, compliance with law and regulations, enforcement of the policy and reporting of policy infringements.

For the internal control system to be efficient, the Company must develop a process to identify and assess relevant internal risks, which may affect the achievement of its objectives. It must also adopt mechanisms needed to identify and deal with the special risks associated with change.

In addition to internal risk assessment, the Company must implement activities to control them. This is the objective of control activities, a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

#### 7.1.6.1.4 Note 6a (iv): Scope of application

The assessment of internal risks and the identification of control components have been done in an informal way, notably for the Company's operating subsidiaries.

The risk that major internal control issues would occur appears low. The Company's management is satisfied with local management competence, the monthly management reporting package produced by its main subsidiaries, the local auditors' annual review, and also the procedures which have been implemented at subsidiary level regarding the incurrence and approval of expenditures and regarding cash management and control.

#### 7.1.6.2 Note 6b : Organisation and assessment of internal control

##### 7.1.6.2.1 Note 6b (i): What has been done to date

The Company has no dedicated internal audit department. Following the vote of the Act dated 1 August 2003, the Company initiated a review of its internal control system through a preliminary identification of processes and of the related major internal risks based on discussions with the key operational and administrative people; the identification of key controls (including computer-based controls, as applicable); and the identification and review of existing internal control procedures, notably at a subsidiary level where they are predominantly documented.

##### 7.1.6.2.2 Note 6b (ii): Assessment of control environment

Though not fully completed, the identification and formalization of internal risks which was undertaken by the Company resulted in the identification of a number of operational and financial risks, which are set out in note 2d to the Board's report of the Company's operations for the year ended 31 December 2012, in the implementation of appropriate control procedures or a better formalisation of existing internal procedures, notably for managing foreign exchange risk by entering into foreign currency option contracts, for managing credit risk by a specific monitoring of certain customers which were

identified as likely to create a potential risk for the Company, or a periodic monitoring (typically done on a monthly basis) on amounts receivable from customers to identify any significant overdue amounts and report on this to the Company's CEO.

7.1.6.2.3 Note 6b (iii): Assessment of control environment for the preparation and processing of accounting and financial information

#### 7.1.6.2.3.1 Overview

The reliability of the accounting and financial information provided by the Company is based on a set of bodies, rules, procedures, operating modes and controls.

Accounting procedures are designed to achieve primary objectives of completeness and compliance of accounting transactions with applicable local rules and of consistency with the Company's accounting principles (IFRS since 1 January 2004) and those used for the preparation of the financial statements, either for statutory purposes or for the Company's management.

#### 7.1.6.2.3.2 Procedures relating to significant financial statements captions

Specific procedures are in effect regarding the presentation of the statement of financial position or income (loss), notably for those captions which are based on accounting estimates or, more generally, those requiring management to exercise its judgement.

The following captions are subject to a systematic, detailed review at each interim or annual period-end date, by the CFO, which reports its findings and conclusions to the CEO, which in turn reports to the Company's audit committee and to the Board during the meeting when the corresponding interim or annual consolidated accounts are drafted:

##### ■ Intangible assets

A critical review of development projects which may meet the capitalisation criteria set out under paragraphs 57 to 62 of IAS 38, *Intangible Assets*, is performed on a quarterly basis to identify any new development project giving rise to such capitalisation.

At the same time, a review of the continuing relevance of their amortisation periods is performed for each development project giving rise to capitalisation to ensure the absence of any indicators providing for a revision of such amortisation periods.

A third review is also performed to identify any elements of any kind which could indicate that one or several items of intangible assets (including goodwill which has been fully allocated to the Print segment of the Company's business) needed to be impaired at the end of a given quarter, because of the end of the distribution of the corresponding software technology or the loss of a significant customer contract for this technology.

In addition, a detailed impairment review is performed at the end of each financial year (or at any point through a financial if deemed appropriate), as set out in note 6a to the Company's consolidated financial statements for the year ended 31 December 2012.

##### ■ Deferred tax

A critical review of the assumptions which were used to prepare future taxable profit computations which form the basis for the estimate of tax losses which may result in the recognition in a deferred tax asset is performed on a quarterly basis; in addition, a detailed review is performed when financial statements for the first six months of a given year and for that given year are prepared, which is based on actual results for the corresponding period and the latest management forecasts for the remainder of that year of the following year, as set out in note 6a to the Company's consolidated financial statements for the year ended 31 December 2012.

##### ■ Revenue recognition

When the Company enters into a customer contract of any significance, notably a multiple-element agreement referred to in note 3n to the Company's consolidated financial statements for the year ended 31 December 2012, the policy which is used for recognised the revenue relating to products delivered and/or services rendered is put into a written document by the Company' CFO, before it reviewed by the Company's CEO, and brought to the attention of the Company's audit committee and Board for review and approval, after it was reviewed by the Company's statutory auditors as deemed appropriate.

#### 7.1.6.2.3.3 Financial reporting procedures

The financial reporting and budget procedures are key activities for the Company to monitor its performance. Any issue can be identified, assessed and dealt with in the course of the year, which results in reduced uncertainty for the preparation of accounts at quarter-end and year-end dates.

##### ■ Monthly financial reporting

Since the start of the year ended 31 December 2011, the monthly financial reporting document is a two-page document providing information on sales made in the month under reporting as well as since the start of the financial year, with comparison with respective budgeted figures; a similar information on operating expenses by nature; a breakdown of amounts receivable from customers by entity and by aging (with provision of the total figure for amounts overdue by more than 30, 60 and 90 days, and a list of 'problematic' customers); information on cash available at the start and the end of the reporting period and on cash flow forecast for the coming 30 and 60 days; the breakdown of staff by nature of employment with a comparison with budgeted figures; the list of software releases made in the month under reporting; the list of customer contracts which were entered into or lost during the month under reporting; the list of patents granted and patent applications filed during the reporting month, and a status report on progress made for those projects which may result in the payment of a portion of the year-end bonus for the current financial year.

This report is prepared by the Software finance director, and then reviewed by the Company's CEO and CFO, before it is provided to the Company's senior management team for being discussed during its monthly meeting, and sent for information to the Company's Board by Mr. Alain Pronost.

##### ■ Quarterly reporting

Information provided by the Company's operating entities is analysed and checked by Mr. Alain Pronost, either through enquiry and discussion with relevant people within the Company, or through analysis of the various schedules included in the reporting package and the variances reflected in those schedules. He will then consolidate such financial data with that of the Company's non-operating entities (including the Parent) and presents this consolidated data to the Company's Board, including to those who are not members of the Company's audit committee under the form of condensed consolidated financial statements prepared in accordance with requirements of IAS 34, *Interim Financial Reporting*, to which is attached a condensed management report providing quantitative and qualitative information (including management comments) on the financial and operational performance of the Company during the quarter

Such consolidated financial data is presented by the Company's CEO to the Company's audit committee, which performs a thorough analysis of this data, before it is voted by the Board, subject to limited review by the Company's statutory auditors (for interim accounts), and released by the Company.

##### ■ Year-end reporting

The procedure used by the Company is similar to the one used for periodic reporting, excepted that financial information provided by the subsidiaries has been audited (or reviewed as a minimum) by local auditors and that consolidated financial information (including notes thereto) prepared by the CFO has been audited by the Company's statutory auditors.

#### 7.1.6.2.3.4 Budget process

It is substantially identical to the periodic reporting procedure but only occurs once a year. The budget for the financial year ending 31 December 2013 was reviewed and approved by the Board on 12 December 2012.

If thought fit, an update of this budget is scheduled to be reviewed during each meeting of the Board held during the year ending 31 December 2013, and notably during the meeting when consolidated accounts for the quarter and the six-month period ending 30 June 2013 will be drafted in late July 2013.

#### 7.1.6.2.3.5 Strategy review

The strategy for the three-year period ending 31 December 2015 was discussed on 11 December 2012 in a meeting in which the members of the Company's senior management team were involved, before it was approved by the Board on 12 December 2012.

If thought fit, an update of the strategy is scheduled to be reviewed during each meeting of the Board held during the year ending 31 December 2013, and notably during the meeting when consolidated accounts for the quarter and the six-month period ending 30 June 2013 will be drafted in late July 2013.

## 7.2 Statutory auditors' report on the Chairman of the Board's report

### Report prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Company's Board of Directors

To the shareholders,

In our capacity as statutory auditors of Global Graphics SA and in accordance with article L.225-235 of the French Commercial Code ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended 31 December 2012.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by article L.225-37, particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- to attest that this report contains the other disclosures required by article L.225-37 of the French Commercial Code ("Code de commerce"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Code ("Code de Commerce").

We hereby attest that the Chairman's report includes the other disclosures required by article L.225-37 of the French Commercial Code ("Code de commerce").

Schiltigheim and Nancy, on 12 April 2013

KPMG Audit,  
A division of KPMG S.A.

SECEF

Christophe Bernard

Philippe Gibello

**Unofficial translation of the original version in French language**

*This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers.*

*This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.*

## CHAPTER 8 - OTHER INFORMATION ON THE COMPANY

### 8.1 Financial calendar for the year ending 31 December 2013

#### 8.1.1 Projected dates of release of interim consolidated results in 2013

The Company expects to release information on its consolidated results in the year ending 31 December 2013 on the following dates:

- Friday 26 April 2013: consolidated results for the quarter ending 31 March 2013; and
- Thursday 1 August 2013: consolidated results for the quarter and the six-month period ending 30 June 2013.

The Company expects to release information on its consolidated results before market opening on each of the abovementioned dates.

#### 8.1.2 2013 annual meeting of the Company's shareholders

The 2013 annual meeting of the Company's shareholders is scheduled on Friday 7 June 2013 in Brussels.

### 8.2 Information on the Company's share

#### 8.2.1 Information on the Company's share

- **Trading location:** NYSE-Euronext (Brussels)
- **Ticker:** GLOG
- **Market:** Eurolist - C list (Small caps)
- **ISIN code:** FR0004152221
- **Reuters code:** GLOG.BR
- **Bloomberg code:** GLOG.BB
- **Indices:** BEL All Shares, BEL Technology and BEL Software & Computer Services
- **Eligibility to the PEA** (Plan d'Epargne en Actions): Yes.
- **Eligibility to the SRD** (Deferred Settlement Service): No.

#### 8.2.2 Share price data

##### 8.2.2.1 Years ended 31 December 2011 and 2012

In euros, unless otherwise specified	FY 2012	FY 2011
<b>Highest traded price</b>	1.39	1.80
<b>Highest closing price</b>	1.36	1.73
<b>Lowest traded price</b>	0.96	0.92
<b>Lowest closing price</b>	0.96	0.92
<b>Closing price on 31 December</b>	1.13	1.04
<b>Outstanding number of shares as at 31 December</b>	10,289,781	10,289,781
<b>Market capitalisation at 31 December (in millions of euros)</b>	11.6	10.7
<b>Traded volume during the year</b>	1,396,312	2,563,374
<b>Capital turnover rate (in years)</b>	7.4	4.0
<b>Daily average number of shares traded during the year</b>	5,794	10,420



8.2.2.2 From 1 January to 11 April 2013

- Highest traded and closing prices: € 1.45 on 16 January 2013 in both cases;
- Lowest traded and closing prices: respectively € 1.12 and € 1.13 on 2 January 2013;
- Closing price for the Company's share on 11 April 2013: € 1.16;
- Traded volume between 1 January and 11 April 2013: 642,153;
- Daily average number of shares traded during that period: 9,584.

**8.3 List of patents and registered trademarks**

8.3.1 Patents

8.3.1.1 Patent filing policy

The Company has an active policy to protect technologies it has invented or improved, which notably includes a financial incentive provided to people who invented or developed technologies which may be patent protected, as well as to the Company's senior management team, as applicable.

As North American countries, and notably the United States, are the first market for the Company's products, patent applications are typically filed with the US Patent and Trademark Office ('USPTO') before they are filed with its European equivalent (European Patent Organisation, or 'EPO'), or similar organisations throughout the world.

8.3.1.2 List of patents and patent applications

Please find below the list of patents which were granted and of patent applications which were filed, as available to general public on the date the annual financial report for the year ended 31 December 2012 was drafted.

No information is provided on patent applications which were filed by the Company in the years ended 31 December 2011 and 2012 which was not publicly available on the date the annual financial report for the year ended 31 December 2012 was drafted, to protect the Company's legitimate interests.

8.3.1.2.1 Patents granted

8.3.1.2.1.1 Patents granted by the USPTO

Purpose of the patent granted by the USPTO	Patent number	Patent expiry date
Image display using irregularly placed curving structures	5,579,457	29 July 2014
Image display using irregularly placed curving structures (13 additional claims)	5,808,622	8 June 2016
Image display using evenly distributed intensity clusters	5,784,049	18 December 2016
Color imaging system and process with high-speed rendering	5,862,253	5 March 2016
Color imaging system and process with high-speed rendering (10 additional claims)	6,343,145	29 January 2019
Method and apparatus for combining and ordering objects from a plurality of separation color PDL files to a single display list	6,330,072	21 March 2017
Prepress workflow method using Raster Image Processor	6,483,524	10 January 2019
Prepress workflow method and program	6,380,951	10 January 2019
Method of arranging a prepress workflow	6,624,908	1 October 2019
Establishing a reference printer state using recursive tone scale matching	6,755,498	15 April 2022
System and method for rendering printer traps with application of color transformation	6,809,839	30 November 2022
System and method for flattening spans	6,996,284	4 February 2024
Method for confirming correct separation of output profile	7,298,526	27 December 2025
Object-based raster trapper	7,359,530	11 May 2026

8.3.1.2.1.2 Patents granted by the EPO

Purpose of the patent granted by the EPO	Patent number	Patent expiry date
Image display using irregularly placed curving structures	0,803,160	28 July 2015
Image display using evenly distributed intensity clusters	0,772,934	28 July 2015
Color imaging system and process with high-speed rendering	0,896,771	30 April 2017
Color imaging system and process with high-speed rendering (10 additional claims)	1,158,780	29 January 2019

8.3.1.2.2 Demandes de brevets déposées auprès de l'USPTO qui ont été rendues publiques

Purpose of the patent application filed with the USPTO	Reference and inventor(s)	Filing date
Methods, devices and systems for encoding graphical primitives	12/426,115 A. Duggan/M. Jones	April 2009
System and method for providing a representation of hierarchical structures of documents	12/879,301 E. Worrall	September 2010
System and method for processes enabled by metadata associated with documents within a binder file	12/879,329 E. Worrall	September 2010
System and method for amending and extending hierarchical structures of documents	12/879,349 E. Worrall	September 2010

8.3.1.3 Use of third party patents

The Company does not use any third party patents in its products; however, and as indicated in section 3.2.1.6 above, the Company uses various third party technologies in its products under license agreements providing for the usage of the corresponding technologies at no cost to the Company or against the payment of royalties by the Company.

**8.3.2 Registered trademarks**

The Company owns all of the trademarks it is using, most of which have been registered in a number of jurisdictions throughout the world.

It is notably the case for the following trademarks:

- Global Graphics (trademark and logo), which have been filed in the European Union and in Japan;
- Harlequin (trademark and logos), which have been filed in the US and in the UK for the trademark as well as in the European Union for the logo ;
- gDoc (trademark and logos), which have been filed in the US and in the European Union;
- gDoc Binder (trademark and logo), which have been filed in the US, in Australia and in the European Union;
- Harlequin RIP (trademark), which has been filed in the European Union;
- Jaws (trademark), which has been filed in the European Union;
- Jaws PDF Editor (trademark), which has been filed in the European Union.

## GLOSSARY OF TECHNICAL TERMS USED IN THIS REPORT

Please find below a definition of the main technical terms which were used in this annual financial report for the year ended 31 December 2012, including, whenever applicable, a link to a web page where further explanations and illustrations are provided on that term.

### **Original Equipment Manufacturer (OEM)**

This term typically refers to a company which develops and manufactures hardware for its own purposes by using hardware or software components which were manufactured or developed by third parties, such as the Company's software solutions.

### **Independent Hardware Vendor (IHV)**

This term typically refers to a company which develops and manufactures hardware on behalf of another party which will sell such hardware under its own brand.

### **Independent Software Vendor (ISV)**

This term typically refers to a company which develops software solutions, for mass or niche markets, which are typically running under different platforms and operating systems (Windows, Mac OS, Linux, etc.), and sells them under its own brand.

### **Value-Added Reseller (VAR)**

A value-added reseller is a company that adds features or services to an existing product, and then resells it (usually to end-users) as an integrated product or a complete 'turnkey' solution.

See also: [http://en.wikipedia.org/wiki/Value-added\\_reseller](http://en.wikipedia.org/wiki/Value-added_reseller)

### **Raster Image Processor (RIP)**

A raster image processor is a software component used in a printing system which produces a raster image, also known as a bitmap, of text and images forming a page. The bitmap is then sent to a printing device for output.

See also: [http://en.wikipedia.org/wiki/Raster\\_Image\\_Processor](http://en.wikipedia.org/wiki/Raster_Image_Processor)

### **Page Description Language (PDL)**

A page description language specifies the arrangement of a printed page through commands from a computer that the printer carries out.

PDLs which are directly interpreted by a printing system are referred to as printing protocols.

Most commonly used PDLs are PostScript, PDF, PCL and XPS.

See also: [http://en.wikipedia.org/wiki/Page\\_description\\_language](http://en.wikipedia.org/wiki/Page_description_language)

### **PostScript**

PostScript is a page description language which was developed by Adobe between 1982 and 2007, and which is based on vector translations of elements and allows to create a single file containing all of the elements forming the page (text, images, fonts, colours, etc.).

PostScript has become an industry standard for printing and most of laser printers can interpret PostScript files.

See also: <http://en.wikipedia.org/wiki/PostScript>

### **Portable Document Format (PDF)**

PDF is a page description language, which was developed by Adobe since 1993, initially as an evolution of the PostScript format. It is used for representing documents in a manner which is independent from application software, hardware and operating systems, since each PDF file encapsulates a complete description of a fixed-layout flat document, including the text, fonts, graphics, and other information needed to display it.

PDF has become an industry standard for electronic documents and is notably used for storing and distributing documents via email or the Internet.

See also: [http://en.wikipedia.org/wiki/Portable\\_Document\\_Format](http://en.wikipedia.org/wiki/Portable_Document_Format)

**XML Paper Specification (XPS)**

XPS is a page description language, which was developed by Microsoft based on a specification and a reference architecture provided by Global Graphics, which was initially provided with Windows Vista® and has since become a standard document format which is managed by all successive releases of Microsoft Windows (including Windows 7 and 8), as well as by Windows XP.

See also: [http://en.wikipedia.org/wiki/Open\\_XML\\_Paper\\_Specification](http://en.wikipedia.org/wiki/Open_XML_Paper_Specification)

**Printer Command Language (PCL)**

PCL is a page description language, which has been developed by HP since 1984, and has become an industry standard, notably for high-end inkjet and laser printers.

See also: [http://en.wikipedia.org/wiki/Printer\\_Command\\_Language](http://en.wikipedia.org/wiki/Printer_Command_Language)

**Tagged Image File Format (TIFF)**

TIFF (originally standing for Tagged Image File Format) is a file format for storing digital images, which has been under the control of Adobe, after it purchased it from Aldus, which co-developed it with Microsoft.

See also: [http://en.wikipedia.org/wiki/Tagged\\_Image\\_File\\_Format](http://en.wikipedia.org/wiki/Tagged_Image_File_Format)

**Joint Photographic Experts Group (JPEG)**

JPEG (also known as ISO/IEC IS 10918-1/ ITU-T Recommendation T.81), is a standard which defines the recording format and the decoding algorithm to obtain a compressed digital representation of an image, such as a digital photography.

See also: <http://en.wikipedia.org/wiki/JPEG>

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