Global Graphics PLC

Unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018

Company registration number: 10872426

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INTERIM MANAGEMENT REPORT

STRATEGY AND BUSINESS MODEL

Through its operating subsidiaries, Global Graphics PLC is a leading developer of software and hardware technology for digital inkjet printing and type design and development. Customers for digital inkjet technology include press manufacturers such as HP, Canon, Durst and Roland. Those for font design include numerous international brands, from manufacturers such as Mercedes Benz and Siemens, to digital media and e-publishing companies.

Our strategic focus is on high-speed digital printing, which includes a growing number of applications from labels and packaging, ceramics, interior décor and even automotive applications. Our combination of device electronics and software and exceptional engineering skills means we can help press manufacturers to respond to technical challenges with innovation, adding value to their products, and getting them to market quickly. We continue to work to expand the customer base for all businesses into geographical areas that have growth potential, whilst building long-term relationships with key market leaders.

Our business model is to directly license software technology to original equipment manufacturers ("OEMs") of pre-press equipment, digital printers and copiers, developers of applications that create, manipulate and manage electronic documents and system integrators. The fonts and associated technology is licensed to software developers and OEMs for inclusion in their products, to corporates for use in their corporate identity and branding and is sold through font portals to design agencies and end users. The font design team have the capability to create new font styles and redesign, expand or optimise characters for special applications. Meteor's printhead driver solutions can drive all available inkjet heads currently on the market and are sold direct to the manufacturer of the printing device. Consequently, Global Graphics' printing technology lies at the heart of industry leading brands of digital pre-press systems, professional colour proofing devices, wide-format colour printers and digital production presses. Fonts are included in products from household names, ranging from domestic appliances to motor vehicles.

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

BUSINESS REVIEW

CEO's statement

A solid performance in the first half of the year keeps us on plan. It is very pleasing to see that all three operating segments have put in a strong performance and made key wins in strategic accounts.

This achievement comes from maintaining focus on our strategy, notably the fast-growing market for inkjet solutions and for digital font technology. Innovative breakthroughs in printing software, such as our ScreenPro screening engine, make it possible for press vendors to meet the challenge of achieving high-quality at high-speed with inkjet. We have seen this particularly in the labels and packaging market. As a Group we can offer a powerful combination of software and printhead driver solutions which has opened up new relationships.

URW continues to develop its digital font library with new releases and enhancements to existing fonts. It is delivering on its plan to expand its geographical footprint, notably into Japan and the UK and is making inroads to the US market, working with major brands on their corporate identity and with printer OEMs.

We expect a very busy second half of the year with attendance at key industry gatherings such as the ceramics exhibition Tecnargilla in Italy, the type conference ATypI in Amsterdam, Label Expo Americas in Chicago, the Inkjet Conference in Dusseldorf, and the industrial print show InPrint in Milan.

Group structure

There has been no change to the structure of the Group since the year ended 31 December 2017, however, the assets of Cambridge Grey Bit Limited ("CGB") have been transferred to Global Graphics Software Ltd and an application to strike off CGB has been submitted.

Outcome of the Annual General Meeting

All of the proposed resolutions were unanimously passed by the shareholders at the Company's Annual General Meeting ("AGM") on 24 April 2018.

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

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

Under the Company's articles of association, all directors must retire at every AGM, but are entitled to stand for re-election at that AGM. More information about the resolutions passed at the AGM can be found in the investor's section of the Company's website at http://www.globalgraphics.com/investors/annual-shareholders-meeting/.

INTERIM MANAGEMENT REPORT (CONTINUED)

Financial highlights

- Revenue for the period was €11.36 million (2017: €10.17 million)
- Gross profit for the period was €8.93 million or 78.6% of revenue (2017: €7.81 million, 76.8% of revenue)
- Pre-tax profit for the period was €1.53 million (2017: €0.16 million)
- EBITDA for the period was €2.92 million (2017: €1.75 million)
- Cash at 30 June 2018 was €5.00 million (at 31 December 2017: €5.08 million)

Revenue

Revenue for the period was €11.36 million, compared with €10.17 million for the same period in 2017, an increase of 11.8%. On a constant exchange rate basis, i.e. at 2017 exchange rates, revenue during the period would have been approximately €0.39 million higher and totalled €11.75 million.

License fees accounted for 45.2% (2017: 47.4%) of revenue, driver electronics accounted for 42.0% (2017: 37.1%), engineering/design services accounted for 5.7% (2017: 4.7%), maintenance and support accounted for 5.2% (2017: 7.0%), hardware and consumables accounted for 1.8% (2017: 3.5%) and consultancy and other items accounted for 0.1% (2017: 0.3%).

During the reporting period, the ten largest customers represented 55.4% (2017: 50.4%) of the Group's revenue, the five largest customers represented 41.7% (2017: 42.1%) of the Group's revenue and the single largest customer represented 16.1% (2017: 19.3%) of the Group's revenue.

Gross profit

Gross profit for the period was 78.6% of sales. For the same period in the prior year it was 76.8% of sales.

Pre-tax result

The IFRS pre-tax result was a profit of €1.53 million for the period, compared with a profit of €0.16 million for the same period in 2017.

The increase in profitability of €1.37 million is due to:

- the increase in revenue of €1.19 million;
- a higher cost of sale of €0.08 million;
- a reduction in selling, general and administrative expenses of €0.20 million; and
- an increase in foreign exchange gains of €0.06 million.

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

EBITDA

EBITDA is calculated by adding back interest, tax, depreciation and amortisation to net profit. For the reporting period, EBITDA was €2.92 million, compared to €1.75 million for the same period in the prior year.

The increase of €1.17 million is due to:

- the change in the pre-tax result of €1.37 million as explained above;
- an increase in interest and depreciation of €0.02 million; and
- a reduction in amortisation of €0.22 million.

Cashflow

Despite the profit generated during the period there was a small decrease in cash of €0.08 million. This is primarily due to timing differences between when some revenue is recognised and the payments, which are due in future periods, are received from customers. There was also an increase in capital expenditure during the period due to the relocation of the offices of Meteor and URW and the payment of a one-off patent licence fee.

Cash balances were valued at €5.00 million on 30 June 2018 (31 December 2017: €5.08 million).

The Group continues to generate sufficient cash to fund its day to day operational expenditure and capital expenditure on property, plant and equipment.

Adjusted financial results

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

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

Reported operating profit is adjusted as follows:

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2018**	**2017**
Reported operating profit	1,422	114
Add share based remuneration expense (see note 13)	85	15
Deduct capitalised development expense	(510)	(661)
Add amortisation and impairment of capitalised development	666	702
Add amortisation of acquired intangibles	589	758
Add back one-off legal fees	-	100
Add other operating expenses	21	-
Deduct other income	-	(1)
Total adjustments to reported operating profit	851	913
Adjusted operating profit	**2,273**	**1,027**

Reported net profit is adjusted as follows:

	For the six months ended 30 June	
In thousands of euros, except per share data in euro *(unaudited)*	**2018**	**2017**
Reported net profit	1,531	182
Adjustments to operating result above	851	913
Tax effect of abovementioned adjustments	(165)	(189)
Total adjustments to reported net profit	686	724
Adjusted net profit	**2,217**	**906**
Adjusted net basic earnings per share (see note 14)	0.19	0.08

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties to the Group can be found on pages 8 and 9 of the Company's annual report for the year ended 31 December 2017.

For the remaining six months of this financial year, the principal risks are foreign exchange risk on the conversion of surplus currencies to functional currencies of subsidiaries, primarily US dollars to pounds sterling, credit risk from trade receivables and disruption to the supply of electronic components used in the Group's products.

There could be a negative impact on net cash flow if sterling was to strengthen significantly against US dollars.

RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the appointed directors listed on page 1 of this report confirm that to the best of their knowledge that:

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

By order of the board,

2030 Cambourne Business Park
Cambourne, CB23 6DW, UK
25 July 2018

Gary Fry
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros, except per share data in euro *(unaudited)*	Note	For the six months ended 30 June **2018**	 2017
Revenue	4	**11,364**	10,168
Cost of sales		**(2,436)**	(2,354)
Gross profit		**8,928**	7,814
Other income		**-**	1
Selling, general and administrative expenses		**(4,347)**	(4,555)
Research and development expenses		**(3,138)**	(3,146)
Other operating expenses		**(21)**	-
Operating profit		**1,422**	114
Finance income	5	**1**	-
Net finance income		**1**	-
Foreign currency exchange gains	5	**109**	42
Profit before tax		**1,532**	156
Tax	9	**(1)**	26
Profit for the period attributable to equity holders		**1,531**	182
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**62**	(348)
Other comprehensive gain/(loss) for the period, net of tax		**62**	(348)
Total comprehensive profit/(loss) for the period attributable to equity holders		**1,593**	(166)
Earnings per ordinary share			
Basic earnings per share	14	**0.13**	0.02
Diluted earnings per share	14	**0.13**	0.02

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

The notes on pages 9 to 17 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	**30 June 2018** *(unaudited)*	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	**593**	467
Other intangible assets	7	**4,107**	4,694
Goodwill	8	**10,565**	10,552
Financial assets		**23**	24
Deferred tax assets	9	**900**	868
Trade receivables due after more than one year		**1,824**	606
Total non-current assets		**18,012**	17,211
Current assets			
Inventories		**875**	747
Current tax assets		**226**	196
Trade and other receivables		**2,452**	3,209
Other current assets		**210**	168
Prepayments		**902**	612
Cash and cash equivalents		**4,997**	5,076
Total current assets		**9,662**	10,008
TOTAL ASSETS		**27,674**	27,219
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	10	**4,734**	4,734
Share premium		**1,979**	1,979
Treasury shares	10	**(792)**	(792)
Retained earnings		**26,603**	24,987
Foreign currency translation reserve		**(11,777)**	(11,839)
Total equity		**20,747**	19,069
Liabilities			
Deferred tax liabilities	9	**721**	857
Other liabilities	11	**3,274**	3,260
Total non-current liabilities		**3,995**	4,117
Current liabilities			
Current tax liabilities		**64**	220
Trade and other payables		**485**	794
Other current liabilities		**1,512**	1,738
Contract liabilities	4,12	**871**	1,281
Total current liabilities		**2,932**	4,033
Total liabilities		**6,927**	8,150
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,674**	27,219

The notes on pages 9 to 17 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros *(unaudited)*	**Note**	**Share capital**	**Share premium**	**Treasury shares**	**Retained earnings**	**Foreign currency translation adjustment**	**Total equity**
Balance at 1 January 2017		**4,546**	**1,979**	**(314)**	**25,493**	**(11,280)**	**20,424**
Total comprehensive income							
Net profit for the period		-	-	-	182	-	182
Total other comprehensive loss		-	-	-	-	(348)	(348)
Total comprehensive income/(loss)		**-**	**-**	**-**	**182**	**(348)**	**(166)**
Transactions with owners							
Share options exercised		188	-	-	(188)	-	-
Share-based payment transactions	13	-	-	-	15	-	15
Disbursement of shares to employees	10	-	-	118	(118)	-	-
Own share purchases	10	-	-	(596)	-	-	(596)
Total transactions with owners		**188**	**-**	**(478)**	**(291)**	**-**	**(581)**
Balance at 30 June 2017		**4,734**	**1,979**	**(792)**	**25,384**	**(11,628)**	**19,677**
Balance at 1 January 2018		**4,734**	**1,979**	**(792)**	**24,987**	**(11,839)**	**19,069**
Total comprehensive income							
Net profit for the period		-	-	-	1,531	-	1,531
Total other comprehensive income		-	-	-	-	62	62
Total comprehensive income		**-**	**-**	**-**	**1,531**	**62**	**1,593**
Transactions with owners							
Share-based payment transactions	13	-	-	-	85	-	85
Total transactions with owners		**-**	**-**	**-**	**85**	**-**	**85**
Balance at 30 June 2018		**4,734**	**1,979**	**(792)**	**26,603**	**(11,777)**	**20,747**

The notes on pages 9 to 17 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

In thousands of euros *(unaudited)*	Note	For the six months ended 30 June **2018**	2017
Cash flows from operating activities			
Net profit for the period		**1,531**	182
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant and equipment	6	**122**	98
- Amortisation and impairment of other intangible assets	7	**1,268**	1,497
- Share-based remuneration expenses	13	**85**	15
- Net interest income	5	**(1)**	-
- Net foreign currency exchange gains	5	**(109)**	(42)
- Tax expense/(benefit)	9	**1**	(26)
Other items		**(9)**	180
Change in operating assets and liabilities:			
- Financial assets		**(1)**	(150)
- Inventories		**(128)**	(48)
- Trade and other receivables		**(461)**	786
- Other current assets		**(42)**	20
- Prepayments		**(290)**	(292)
- Trade and other payables		**(309)**	(284)
- Other current liabilities		**(226)**	305
- Customer advances and deferred revenue		**(410)**	(155)
Cash received for interest income during the period		**1**	-
Cash paid during the period for current tax		**(201)**	(154)
Net cash flow from operating activities		**821**	1,932
Cash flows from investing activities			
Proceeds from the disposal of property, plant & equipment		**-**	1
Capital expenditures on property, plant & equipment	6	**(247)**	(122)
Capital expenditures on other intangible assets	7	**(173)**	-
Capitalisation of development expenses	7	**(510)**	(661)
Contingent consideration for acquisition of subsidiary		**-**	(336)
Net cash flow used in investing activities		**(930)**	(1,118)
Cash flows from financing activities			
Own share repurchases	10	**-**	(596)
Net cash flow used in financing activities		**-**	(596)
Net (decrease)/increase in cash and cash equivalents		**(109)**	218
Cash and cash equivalents at 1 January		**5,076**	4,639
Effect of exchange rate fluctuations on cash held at 1 January		**30**	(119)
Cash and cash equivalents at 30 June		**4,997**	4,738

The notes on pages 9 to 17 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

The Company is a public limited company, registered in England and Wales, domiciled in the United Kingdom and is quoted on Euronext in Brussels. The Company's registered office address is 2030, Cambourne Business Park, Cambourne, Cambridge, CB23 6DW.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2017.

The accounting policies and methods of computation adopted are consistent with those as described in the Company's consolidated financial statements for the year ended 31 December 2017 except for where detailed below.

There are no other new or amended interpretations or standards effective for the financial year commencing 1 January 2018 that have had a material impact on the Group.

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Company's board of directors on 25 July 2018.

Basis of measurement

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

Non-current assets are stated at the lower of amortized cost and fair value less disposal costs when applicable. The methods used to measure fair value are discussed in note 5 of the Company's annual report for the year ended 31 December 2017.

Functional and presentation currency

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

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

Use of accounting estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

Going concern

On the date these condensed consolidated interim financial statements were approved, based on their review of cash flow projections prepared by management for the years ending 31 December 2018 and 2019, the members of the Company's board of directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern, primarily because of the cash position of €5.00 million as at 30 June 2018 (31 December 2017: €5.08 million) and the absence of any outstanding bank debt.

3. OPERATING SEGMENTS

Identification of reportable segments

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

The Group's segments were reviewed for the year ending 31 December 2017 and were amended from Print, eDoc and Fonts to:

- Software, for digital printing and digital documents software;
- Printhead Solutions, for electronics and software developed for industrial inkjet printing; and
- Fonts, for digital typeface design and technology.

Measurement of the operating segments' profit is assessed against revenue forecasts and expense budgets, excluding non-operating IFRS items such as share-based payments, capitalisation and amortisation of internally generated intangible assets and amortisation of intangible assets acquired through acquisition.

The following tables provide information on revenue, profit, interest, depreciation and amortisation and tax as reported to the CODM for each of the Group's operating segments for the 6 months ended 30 June 2017 and 30 June 2018. The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM or are required to be disclosed by IFRS 8. Assets and liabilities by segment are not regularly reported to the CODM.

Inter-segment revenues are included in cost of sales for the reciprocal segment and are eliminated on consolidation. Unallocated amounts relate to Group expenses and exchange gains and losses that are not attributable to a particular operating segment.

Six months ended 30 June 2018:

In thousands of euros *(unaudited)*	**Software**	**Printhead Solutions**	**Fonts**	**Unallocated**	**Total**
Revenue from external customers	5,030	4,775	1,559	-	11,364
Inter-segment revenue	-	-	5	-	5
Segment revenue	**5,030**	**4,775**	**1,564**	**-**	**11,369**
Segment operating profit/(loss) after tax	**850**	**930**	**557**	**(144)**	**2,193**
Included in the operating profit/(loss) are:					
Interest income	1	-	-	-	1
Interest expense	-	-	-	-	-
Depreciation and amortisation	(96)	(27)	(7)	(1)	(131)
Tax expense	(15)	-	(151)	-	(166)

Six months ended 30 June 2017 (restated[1]):

In thousands of euros *(unaudited)*	**Software**	**Printhead Solutions**	**Fonts**	**Unallocated**	**Total**
Revenue from external customers	5,132	3,786	1,250	-	10,168
Inter-segment revenue	-	-	-	-	-
Segment revenue	**5,132**	**3,786**	**1,250**	**-**	**10,168**
Segment operating profit/(loss) after tax	**(487)**	**819**	**198**	**277**	**807**
Included in the operating profit/(loss) are:					
Interest income	-	-	-	-	-
Interest expense	-	-	-	-	-
Depreciation and amortisation	(89)	(10)	(2)	(1)	(102)
Tax expense	(34)	-	(129)	-	(163)

Reconciliation of reportable segments' measure of profit to consolidated profit/(loss) after tax:

In thousands of euros *(unaudited)*	**2018**	2017
Segment total operating profit after tax	2,193	807
Share-based payments expense	(85)	(15)
Capitalisation and amortisation of internally generated intangible assets	(155)	(41)
Amortisation of acquired intangible assets	(579)	(758)
Other items	(8)	-
Tax effect of above-mentioned items	165	189
Consolidated profit after tax	**1,531**	**182**

[1] The comparative figures have been restated to reflect the revised segments and reporting format.

4. REVENUE

Software segment
The Group typically sells its software through multi-year license and distribution agreements, some of which provide for the periodic payment of license royalties, the unit value 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 Group's software has been integrated. These agreements also include specific provisions with respect to the delivery of maintenance and after-sale support services over the duration of the agreement. 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 agreements may also provide for the delivery of engineering services to ensure a seamless integration of the Group's software into the customer's products.

Through its RTI-RIPS.COM brand, the Software segment also has revenue from related printing hardware and consumables sales.

Printhead Solutions segment
Driver electronics and accompanying software are initially sold as a development kit to a new customer. Once the customer has completed their design process and their product is put into production they will typically issue a purchase order for a quantity of products and will draw-down from that order as they require the inventory.

Fonts segment
The Group typically sells its font technology through multi-year license and distribution agreements which provide for the periodic payment of license royalties, the unit value of which has been contractually agreed at the outset of the agreement, and which is typically based upon the volume sold by the customer.

In addition to licensing font technology, the Group also provides font design services for corporate clients. A price for the design service will be agreed in advance of the work being undertaken.

An analysis of external sales by revenue type and primary geographical market is shown below. The table also provides a reconciliation of disaggregated revenue with the Group's reportable segments.

For the six months ending 30 June:

	Software		Printhead Solutions		Fonts		Total	
In thousands of euros *(unaudited)*	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenue type								
License royalties	**3,919**	3,983	**-**	-	**1,222**	833	**5,141**	4,816
Maintenance and after-sale support services	**573**	711	**-**	-	**16**	-	**589**	711
Engineering/design services	**324**	57	**-**	8	**321**	417	**645**	482
Printer hardware and consumables	**207**	360	**-**	-	**-**	-	**207**	360
Driver electronics	**-**	-	**4,775**	3,768	**-**	-	**4,775**	3,768
Other items	**7**	21	**-**	10	**-**	-	**7**	31
Total sales	**5,030**	**5,132**	**4,775**	**3,786**	**1,559**	**1,250**	**11,364**	**10,168**
Primary geographical markets								
United Kingdom	**194**	77	**94**	47	**202**	63	**490**	187
Europe, excluding United Kingdom	**845**	977	**625**	580	**679**	584	**2,149**	2,141
North America	**3,031**	2,606	**812**	357	**641**	592	**4,484**	3,555
Asia	**960**	1,472	**3,244**	2,802	**37**	11	**4,241**	4,285
Total sales	**5,030**	**5,132**	**4,775**	**3,786**	**1,559**	**1,250**	**11,364**	**10,168**

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 30 June 2018.

In thousands of euros *(unaudited)*	**0 to 12 months**	**12 to 24 months**	**after 24 months**	**Total**
After-sale support services	583	12	12	607
Product and consultancy	264	-	-	264
Total	**847**	**12**	**12**	**871**

The Group applies the practical expedient in paragraph 63 of IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component for contracts where payments are due within one year.

5. FINANCE INCOME AND FINANCE COSTS

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2018**	2017
Interest income	1	-
Finance income	**1**	**-**
Foreign currency exchange gains on transactions and revaluations	109	42
Foreign currency exchange gains	**109**	**42**
Net finance income	**110**	**42**

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment	Office furniture	Other items	Total
Cost						
At 1 January 2017	656	973	22	185	478	2,314
Additions	6	150	31	45	85	317
Disposals	-	(16)	-	-	-	(16)
Effect of movement in exchange rates	(24)	(44)	(3)	(9)	(20)	(100)
At 31 December 2017	**638**	**1,063**	**50**	**221**	**543**	**2,515**
At 1 January 2018	638	1,063	50	221	543	2,515
Additions	80	110	5	45	7	247
Effect of movement in exchange rates	(1)	1	3	1	1	5
At 30 June 2018 *(unaudited)*	**717**	**1,174**	**58**	**267**	**551**	**2,767**
Accumulated depreciation						
At 1 January 2017	552	773	22	180	418	1,945
Charge for the year	17	133	4	3	47	204
Disposals	-	(16)	-	-	-	(16)
Effect of movement in exchange rates	(21)	(34)	(3)	(9)	(18)	(85)
At 31 December 2017	**548**	**856**	**23**	**174**	**447**	**2,048**
At 1 January 2018	548	856	23	174	447	2,048
Charge for the period	10	71	7	2	32	122
Effect of movement in exchange rates	-	3	-	1	-	4
At 30 June 2018 *(unaudited)*	**558**	**930**	**30**	**177**	**479**	**2,174**
Net book value						
At 31 December 2017	90	207	27	47	96	467
At 30 June 2018 *(unaudited)*	**159**	**244**	**28**	**90**	**72**	**593**

7. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer contracts	Patents	Trade-marks	Know-how	Font library	Driver electronics	Total
Cost								
At 1 January 2017	35,021	14,190	2,656	605	915	2,465	3,296	59,148
Additions – internally developed	1,284	-	-	-	-	-	-	1,284
Additions – purchased	28	-	-	-	-	-	-	28
Additions – business combinations	65	-	-	-	-	-	-	65
Effect of movement in exchange rates	(1,253)	(514)	(94)	(22)	(5)	-	-	(1,888)
At 31 December 2017	**35,145**	**13,676**	**2,562**	**583**	**910**	**2,465**	**3,296**	**58,637**
At 1 January 2018	35,145	13,676	2,562	583	910	2,465	3,296	58,637
Additions – internally developed	510	-	-	-	-	-	-	510
Additions – purchased	-	-	173	-	-	-	-	173
Effect of movement in exchange rates	41	21	(3)	1	-	-	-	60
At 30 June 2018 *(unaudited)*	**35,696**	**13,697**	**2,732**	**584**	**910**	**2,465**	**3,296**	**59,380**
Accumulated amortisation and impairment								
At 1 January 2017	34,019	14,189	2,633	605	568	678	55	52,747
Charge for the year	1,529	-	7	-	347	510	659	3,052
Effect of movement in exchange rates	(1,221)	(514)	(94)	(22)	(5)	-	-	(1,856)
At 31 December 2017	**34,327**	**13,675**	**2,546**	**583**	**910**	**1,188**	**714**	**53,943**
At 1 January 2018	34,327	13,675	2,546	583	910	1,188	714	53,943
Charge for the period	691	-	4	-	-	243	330	1,268
Effect of movement in exchange rates	37	21	3	1	-	-	-	62
At 30 June 2018 *(unaudited)*	**35,055**	**13,696**	**2,553**	**584**	**910**	**1,431**	**1,044**	**55,273**
Net book value								
At 31 December 2017	818	1	16	-	-	1,277	2,582	4,694
At 30 June 2018 *(unaudited)*	**641**	**1**	**179**	**-**	**-**	**1,034**	**2,252**	**4,107**

The amortisation of patents is included in cost of sales and the amortisation charge for software technology which has been capitalised in accordance with IAS 38 is included in research and development expenses. The amortisation charges related to intangible assets acquired through business combinations are included in selling, general and administrative expenses.

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

There was no significant change during the period to the calculations and assumptions used at 31 December 2017 to identify any requirement to impair any of these intangible assets. It was concluded that no impairment was required for the six months ended 30 June 2018 (2017: €nil).

7. OTHER INTANGIBLE ASSETS (CONTINUED)

For individual intangible assets material to the financial statements, the following table shows the remaining amortisation periods and the carrying amounts:

In thousands of euros	Remaining amortisation period	30 June 2018 *(unaudited)*	31 December 2017
Harlequin RIP	Between 0.60 years and 1.80 years	437	625
EDL	2.00 years	129	77
gDoc applications	2.00 years	19	54
CGB Screening	4.25 years	56	62
Total software technology		**641**	**818**
Font Library	2.25 years	**1,034**	**1,277**
Driver Electronics	3.40 years	**2,252**	**2,582**

8. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 1 January 2017	16,618
Additions – business combinations	123
Effect of movement in exchange rates	(467)
At 31 December 2017	**16,274**
At 1 January 2018	16,274
Effect of movement in exchange rates	21
At 30 June 2018 *(unaudited)*	**16,295**
Accumulated amortisation or impairment	
At 1 January 2017	5,934
Effect of movement in exchange rates	(212)
At 31 December 2017	**5,722**
At 1 January 2018	5,722
Effect of movement in exchange rates	8
At 30 June 2018 *(unaudited)*	**5,730**
Net book value	
At 31 December 2017	10,552
At 30 June 2018 *(unaudited)*	**10,565**

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

Having reviewed the revenue and operating result for the six months ended 30 June 2018 against the forecast used for the impairment review at 31 December 2017, management concluded that no impairment review was necessary for this interim reporting period.

Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. The CGUs identified were Print Software, Fonts and Print Electronics.

The table below shows the allocation of goodwill to the CGUs.

In thousands of euros	30 June 2018 *(unaudited)*	31 December 2017
Print Software	**6,688**	6,675
Fonts	**1,555**	1,555
Print Electronics	**2,322**	2,322
Total goodwill	**10,565**	**10,552**

9. TAX

Corporation tax

Analysis of the tax benefit in the period:

In thousands of euros *(unaudited)*	**For the six months ended 30 June** **2018**	**2017**
Current tax		
Expense arising from other items	(166)	(163)
Total current tax expense	**(166)**	**(163)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	29	9
Arising from the amortisation of acquired intangibles	136	172
Effect of change in tax rate	-	8
Total deferred tax benefit	**165**	**189**
Total tax (expense)/benefit	**(1)**	**26**

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	**30 June 2018** *(unaudited)*	31 December 2017
Capital allowances	957	956
Other items	52	50
Capitalised development expenses	(109)	(138)
Total recognised deferred tax assets	**900**	**868**
Deferred tax liabilities		
As a result of business combinations	(721)	(857)
Total recognised deferred tax liabilities	**(721)**	**(857)**

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The deferred tax asset at 30 June 2018 has been calculated based on the rate 19%. The deferred tax liability at 30 June 2018 has been recognised from the acquisition of URW++ Design and Development GmbH ("URW"), TTP Meteor Limited ("Meteor") and Cambridge Grey Bit Limited ("CGB"). For URW it has been calculated based on the expected tax rate of 29.65%. For Meteor and CGB it has been calculated based on the enacted tax rates of 20%, 19% and 17%.

10. SHARE CAPITAL AND TREASURY SHARES

Ordinary shares issued:

In thousands of euros	**30 June 2018** *(unaudited)*	31 December 2017
Allotted, called up and fully paid		
11,835,707 (31 December 2017: 11,835,707) ordinary shares of €0.40 each	**4,734**	4,734

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

In thousands of euros, except number of shares	**For the six months ended 30 June 2018** *(unaudited)* **Number**	**Value**	For the year ended 31 December 2017 **Number**	**Value**
At the start of the period	267,091	792	106,826	314
Disbursement of shares to employees	-	-	(33,978)	(118)
Treasury shares acquired	-	-	194,243	596
At the end of the period	**267,901**	**792**	**267,091**	**792**

11. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	30 June 2018 *(unaudited)*	31 December 2017
Contingent consideration	3,274	3,260
Total other liabilities	**3,274**	**3,260**

12. CONTRACT LIABILITIES

In thousands of euros	30 June 2018 *(unaudited)*	31 December 2017
Customer advances	264	435
Deferred revenue	607	846
Total contract liabilities	**871**	**1,281**

The contract liabilities primarily relate to consideration received in advance of the provision of services. Customer advances relate to consideration received in advance of the provision of engineering and consultancy services and delivery of product. Deferred revenue relates to the consideration received for support and maintenance performance obligations that will be recognised as revenue over a period of time.

13. SHARE BASED PAYMENTS

Share option plan *(unaudited)*

The Group operates a share option scheme that awards key personnel with options to acquire ordinary shares of €0.40 in the Company subject to certain criteria being met. Options can only be granted to and exercised by a person that is either an employee or a director of the Group at both grant and exercise dates. If the beneficiary of the granted option no longer fulfils the employment condition, they may only exercise the portion of options which are vested at the termination date of their employment with the Group. Any unvested options cannot be exercised at any future date.

Share options that vest and are exercised will be satisfied by the creation and allotment of new shares to the option holder.

The number of options relating to current employees and directors over ordinary shares of €0.40 each is as follows:

As at 31 December 2017	Granted	Exercised	Lapsed	Outstanding at 30 June 2018	Exercisable at 30 June 2018	Exercise price
-	104,776	-	-	104,776	-	€0.00
-	**104,776**	**-**	**-**	**104,776**	**-**	

The vesting conditions of the above options are as follows:

a. The individual must be either an employee or director of the Group.

b. The reported closing price of the Company's shares must be €4.00 or higher per share for at least 20 trading days in any 6 month period.

c. An accelerated vesting of these options, regardless of if the abovementioned minimum share price conditions were met, would occur should one or several shareholders acting in concert 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.

d. The options will expire after 3 years from grant date if they do not vest.

Free shares *(unaudited)*

During the six months ended 30 June 2018, 6,203 Share Incentive Plan Matching Shares and 51,000 free shares were granted. Nil free shares lapsed. As at 30 June 2018 the total number of outstanding free shares, including Matching Shares, granted to employees of the Group was 170,338.

Share-based payment expense *(unaudited)*

For the six months ended 30 June 2018, the Group has recognised €85,128 (2017: €14,826) of share-based payment expense in these financial statements.

14. EARNINGS PER SHARE

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

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

	As at 30 June	
In thousands of euros unless otherwise stated *(unaudited)*	**2018**	**2017**
Weighted average number of shares (basic), in thousands of shares	11,569	11,246
Add the effect of dilutive potential ordinary shares, in thousands of shares	3	-
Weighted average number of shares (diluted), in thousands of shares	11,572	11,246
Profit attributable to ordinary shareholders	1,531	182
Basic earnings per share, in euros	**0.13**	**0.02**
Diluted earnings per share, in euros	**0.13**	**0.02**
Adjusted profit attributable to ordinary shareholders (see Interim Management Report)	2,217	906
Basic adjusted earnings per share, in euros	0.19	0.08

15. RELATED PARTY TRANSACTIONS

Existing related parties

Key personnel

There has been no significant change in the remuneration of key personnel to that previously disclosed in the annual report for the year ended 31 December 2017.

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

Congra Software Sarl (also known as Hybrid Software)

During the period the Group recognised revenue from Congra Software of €67,738 (2017: €97,204).

16. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in these interim financial statements for the period ended 30 June 2018.