NEDSENSE enterprises n.v.

NedSense enterprises n.v.
Condensed consolidated
Interim financial statements

30 June 2012

NedSense enterprises n.v.

Half-year Report 2012 (unaudited)

Report of the Board of Directors

First half of 2012

This report covers the business activity and financial results of NedSense enterprises n.v. (the 'Company' or 'NedSense') for the half-year ended 30 June 2012.

Growth Strategy

With the implementation of our Value Triangle Strategy, NedSense has laid the foundation for continued growth. The capital strengthening that took place in 2011 has improved the financial structure of the company significantly and has put the company in a position to take the next step in its strategy. In order to accelerate further development of LOFT and the LOFT organization, NedSense will examine its strategic options. Supported by corporate financial advisor Boer & Croon, the company is in the process of exploring the different opportunities.

Following the launch of LOFT in 2009, NedSense has continued its focus on the development of the LOFT suite of products. In the first half of 2012 we were able to fully deliver scheduled projects based on the agreement that was signed with Crate and Barrel at the end of 2011. Since June 2012 all Crate & Barrel stores are successfully using the LOFT technology in their Sales operations. In October 2012 Crate and Barrel's visitors will be able to visualize the portfolio in their personal rooms via its LOFT empowered website. We have proven the potential for LOFT in the market of leading home furnishing companies. Crate and Barrel's vision seamlessly maps the original concept and goals of LOFT: creating a personalized experience for the end customer.

In collaboration with our launching customer Rubelli we are currently launching a distribution platform for LOFT@iPad. Apple's App store will host the distribution channels, content will be supplied by cloud technology.

We will continue to invest in the LOFT proposition both in the generic solution as well as in the ramping up of several customer projects. The Company continued to hire personnel. Costs in the first half of 2012 increased by nearly € 300 thousand compared to 2011. Investments increased by €557 thousand as compared to the end of last year. The LOFT innovation has been recognized by the Dutch Ministry of Economic Affairs with an €1.7 million innovation credit early 2012. In the first half of 2012, €772 thousand has been transferred as part of this arrangement.

Our CAD/CAM (NedGraphics) activities are operating in turbulent market circumstances as the economical and political conditions are still negatively influencing the Fashion and Textile industry. Nevertheless, we continue to gain market share as we achieved 12% growth as compared to 2011 with the acquisition of a number of large clients and posted a profit before tax of €213 thousand in the traditionally slower first half of the year as compared to the second. We are witnessing fragile market circumstances in strong textile countries such as Egypt, Italy and Portugal, while emerging regions, including China and Turkey show a continued growth. The foundation of NedGraphics' strategy is to continue to act lean and to balance costs while remaining innovative.

Despite difficult market circumstances at our Dynamics Perspective division, the maintenance income in the first half of the year has been stable as compared to the similar period of last year.

Financial result

NedSense ended the first half of 2012 with a net loss of €1,061 thousand (first half 2011: €1,315 thousand loss). Although we accelerated the investments in LOFT, as shown by increased costs in LOFT of nearly €300 thousand as compared to 2011, the loss in the first half of 2012 was less due to higher sales levels of NedGraphics (€392 thousand) and LOFT (€204 thousand).

NedSense realized a gross profit of €4,600 thousand compared to €4,020 thousand in the first half of last year, a growth of 14%. With an average exchange rate of $1.30 (to 1 euro) for the first half of 2012, the US dollar was up almost 8% compared to the first half of 2011. As a direct consequence, there was an increase in the Company's revenue of 4%, given that about half of NedSense's net revenue was generated in USD and USD related currencies in the first half of 2012.

For NedGraphics, the increase in revenue of 12% compared to the similar period of last year had an immediate impact on the segment's earnings before tax, which increased from a loss of €173 thousand in the first half of 2011 to a profit of €213 thousand in the first half of 2012.

LOFT reported sales of €282 thousand as compared to €78 thousand of last year. Due to the increased operating expenses (in particular development costs and personnel costs), the operating segment result before tax was €372 thousand negative.

DPI showed losses of €116 thousand in the first half of 2012 compared to a loss of €100 thousand in the first half of 2011.

Operating expenses of the holding in the first half of 2012 included €75 thousand for bonus payments of which €36 thousand has been reserved for share-based, equity settled payments. The company issued a new remuneration plan based on certain financial and personal performance criteria. If these are met, the payout will be 50% in cash and 50% in performance shares with a vesting period of 3 years. An amount of €61 thousand has been booked with respect to this plan based on the current developments.

Cash flow

The operational cash flow in the first half of 2012 amounted to €414 thousand positive (first half 2011: €16 thousand negative). The increase from the first half of 2011 is mainly due to the increased revenue in NedGraphics and LOFT. The cash flow from investments in the first half of 2012 was €1,507 thousand negative (first half 2011: €1,370 thousand negative), due to increased investments in software development mainly in LOFT. The cash flow from financing in the first half of 2012 was €772 thousand positive (first half 2011: €2 million). The funding is related to the innovation grant from the Dutch Government. With a drawing of €1 million of the convertible standby facility with Project Holland Fund the Company reduced the high yield outstanding loan of €1 million to zero.

The total change in cash and cash equivalents in the first half of 2012 amounted to €321 thousand negative (first half 2011: €614 thousand positive).

Balance sheet

From 31 December 2011 intangible fixed assets increased from €10,142 thousand to €10,658 thousand. This increase is mainly due to the increased investments in software development for both the LOFT product line and NedGraphics. The receivables were reduced from €4,502 thousand to €2,333 thousand as the Company was able to collect most of the maintenance invoices which were submitted at year end

2011. This reduction in receivables reduced the total assets to €14,5 million as compared to €16,4 million by year end 2011.

Due to negative results in the past few years, NedSense has losses that may be carried forward. These tax assets are not capitalized in the balance sheet as management is currently not certain that sufficient taxable profits will be made in the near future to realize the value of these tax assets.

Shareholders' equity decreased from €6,643 thousand as of 31 December 2011 to €5,861 thousand as of 30 June 2012. This decrease is mainly caused by the net loss in the first half of 2012 of €1,061 thousand. The solvency decreased only slightly to 40,5% at 30 June 2012, from 40,6% at 31 December 2011 as the lower equity has been compensated by the lower total assets. The number of outstanding ordinary shares, with a nominal value of €0.10 each, was 21,081,343 as of 30 June 2012, similar to the end of 2011.

Outlook

In the second half of 2012, we will continue to deploy our strategic growth plan. To significantly accelerate developments of LOFT, NedSense will continue to examine its strategic options.

The fragile market circumstances in traditionally strong textile countries such as Egypt, Italy and Portugal are expected to continue. On the other hand some emerging regions such as China and Turkey are still growing.

NedSense is focused on further developing LOFT with several important milestones and continues the rollout in 2012. Growth acceleration and investments in product innovation are essential to maintain the current competitive advantage and secure corporate autonomy.

Our strategy is to continue to develop our sales and marketing efforts, maintain our market knowledge, and sustain our customer base and maintenance contracts, while looking for more opportunities to expand beyond the niche in which we currently operate. We are building and investing in our knowledge heritage, so that we can innovate, lead, and create true economic value for our customers.

Pieter Aarts
Jan-Hein Pullens
Vianen, 22 August 2012

Board of Directors' statement on the condensed consolidated half-year financial statements and the interim management report

We have prepared the half-yearly financial report 2012 of NedSense enterprises n.v. and the undertakings included in the consolidation taken as a whole in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Dutch disclosure requirements for half-yearly financial reports.

To the best of our knowledge it is our opinion that the condensed financial statements in this half-yearly financial report 2012 give a true and fair view of our assets and liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole at 30 June 2012, and of the result of our consolidated operations for the first half year of 2012 and has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim management report in this half-yearly financial report includes a fair overview of the situation at the balance sheet date, the course of affairs during the first six months of the financial year of the company and the undertakings included in the consolidation taken as a whole, and the expected course of affairs for the second half of 2012 as well as an indication of important events that have occurred during the six months ended June 30, 2012, and their impact on the condensed consolidated interim financial statements, together with a description of the principal risks and uncertainties for the second half of 2012, and also includes the major related parties transactions entered into during the six months ended June 30, 2012.

Vianen, 22 August 2012

The Board of Directors

Pieter Aarts, *Chief Executive Officer*
Jan-Hein Pullens, *Chief Operating Officer*

Condensed consolidated statement of financial position

In thousands of euro

	Note	30 June 2012	31 december 2011
Assets			
Property, plant, and equipment	7	225	181
Intangible fixed assets	8	10.658	10.142
Trade and other receivables	9	445	435
Total non-current assets		**11.328**	**10.758**
Inventories		6	3
Trade and other receivables		2.333	4.502
Corporate income tax		0	0
Cash and cash equivalents		797	1.118
Total current assets		**3.136**	**5.623**
Total assets	**6**	**14.464**	**16.381**
Equity			
Issued capital	10	2.108	2.108
Share premium	10	36.088	35.882
Legal reserves		6.603	6.088
Translation reserves		98-	135-
Accumulated deficit		37.779-	35.519-
Current year's result	12	1.061-	1.781-
Total equity		**5.861**	**6.643**
Liabilities			
Interest-bearing loans and borrowings	3, 11	3.028	1.494
Employee benefits		113	118
Total non-current liabilities		**3.141**	**1.612**
Interest-bearing loans and borrowings	3, 11	0	1.000
Trade and other payables		2.342	2.538
Deferred income		3.119	4.588
Total current liabilities		**5.461**	**8.126**
Total liabilities		**8.603**	**9.738**
Total equity and liabilities		**14.464**	**16.381**

The notes are integral part of these condensed consolidated financial statements

Consolidated statement of comprehensive income

For the six months ended 30 June

In thousands of euro

	Note	2012	2011
Net revenue	6	4.776	4.165
Cost of sales		176-	145-
Gross profit		**4.600**	**4.020**
Wages and salaries		2.975	2.668
Social security, pension and other		681	614
Amortization and depreciation		988	924
Other operating costs		1.828	1.825
Capitalized production	8	911-	814-
Profit (loss) from operations		**961-**	**1.196-**
Finance income		1	1
Finance costs		152-	94-
Net finance costs		**151-**	**93-**
Profit (loss) before income tax	**6**	**1.112-**	**1.289-**
Income tax expense		51-	26
Profit (loss) for the period		**1.061-**	**1.315-**
Discontinued operation			
Income (loss) from discontinued operation (net of income tax)		0	0
Profit (loss) for the period		**1.061-**	**1.315-**
Other comprehensive income			
Foreign currency translation differences for foreign operations		37	33
Other comprehensive income for the period, net of income tax		**37**	**33**
Total comprehensive income (loss) for the period		**1.024-**	**1.282-**
Profit (loss) attributable to:			
Owners of the Company		1.061-	1.315-
Profit (loss) for the period		**1.061-**	**1.315-**
Total comprehensive income (loss) attributable to:			
Owners of the Company		1.024-	1.282-
Total comprehensive income (loss) for the period		**1.024-**	**1.282-**
Earnings per share			
Basic earnings per share (in euros)		0,05-	0,10-
Diluted earnings per share (in euros)		0,05-	0,10-

The notes are integral part of these condensed consolidated financial statements

Condensed consolidated statement of changes in equity
For the 6 months year ended 30 June

In thousands of euro

	Notes	Attributable to equity holders of the Company					
		Share capital	**Share premium**	**Trans-lation reserve**	**Accum-ulated deficit**	**Other legal reserves**	**Total**
Balance at 1 January 2011		1.358	33.477	109-	34.515-	4.914	5.125
period							
Profit or (loss)		0	0	0	1.315-	0	1.315-
Other comprehensive income							
Foreign currency translation differences		0	0	33	0	0	33
Total other comprehensive income		0	0	33	0	0	33
Total comprehensive income (loss) for the period		0	0	33	1.315-	0	1.282-
in equity							
Contributions by and distributions to owners							
Issue of convertible notes net of taxes		0	0	0	0	0	0
Share-based payments		0	0	0	95	0	95
Total contributions by and distributions to owners		0	0	0	95	0	95
Total transactions with owners		0	0	0	95	0	95
Transfer to other reserves		0	0	0	574-	574	0
Balance at 30 June 2011		1.358	33.477	76-	36.309-	5.488	3.938
Balance at 1 January 2012		2.108	35.882	135-	37.300-	6.088	6.643
period							
Profit or (loss)		0	0	0	1.061-	0	1.061-
Other comprehensive income							
Foreign currency translation differences		0	0	37	0	0	37
Total other comprehensive income		0	0	37	0	0	37
Total comprehensive income (loss) for the period		0	0	37	1.061-	0	1.024-
in equity							
Contributions by and distributions to owners							
Issue of convertible notes net of taxes		0	206	0	0	0	206
Share-based payments	12	0	0	0	36	0	36
Total contributions by and distributions to owners		0	206	0	36	0	242
Total transactions with owners		0	206	0	36	0	242
Transfer to other reserves		0	0	0	515-	515	0
Balance at 30 June 2012		2.108	36.088	98-	38.840-	6.603	5.861

The notes are integral part of these condensed consolidated financial statements

Condensed consolidated statement of cash flows
For the 6 months year ended 30 June

In thousands of euro

	Notes	2012	2011
Profit (loss) from operations		961-	1.196-
Adjustments for:			
Amortization and depreciation		988	924
Change in inventories		3	18-
Change in trade and other receivables		2.159	1.208
Change in trade and other payables		196-	218
Change in provisions and employee benefits		5-	2-
Change in deferred income		1.469-	1.113-
Equity settled share based payment		36	95
Net finance costs		152-	93-
Corporate income tax		10	39-
Cash flow from (used in) operating activities		**414**	**16-**
Investments:			
Intangible fixed assets	8	1.455-	1.354-
Property, plant, and equipment	7	89-	52-
Disposals:			
Property, plant, and equipment	7	0	0
Other		37	36
Cash flow from (used in) investment activities		**1.507-**	**1.370-**
Granted loans	2, 11	772	2.000
Proceeds from issue of convertible notes		1.000	0
Redemption loans		1.000-	0
Cash flow from (used in) financing activities		**772**	**2.000**
Change in liquid assets		**321-**	**614**
Cash and cash equivalents		1.118	1.052
Balance at 1 January		**1.118**	**1.052**
Cash and cash equivalents		797	1.666
Balance at 30 June		**797**	**1.666**
Change in liquid assets		**321-**	**614**

The notes are integral part of these condensed consolidated financial statements

Notes to the condensed consolidated interim financial statements

1. Reporting entity

NedSense enterprises n.v. (the "Company") is domiciled in the Netherlands with registered office at Laanakkerweg 2b, 4131 PA Vianen, the Netherlands. The condensed consolidated interim financial statements of the Company as of and for the six months ended 30 June 2012 are comprised of the Company and its subsidiaries (together referred to as the "Group"). The Company is a holding company which holds 100% of companies providing integrated, specialized design, production, and planning software to the global textile and apparel industries. The consolidated financial statements of the Group as of and for the year ended 31 December 2011 are available at www.nedsense.com.

2. Going Concern

In September 2011, additional funding of € 2,500 thousand was raised through the issue of 6.249.999 new shares. In addition convertible notes were issued with a total value of € 1,200 thousand and a stand-by convertible loan facility has been issued with a total value of € 2,400 thousand of which € 2,000 thousand has been drawn. The high yield loan has been fully repaid. As of June 30, 2012 the Company has a solvency rate of 40.3%. In 2012, the Company received a grant from the Dutch Government of in total € 1.7 million of which total € 772 thousand have been received. Based on the Company's financial position, the scheduled invoicing of maintenance contracts and the resulting cash inflow in the fourth quarter of 2012 and first quarter of 2013, its assets and the current outlook of the financial performance for the forthcoming year, the condensed consolidated interim financial statements have been prepared based on the going concern assumption.

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended 31 December 2011. We continue to tightly manage our cash balance. The uncertainty of sales is the main risk of the Company.

3. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended 31 December 2011. These condensed consolidated interim financial statements were approved by the Board of Directors on 21 August 2012.

4. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended 31 December 2011. These condensed consolidated interim financial statements have not been audited or reviewed. Management has analyzed new IFRS standards and determined that they do not impact the Group.

5. Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments 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 of and for the year ended 31 December 2011.

6. Operating Segments

Operating segments	NedGraphics		Loft		DPI		Other		Elimination		Total	
Profit, loss, assets and liabilities	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External revenues	**4.196**	**3.804**	**282**	**78**	**298**	**283**	**0**	**0**	**0**	**0**	**4.776**	**4.165**
Inter-segment revenue	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Segment operating profit (loss) before income tax	**213**	**173-**	**372-**	**281-**	**116-**	**100-**	**837-**	**735-**	**0**	**0**	**1.112-**	**1.289-**
Intangible segment assets	4.747	4.788	2.332	1.775	0	0	3.579	3.579			10.658	10.142
Other segment assets	7.292	8.367	1.104	1.015	127	174	1.046	1.597	5.763-	4.914-	3.806	6.239
total segment assets*	**12.039**	**13.155**	**3.436**	**2.790**	**127**	**174**	**4.625**	**5.176**	**5.763-**	**4.914-**	**14.464**	**16.381**

7. Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2012 the Group acquired assets with a cost of €89 thousand (six months ended 30 June 2011: €52 thousand).
No assets with a carrying amount were disposed of during the six months ended 30 June 2012 (carrying amount disposed of during the six months ended 30 June 2011: none). No gains or losses on disposals were realized during the six months ended 30 June 2012 or 30 June 2011.

8. Intangible fixed assets

Investments for the six months ended 30 June 2012 comprised capitalized production of €1,455 thousand (six months ended 30 June 2011: €1,354 thousand). Capitalized production included both in-house and third party expenses incurred to develop intangible fixed assets (software). For the six months ended 30 June 2012, such in-house expenses amounted to €911 thousand and third party expenses amounted to €544 thousand (six months ended 30 June 2010: €814 thousand and €540 thousand, respectively).

9. Non-current receivables

In 2011, management invested € 500 thousand in the share capital of the Company. At the same time the Company provided a loan to management of € 500 thousand with an interest rate of 2.5%. These loans have been recognized at fair value taking the market interest rate into account (7.5%). Cash flows to be received (at 2.5%) and the total sum have been discounted over the expected life time of the loan (3 years). With the assumptions, the initial value of the receivables is € 435 thousand, the current value is € 445 thousand with an expected life time of another 2.5 years.

10. Share capital

At 30 June 2012, the issued share capital comprised 21,083.343 ordinary shares (31 December 2011 21,083.343) with nominal value of €0.10, which have been fully paid up.

11. Loans and borrowings

The Company has received €772 thousand from the Dutch Ministry of Economic Affairs. These are the first tranches of the total grant of €1,7 million which will be paid in several installments until mid 2013. Repayment will take place in 2014 to 2017. Interest rate is 6.5% and will be accrued and paid in 2017. Furthermore it paid back the entire high yield loan. A drawing of €1 million of the stand by convertible loan agreement with Project Holland Fonds took place in the first half of 2012 .

12. Share-based payment

At 30 June 2012 the Group has the following share-based payment arrangements:

Plan C (Management)
The vesting period of share option program (equity settled) plan C is expired and no costs have been taken in 2012 except for a small amount related to a certain employee of €4 thousand.

Plan D (Key employees)
For share option program (equity settled) Plan D, in 2009 100% of the first package (in December 2009), amounting to 3% of the outstanding shares of the Company, was granted to key employees. In 2010, 100% of the second package (in December 2010), amounting to 3% of the outstanding shares of the Company, was granted to key employees by formal approval of the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in May 2011. The remaining option package may be granted on the following date after approval by the supervisory board on August 21, 2012. (4% of outstanding shares). These options have a vesting period of 3 years.
The expected costs of the Plan D options are valued using the Black-Scholes and binomial models and amortized over the vesting period, resulting in an expense in the current period of approximately €10 thousand.

The company issued a new bonus remuneration plan based on certain financial and personal performance criteria which was approved at the shareholders meeting in June 2012. The payout is 50% in cash and 50% in performance shares with a vesting period of 3 years. For the Board of Directors the maximum payout will be 100% to 80% of the respective annual salaries. For one key employee a maximum bonus of 75% of his salary for 2012 has been agreed. For other key employees a total of 1% of the outstanding shares will be reserved.
Given the current developments, estimated costs of €61 thousand has been booked in the first half of 2012 (of which €22 thousand have been reserved for share based payment).