SMARTPHOTO GROUP – 2013 HALF-YEARLY FINANCIAL REPORT

Regulated information

2013 HALF-YEARLY FINANCIAL REPORT

TABLE OF CONTENTS

Management responsibility statement

Mr. Stef De corte, Chief Executive Officer, declares, in the name and on behalf of smartphoto group, that to the best of his knowledge:

- the interim consolidated financial statements, which have been prepared in accordance with the applicable standards for financial statements, present a true and fair view of the assets, of the financial position and of the results of smartphoto group NV and the companies incorporated in the consolidation;

- the interim financial statements provide a true and fair view of the development and the results for the first half-year, the effect of these on the condensed interim financial statements, and the information that must be included for these, as well as a description of the risks and uncertainties for the remaining months of the financial year.

Key figures

Audited figures, drawn up in accordance with IFRS

Income Statement (in € '000)	June 2012	June 2012 *	June 2013	Δ in %
Revenue	79 924	23 708	22 918	-3.3%
Profit/loss (-) from operating activities, before non-recurring items (REBIT)	- 4 691	- 1 266	- 1 689	-33.4%
Non-cash items from operating activities, before non-recurring items	1 609	979	929	-5.1%
REBITDA	- 3 082	- 287	- 760	-165.0%
Non-recurring items from operating activities	- 521	0	0	-
Profit/loss (-) from operating activities (EBIT)	- 5 212	- 1 266	- 1 689	-33.4%
Non-recurring non-cash items from operating activities	233	0	0	-
EBITDA	- 3 370	- 287	- 760	-165.0%
Financial result	- 932	- 270	- 172	36.2%
Income tax expense (-)/income	61	154	- 361	-334.8%
Profit/loss (-) from continuing activities	- 6 083	- 1 382	- 2 222	-60.8%
Non-cash items from continuing activities	885	48	1 367	2774.2%
Profit/loss (-) from continuing activities, corrected for non-cash items	- 5 198	- 1 334	- 854	36.0%
Profit/loss (-) from discontinued operations	0	- 4 701	0	-
Profit/loss (-) for the period	- 6 083	- 6 083	- 2 222	-
Attributable to equity holders of the parent company	- 6 083	- 6 083	- 2 222	63.5%

Statement of financial position (in € '000)	June 2012	June 2013	Δ in %
Total assets	85 375	34 183	-60.0%
Net financial debt	37 537	3 942	-89.5%
Total equity	18 765	18 697	-0.4%
Solvency ratio	22.0%	54.7%	148.9%
Gearing ratio	200.0%	21.1%	-89.5%
Current ratio	107.8%	88.2%	-18.2%

Reportable segments (in € '000)	June 2012*	June 2013	Δ in %
Revenue			
E-commerce	14 002	12 716	-9.2%
Wholesale	11 090	11 306	1.9%
Total revenue reportable segments	25 093	24 021	-4.3%
Intersegment	- 1 385	- 1 117	19.4%
Other	295	155	-47.6%
Other intersegment	- 295	- 141	52.4%
Total revenue	23 708	22 918	**-3.3%**
Discontinued activities	56 244		-
Intersegment	- 28		-
Total revenue discontinued activities	56 216	0	**-**
Profit/loss (-) from operating activities, before non-recurring items (REBIT)	- 1 120	- 1 454	-29.9%
E-commerce	- 1 154	- 1 471	-27.5%
Wholesale	34	17	-49.9%
REBITDA	- 144	- 528	-265.9%
E-commerce	- 185	- 554	-198.8%
Wholesale	41	26	-36.5%
Profit/loss (-) from operating activities (EBIT)	- 1 120	- 1 454	-29.9%
E-commerce	- 1 154	- 1 471	-27.5%
Wholesale	34	17	-49.9%
EBITDA	- 144	- 528	-265.9%
E-commerce	- 185	- 554	-198.8%
Wholesale	41	26	-36.5%

* As at 30 June 2012, the Retail Group was still recognised under the continuing operations. Due to the divestment of the Retail Group's companies and their wholly-owned subsidiaries, the comparative figures for the first half-year of 2012 have been restated in accordance with IFRS 5. The Retail Group's results are recognised under the 'discontinued operations'.

Interim financial report

Current situation of each segment

E-commerce
The E-commerce operations include all the activities aimed at providing photo products to end consumers.

The **revenue** amounted to EUR 12.72 million in the first half-year of 2013, a decrease of 9.2% in comparison with the same period in 2012. The REBITDA evolved from minus EUR 0.18 million in the first half of 2012 to minus EUR 0.55 million in 2013.

Due to the decline in the sales figures of digital and analogue prints and an increasing focus on products with higher margins such as photo books, photo cards and photo gifts, the group's activity is shifting ever increasingly towards the last quarter.
The mail-order photo activities experienced a significant decrease in analogue and digital prints (analogue -50.1%, digital -20.6%).
The increasing sales of photo books, photo cards and photo gifts could not completely offset this loss because of the seasonality.

smartphoto.be won the first prize in the 2013 BeCommerce Awards in the category "Recreation & Leisure", with which it was named the best website of Belgium in its category.

The results in the first half-year were adversely affected by start-up costs of new initiatives, including websites for retailers, the further development of mobile solutions for smartphones and tablets, and the start-up of the large format activities.

The high seasonality with a peak in the last quarter means that the activities in the first half-year historically make a loss.

Wholesale
The Wholesale activities aim at companies or independent traders, with a mix of hardware sales and photo products.

The photo activities in the shops experienced the same decline in analogue and digital prints. On the other hand, hardware sales experienced a slight increase, which was nevertheless combined with continued pressure on the margins.

The Wholesale activities are also affected by a strong seasonal character.

Key elements of the income statement

The results of the first half-year of 2012 have been restated in accordance with IFRS 5. This means that the Retail Group's results have been recognised under the 'discontinued operations'.

Smartphoto group realised revenue of EUR 22.92 million (-3.3%) in the first half-year of the 2013 financial year and a REBIT of minus EUR 1.69 million, compared with respectively EUR 23.71 million and minus EUR 1.27 million in the first half of 2012. At the level of its REBITDA, smartphoto group experienced a decrease of minus EUR 0.29 million to minus EUR 0.76 million.
The focus of the financial year is in the fourth quarter for both the E-commerce and the Wholesale activities.

Financial result

The financial result improved by EUR 0.1 million compared to the first half of 2012 and amounted to minus EUR 0.17 million compared to minus EUR 0.27 million in the previous year. The decrease of the net financial costs is mainly the result of lower interest expenses and lower unrealised currency losses.

Taxes

During the first half of 2013, the tax result of smartphoto group evolved from EUR 0.15 million in the first half of 2012 to minus EUR 0.36 million. The increase in the tax expenses of EUR 0.52 million mainly concerns the use of deferred tax assets as a result of the reduction of the tax expenses in the relevant tax jurisdiction.

Result for the financial year

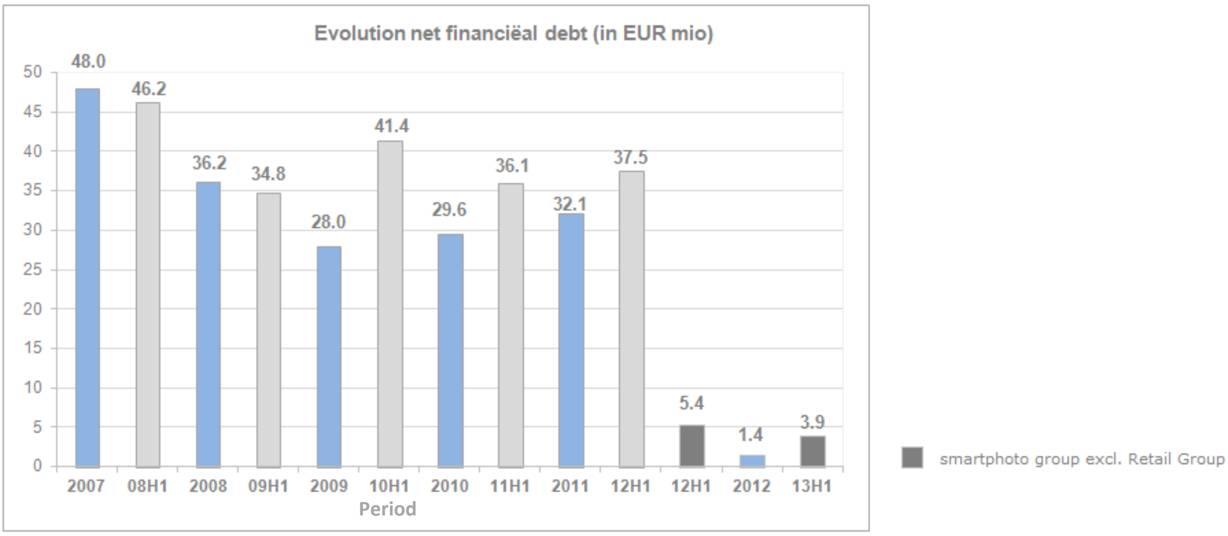
The first half of the 2013 financial year ended with a loss of EUR 2.22 million, compared to a loss of EUR 6.08 million in the same period of 2012. This improvement in the result by EUR 3.86 million can be explained as follows:

- Operating result: reduction of EUR 0.42 million,
- Financial result: improvement by EUR 0.10 million,
- Income taxes: increase in the tax expenses by EUR 0.52 million,
- Discontinued operations: a positive effect of EUR 4.7 million.

Statement of financial position

The total assets decreased from EUR 39.6 million at year-end 2012 to EUR 34.18 million at the end of June 2013. The main items are the following:

- The **net financial debt** amounted to EUR 3.94 million as at the end of June 2013, compared to EUR 37.54 million at the end of June 2012. With a comparable scope, the net financial debt of EUR 5.41 million as at the end of June 2012 evolved to EUR 3.94 million, a decrease of EUR 1.47 million.



- The **equity** decreased compared to the year-end 2012, mainly as a result of the half-year loss and, amounted as at the end of June 2013, to EUR 18.70 million, i.e. EUR 0.53 for each share entitled to a dividend.

- The **non-current assets** decreased by EUR 0.87 million, mainly as a result of, on one hand, the depreciation and amortisation of minus EUR 0.84 million, and, on the other, investments in property, plant and equipment and intangible assets of EUR 0.41 million, and a net decrease in deferred tax assets by minus EUR 0.41 million. The investments relate mainly to investments in production machines for the start-up of the large format activities and software for the mobile solutions for smartphones and tablets.

Prospects for 2013 (1)

For the entire 2013 fiscal year, smartphoto group expects the same level of the revenue at a constant profitability compared to the fiscal year 2012, despite the difficult market conditions.

Condensed financial statements for the period ending on 30 June 2013

REALISED RESULTS FOR THE PERIOD (in EUR '000)

(in € '000)	June 2012	June 2012*	June 2013	Δ	Δ in %
Revenue	79 924	23 708	22 918	- 789	-3.3%
Other operating income	1 350	485	495	10	2.1%
Changes in inventory of finished goods & work in progress	- 4	- 4	- 56	- 52	-
Trade goods, raw materials and consumables	- 58 250	- 13 283	- 13 616	- 333	-2.5%
Employee expenses	- 13 426	- 5 125	- 4 911	214	4.2%
Depreciation and amortisation expenses	- 1 639	- 998	- 948	50	5.0%
Other operating expenses	- 12 645	- 6 050	- 5 572	478	7.9%
Profit/loss (-) from operating activities, before non-recurring items	- 4 691	- 1 266	- 1 689	- 424	-33.5%
Non-recurring items from operating activities	- 521				-
Profit/loss (-) from operating activities	- 5 212	- 1 266	- 1 689	- 424	-33.5%
Financial income	24	15	73	58	383.5%
Financial costs	- 956	- 285	- 245	40	14.0%
Financial cost-net, before non-recurring items	- 932	- 270	- 172	98	36.2%
Financial result	- 932	- 270	- 172	98	36.2%
Profit/loss (-) before taxes, before non-recurring financial items	- 6 144	- 1 536	- 1 861	- 326	-21.2%
Profit/loss (-) before taxes	- 6 144	- 1 536	- 1 861	- 326	-21.2%
Income tax expense (-)/ income	61	154	- 361	- 515	-335.1%
Profit/loss (-) from continuing activities	- 6 083	- 1 382	- 2 222	- 840	-60.8%
Discontinued operations					
Profit/loss (-) from discontinued operations		- 4 701		4 701	-
Profit/loss (-) for the period	- 6 083	- 6 083	- 2 222	3 861	63.5%
Attributable to equity holders of the parent company	- 6 083	- 6 083	- 2 222	3 861	63.5%

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD (in EUR '000)

(in € '000)	June 2012	June 2013	Δ	Δ in %
Profit/loss (-) for the period	- 6 083	- 2 222	3 861	63.5%
Currency translation adjustments :	45	- 18	- 63	-141.2%
Gains/losses (-) arising during the year	*45*	*- 18*	*- 63*	*-141.2%*
Gains/losses(-) arising during the year concerning hedging instruments	- 61	37	98	160.9%
Total comprehensive income for the period attributable to equity holders of the parent company	- 6 099	- 2 203	3 896	63.9%

COMPREHENSIVE INCOME FOR THE PERIOD PER SHARE

(in €, except for the number of shares)	June 2012*	June 2013	Δ	Δ in %
Number of shares	36 619 505	36 619 505		
Shares with dividend rights	35 412 433	35 412 433		
Income statement for the period				
Profit/loss (-) from continuing activities	-0.04	-0.06	-0.02	-60.8%
Profit/loss (-) from discontinued operations	-0.13	0.00	0.13	-
Profit/loss (-) for the period attributable to equity holders of the parent company	-0.17	-0.06	0.11	63.5%
Comprehensive income for the period				
Total comprehensive income for the period attributable to equity holders of the parent company	-0.17	-0.06	0.11	63.9%

STATEMENT OF FINANCIAL POSITION AT THE END OF THE PERIOD (in EUR '000)

ASSETS (in € '000)	December 2012	June 2013
Non-current assets		
Property, plant and equipment	8 463	8 060
Goodwill	10 162	10 162
Other intangible assets	1 358	1 311
Other non-current financial assets	49	49
Trade and other receivables	58	56
Deferred tax assets	6 343	5 930
Total non-current assets	26 433	25 568
Current assets		
Inventories	2 247	2 313
Trade and other receivables	6 146	3 450
Investment securities - current	3	3
Cash and cash equivalents	4 761	2 830
Current income tax assets	10	19
Total current assets	13 167	8 615
TOTAL ASSETS	39 600	34 183

EQUITY AND LIABILITIES (in € '000)	December 2012	June 2013
Total equity		
Share capital	64 194	64 194
Reserves and retained earnings/ accumulated loss (-)	- 46 827	- 49 012
Revaluation surplus	3 822	3 822
Treasury shares (-)	- 2 422	- 2 422
Currency translation adjustments	2 134	2 115
Shareholder's equity	20 900	18 697
Minority interests		
Total equity	20 900	18 697
Non-current liabilities		
Long-term borrowings	4 775	4 325
Employee benefit liabilities	553	534
Long-term provisions	148	110
Deferred tax liabilities	752	747
Total non-current liabilities	6 229	5 717
Current liabilities		
Short-term borrowings	1 400	2 450
Trade and other payables	8 283	5 095
Employee benefit liabilities	2 292	1 833
Current tax payable	160	173
Short-term provisions	335	218
Total current liabilities	12 471	9 769
TOTAL EQUITY AND LIABILITIES	39 600	34 183

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD (in EUR ‘000)

(in € '000)	Balance as at 31.12.2011	Currency translation differences	Net gains/ losses (-) not recognised in the income statement	Net profit/loss(-) for the period	Total comprehensive income	Balance as at 30.06.2012
Capital	64 194					64 194
Retained earnings	-44 402		- 61	-6 083	-6 144	-50 545
Revaluation surplus	5 335					5 335
Treasury shares	-2 422					-2 422
Currency translation adjustments	2 159	45			45	2 203
Shareholders equity	24 864	45	- 61	-6 083	-6 099	18 765
Total equity	24 864	45	- 61	-6 083	-6 099	18 765

(in € '000)	Balance as at 31.12.2012	Currency translation differences	Net gains/losses (-) not recognised in the income statement	Net profit/loss(-) for the period	Total comprehensive income	Balance as at 30.06.2013
Capital	64 194					64 194
Retained earnings	-46 828		37	-2 222	-2 185	-49 012
Revaluation surplus	3 822					3 822
Treasury shares	-2 422					-2 422
Currency translation adjustments	2 134	- 18			- 18	2 115
Shareholders equity	20 900	- 18	37	-2 222	-2 203	18 697
Total equity	20 900	- 18	37	-2 222	-2 203	18 697

STATEMENT OF CASH FLOWS FOR THE PERIOD (in EUR ‘000)

For the year ended on (in € '000)	June 2012	June 2013
Operating activities		
Net result	- 6 083	- 2 222
Depreciation, write-offs, impairment of property, plant and equipment	1 638	580
Depreciation, write-offs, impairment of intangible assets	355	258
Write-offs, impairment on current and non-current assets	- 124	110
Provisions	- 27	- 19
Unrealised foreign exchange losses/gains (-)	20	- 1
Net interest income (-)/expense	851	139
Loss/gain (-) on sale of property, plant and equipment	- 13	5
Income tax expenses	- 1 016	361
Profit from operations before changes in working capital and provisions	- 4 398	- 789
Decrease/increase (-) in trade and other receivables and current income tax assets	3 049	2 553
Decrease/increase (-) in inventories	157	- 70
Increase/decrease (-) in trade and other payables	- 2 954	- 3 549
Increase/decrease (-) in provisions	- 178	- 156
Increase/decrease (-) in non-current employee benefit liabilities	- 7	
Increase/decrease (-) in working capital	67	- 1 222
Operating cash flow after changes in working capital and provisions	- 4 331	- 2 011
Interest paid (-)	- 795	- 133
Interest received	10	2
Income tax paid (-)		36
Cash flow from operating activities	- 5 116	- 2 106
Investing activities		
Proceeds from sale of property, plant and equipment	34	18
Acquisition of property, plant and equipment	- 260	- 201
Acquisition of other intangible assets	- 208	- 211
Cash flow from investing activities	- 433	- 394
Financing activities		
Proceeds from borrowings	2 500	3 050
Repayment of borrowings	- 2 736	- 2 450
Cash flow from financing actvities	- 236	600
Increase/decrease (-) in cash and cash equivalents	- 5 785	- 1 900
Effect of exchange rate fluctuations	18	- 30
Net increase/decrease (-) in cash and cash equivalents	- 5 767	- 1 930
Cash and cash equivalents at the beginning of the year	10 235	4 761
Cash and cash equivalents at the beginning of the year (discontinued operations)	735	
Cash and cash equivalents at the end of the period	4 596	2 830
Cash and cash equivalents at the end of the period (discontinued operations)	607	
Total cash and cash equivalents	5 203	2 830

Policy for the preparation of the interim consolidated financial statements

STATEMENT OF COMPLIANCE

The interim consolidated financial statements closed on 30 June 2013 have been prepared in accordance with IAS 34 "Interim financial reporting" as approved by the European Union. They do not contain all the information necessary for the full financial statements and therefore must be read together with the consolidated financial statements for the year ended 31 December 2012, as published in the 2012 Annual Report.

The interim consolidated financial statements were approved for publication by the Board of Directors on 28 August 2013.

CHANGES IN ACCOUNTING AND PRESENTATION RULES

The accounting policies and presentation basis used for the format of the interim consolidated financial statements are identical to those applied for the financial year ended on 31 December 2012, as incorporated in the 2012 Annual Report, with the exception of the new standards and interpretations applicable with effect from 1 January 2013 as reported below.

Amendments to IAS 1 Presentation of Financial Statements - Presentation of the other elements of comprehensive income: applicable for financial years commencing on or after 1 July 2012.

IAS 19 Employee Benefits – Revised version of 2011: applicable for financial years commencing on or after 1 January 2013

Amendments to IFRS 7 Financial Instruments: Disclosures – offsetting of financial assets and liabilities: applicable for financial years commencing on or after 1 January 2013.

IFRS 13 Fair Value Measurement: applicable for financial years commencing on or after 1 January 2013.

During the current financial year, smartphoto group NV has applied all published new and revised standards and interpretations that are relevant to its activities and which are in force for the accounting period that started on 1 January 2013, as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

The group has not yet proceeded with the early application of the new standards, amended existing standards and interpretations that had already been endorsed by the EU on the date of the financial statements' approval, but which were not compulsorily applicable for the period commencing on 1 January 2013:

IAS 27 Separate Financial Statements: applicable for financial years commencing on or after 1 January 2014 Requirements for consolidated financial statements are now included in IFRS 10 Consolidated Financial Statements.

Amendments to IAS 28 Investments in associates and interests in joint ventures: applicable for financial years commencing on or after 1 January 2014.

Amendment to IAS 32 Financial instruments: presentation – offsetting of financial assets and liabilities: applicable for financial years commencing on or after 1 January 2014.

IFRS 10 Consolidated Financial Statements: applicable for financial years commencing on or after 1 January 2014.

IFRS 11 Joint Arrangements: applicable for financial years commencing on or after 1 January 2014.

IFRS 12 Disclosure of interests in other entities: applicable for financial years commencing on or after 1 January 2014.

The future application of the standards, amendments, and interpretations identified above is not expected to have any material effect on the consolidated financial statements of smartphoto group NV.

CONSOLIDATION

There were no changes in the consolidation scope during the first half-year of 2013.
For the company put into liquidation in prior financial years, Sacap France SA, a company incorporated in France and formerly operating in wholesale and distribution of photographic material and equipment for the photography business, the liquidation has not yet been concluded.

Notes to the interim consolidated financial statements

1. Reportable segments

(in € '000)	E-commerce		Wholesale		Total reportable segments	
	June 2012	June 2013	June 2012	June 2013	June 2012	June 2013
Revenue						
External revenue	12 804	11 603	10 903	11 301	23 708	22 904
Intersegment	1 198	1 112	187	4	1 385	1 117
Total revenue	14 002	12 716	11 090	11 306	25 093	24 021
Interest revenue	182	184	0	0	182	184
Interest expense	- 210	- 152	- 183	- 185	- 393	- 338
Profit/loss (-) before taxes	-1 242	-1 506	- 148	- 168	-1 391	-1 674
Total operating segment assets	32 732	27 020	2 319	3 611	35 051	30 631
Total operating segment liabilities	5 285	4 950	4 966	4 445	10 251	9 395
Total capital expenditures property, plant & equipment	209	201	1		210	201
Total capital expenditures intangible assets other than goodwill	176	209			176	209
Depreciations and amortisations	- 969	- 821	- 22	- 14	- 991	- 836
Other non cash	0	- 96	15	5	15	- 91
Number of persons employed in FTEs end of the period	208	200	11	10	219	210

Reconciliations

(in € '000)	June 2012	June 2013
Revenue	June 2012	June 2013
Total revenue for reportable segments	25 093	24 021
Elimination of intersegment revenue	-1 385	-1 117
Other		14
	23 708	22 918
Total revenue discontinued operations	56 244	
Elimination of intersegment revenue	- 28	
Total discontinued operations	56 216	

Profit/loss (-)	June 2012	June 2013
Total profit/loss (-) for reportable segments	-1 391	-1 674
Profit/loss (-) not allocated to reportable segments		
Other	- 145	- 187
Profit/loss (-) before taxes	-1 536	-1 861

Assets	June 2012	June 2013
Total assets for reportable segments	35 051	30 631
Total assets for reportable segments 2012 discontinued	41 275	
Assets not allocated to reportable segments		
Elimination of assets	-9 833	-7 290
Deferred tax asset	9 057	5 930
Other	9 215	4 912
Discontinued operating assets	608	
Total assets	85 375	34 183

Liabilities	June 2012	June 2013
Total liabilities for reportable segments	10 251	9 395
Total liabilities for reportable segments 2012 discontinued	13 498	
Liabilities not allocated to reportable segments		
Elimination of liabilities	-9 833	-7 290
Financial obligations	42 136	6 775
Other	7 977	6 606
Discontinued operating liabilities	2 581	
Total liabilities	66 610	15 486

The segment reporting of smartphoto group on the reporting date consists of the two operating segments E-commerce and Wholesale.

- The measurement of the result of the segments is performed in the same way as the measurement of the entity's result. This also applies for the measurement of the assets and liabilities. The principle for the financial reporting concerning transactions between the segments to be reported is at arm's length.

- For the information on products and services concerning the revenues from sales to external customers for the entity as a whole, please refer to the current situation of each segment.
- There is no dependence on key customers in the two different segments.

As at 30 June 2012, the E-commerce and Wholesale operating segments were aggregated into a single operating segment, the Imaging segment, by aggregating activities that, in accordance with paragraphs 5 to 10 of IFRS 8, have been identified and meet the criteria for combination as prescribed in IFRS 8.12.
Due to the termination of the activities of the Retail segment, which were fully in line with the Retail Group, and as a result of the far-reaching digitalisation, the E-commerce and Wholesale operating segments must henceforth be considered as separate operating segments. In accordance with IFRS 8.18, the comparative segment information of the prior period presented has been adjusted to show the newly reportable segments as separate segments.

E-commerce

The E-commerce segment comprises all the activities focusing on the end consumer.
The operating entities within the E-commerce segment produce individual goods or a group of similar goods. The nature of the products is comparable. They are all directly concerned with photography, both analogue and digital. This mainly concerns products and services related to the production of photo prints.
The production process "photofinishing" is the heart of this segment: the processing of photo shots into photo prints. This is the only core activity for the majority of the entities in the E-commerce segment. The photo prints are processed in the lab in Wetteren, Belgium. Central teams perform all the marketing and other back-office activities. The end consumer is the direct customer.
The entities in this segment show comparable economic characteristics. The returns from virtually all the entities in this division are of similar size – notwithstanding any national, culturally-related or channel-specific differences. These entities have similar levels of investment requirements and working capital, and generate comparable gross margins and EBIT margins.

Wholesale

The Wholesale segment's activities aim at companies or independent traders, with a mix of hardware sales and photo products.
The Wholesale segment corresponds to the legal entity Filmobel NV and is led at operational level by the Chief Operating Officer, who reports on the whole of these activities directly to the CEO of smartphoto group NV. This segment trades in goods related to photofinishing, or provides photofinishing services under the brand name of Spector by smartphoto™.
The end consumer is also the direct customer for the majority of this trading. The marketing concept that Filmobel NV pursues under the Spector by smartphoto™ brand name is also tuned to the end consumers.

Both the E-commerce and the Wholesale segments meet the quantitative thresholds as prescribed in IFRS 8.13, in which reported revenue, including both from sales to external customers and from sales or transfers between the segments, amount to at least 10% of the combined revenue of all the operating segments. In addition, in compliance with IFRS 8.15, the external revenues from the identified operating segments amount to more than 75% of smartphoto group's total revenues, which means no additional operating segments need to be considered.

Discontinued operations

Discontinued operations concern the Retail Group

2. Notes concerning assets for which significant changes have occurred

Property, plant and equipment
The net carrying amount decreased by EUR 0.40 million during the first half of 2013. The decrease is, on the one hand, due to the depreciation that amounted to EUR 0.58 million and, on the other, to the investments amounting to EUR 0.20 million.

Goodwill
The net carrying amount of the consolidation goodwill has remained unchanged.

In accordance with IAS 36.12, the company performed impairment tests as at 30 June 2013 concerning the identified cash-generating units to examine whether they had suffered any impairment loss. These tests demonstrated that the recoverable amounts for the units were higher than the carrying amounts for the units in all cases. Consequently, no impairment needs to be recognised.

The consolidation goodwill contains two items: EUR 9.70 million for E-commerce and EUR 0.47 million for Wholesale. The cash-generating units E-commerce and Wholesale combined represent the total net carrying amount of the consolidation goodwill: E-commerce contains all the operations focusing on the end consumer, and Wholesale focuses on companies and independent traders with a mix of hardware sales and photo products.

E-commerce
The recoverable amount of the cash-generating unit E-commerce is higher than the net carrying amount of all the operating assets and liabilities of this cash-generating unit, increased with its consolidation goodwill. The net carrying amount of the consolidation goodwill attributed to this unit amounted to EUR 9.70 million as at 30 June 2013.

The recoverable amount is calculated on the basis of the value in use, which is the sum of the discounted free cash flows. This calculation uses projections of the future free cash flows for the five coming financial years and projects a continuing annual growth of 2%. More notes concerning the calculation of the projections and the growth rates is included in the 2012 Annual Report on pages 87 and 88.

The results of these calculations are discounted at 8.56% before taxes for the coming five years. This discount rate reflects: a market-level return on equity and debt, the current balance between equity and debt for this cash-generating unit, and the estimates of additional risks and volatility for the potential developments in the market in which this unit operates.

The impairment test was also subjected to a sensitivity analysis in which the annual EBIT would be 10% lower each year. This showed that the recoverable amount was still higher than the carrying amount.

Wholesale
The recoverable amount of the cash-generating unit Wholesale is higher than the net carrying amount of all the operating assets and liabilities of this cash-generating unit, increased with its consolidation goodwill. The net carrying amount of the consolidation goodwill attributed to this unit amounted to EUR 0.47 million as at 30 June 2013.

The recoverable amount is calculated on the basis of the value in use, which is the sum of the discounted free cash flows. This calculation uses projections of the future free cash flows for the five coming financial years and projects a continuing annual growth of 2%. More notes concerning the calculation of the projections and the growth rates is included in the 2012 Annual Report on pages 87 and 88.
The results of these calculations are discounted at 8.56% before taxes for the coming five years.
This discount rate reflects: a market-level return on equity and debt, the current balance between equity and debt for this cash-generating unit, and the estimates of additional risks and volatility for the potential developments in the market in which this unit operates.

The impairment test was also subjected to a sensitivity analysis in which the annual EBIT would be 10% lower each year. This showed that the recoverable amount was still higher than the carrying amount.

Intangible assets other than goodwill
The net carrying amount decreased by EUR 0.05 million in the first half of 2013. The decrease is, on the one hand, due to the amortisation that amounted to EUR 0.26 million and, on the other, to the investments amounting to EUR 0.21 million.

Inventories
The 'Inventories' item has remained virtually unchanged.

Trade and other receivables
The decrease in the trade and other receivables is mainly attributable to the seasonal nature of the activities of both operating segments. The last quarter of the financial year is the most important one for both E-commerce and Wholesale.

3. Notes concerning liabilities for which significant changes have occurred

Non-current and current borrowings
The borrowings amounted to EUR 6.78 million as at 30 June 2013, compared to EUR 6.18 as at 31 December 2012. In comparison with the same period and scope, excluding the Retail Group, this is EUR 1.85 million less. The borrowings as at 30 June 2012 amounted to EUR 8.63 million.

Current trade and other payables
The decrease in the trade and other payables is mainly due to the seasonal character of the activities of both the E-commerce segment and the Wholesale segment.

Non-current and current provisions
During the first half-year of 2013, EUR 0.16 million was used from the recognised provisions for severance payments.

4. Subsequent events

No important events have occurred after 30 June 2013 that would have an effect on the underlying interim financial statements or which should be reported in them.

5. Seasonal character of interim operating activities

The activities of both the E-commerce and the Wholesale segment are subject to seasonal fluctuations.
In the analogue era, the largest sales figures were realised during the summer months. With the transition to digital photography, there has been a shift to the fourth quarter due to the increased importance of new products with a higher margin, such as photo books, photo calendars, photo cards, and photo gifts. The decrease in sales of digital prints amplifies this phenomenon.

6. Contingent receivables and liabilities and important future assumptions

There have been no changes in the *contingent receivables and liabilities* since December 2012.

Assumptions concerning the future
The assumptions concerning the future as described in the 2012 Annual Report still apply.

7. Risk factors

The risks, particularly the credit risks, liquidity risks, exchange rate risks, interest rate risks, and market risks, as described in the 2012 Annual Report, continue to apply for the remaining period of the 2013 financial year.

Derivative financial instruments
Interest Rate Swap transactions have been contracted with a counterparty to minimise the effects of the interest rate fluctuations on the income statement.
These transactions concern cash flow hedges concerning the interest rates of contracted borrowings, with which the hedging consists of IRS contracts for which the notional amounts correspond with the amounts of the borrowings. The fair value of these IRS contracts as at 30 June 2013 amounted to EUR 0.05 million. The contractual end date is 31 March 2015, with three-monthly fixed interest payment dates on the last days of the months of March, June, September, and December.
During the first six months of 2013, an amount of EUR 0.04 million was recognised in the statement of comprehensive income.

8. Structure of the shareholdings

The law and the Articles of Association require each shareholder whose voting rights, associated with the securities that grant voting rights, exceed or fall below the thresholds of 3%, 5% or any multiple of 5%, to notify this fact to the Company and the FSMA, the Belgian Financial Services and Markets Authority.

The Company received the following notifications:

Notification received on 17 June 2013

Holders of voting rights	Previous notification N° of voting rights	After the transaction N° of voting rights	% voting rights
Koramic Finance Company NV Christian Dumolin Ter Bede Business Center Kapel ter Bede 84, 8500 Kortrijk, Belgium	3 933 775	1 827 314	4.99%

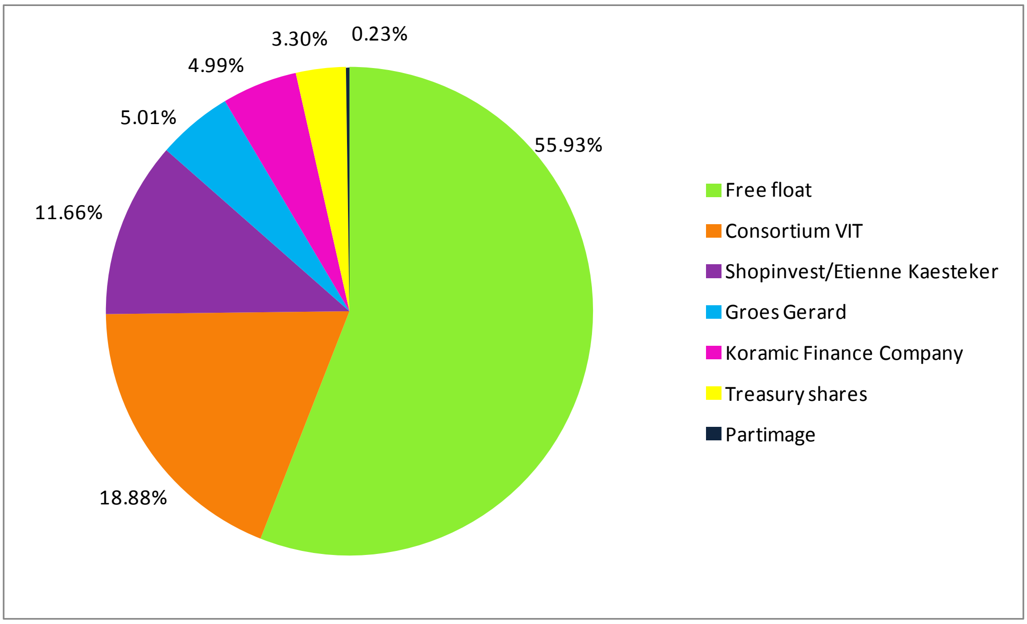
Chain of undertakings through which the holding is effectively held:
The shares are held directly by Koramic Finance Company NV. Koramic Finance Company NV is the direct subsidiary of Koramic Investment Group NV, which in turn is a direct subsidiary of Koramic Holding NV. Koramic Holding NV is a subsidiary of Newport Investments SA of which the majority shareholder is Mr. Christian Dumolin.

Notification received on 29 July 2013

Holders of voting rights	Previous notification N° of voting rights	After the transaction N°. of voting rights	% voting rights
Shopinvest NV Beukenlaan 1, 9250 Waasmunster, Belgium	0	1 167 838	3.19%
Etienne Kaesteker Beukenlaan 1, 9250 Waasmunster Belgium	1 950 000	3 101 633	8.47%
Total		4 269 471	11.66%

Chain of undertakings through which the holding is effectively held:
Mr. Etienne Kaesteker is the majority shareholder of Shopinvest NV.

Shareholders' structure after the notification received on 29 July 2013



Treasury shares

There were no changes in the treasury shares during the first half-year of 2013. On 30 June 2013, smartphoto group NV held 1,207,072 treasury shares (3.296% of the total number), of which 77,271 were held by smartphoto group NV, 1,075,275 were held by the subsidiary Spector Coördinatiecentrum NV, and 54,526 by the subsidiary Alexander Photo SA.

In accordance with IFRS these treasury shares are recognised as a reduction of the equity.

9. Related parties

Except for transactions between consolidated companies, which are eliminated through the consolidation, and the fees paid to managers with a key position, for which please refer to the 2012 Remuneration Report, the transactions and outstanding balances for other related parties are negligible.

10. Exchange rates

The interim financial statements were prepared using the following exchange rates:

Currency exchange rates	Closing rate		Average rate	
	June 2012	June 2013	June 2012	June 2013
Swiss franc	1.2030	1.2338	1.2033	1.2288
Norwegian krone	7.5330	7.8845	7.5574	7.5900
Swedish krona	8.7728	8.7773	8.8695	8.5562

11. Report from the Committee of Statutory Auditors on the limited review of the interim consolidated position of smartphoto group NV as at 30 June 2013

SMARTPHOTO GROUP NV
Kwatrechtsteenweg 160
9230 WETTEREN

REPORT ON THE LIMITED REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTHS PERIOD ENDED ON JUNE 30, 2013

Introduction

We have reviewed the accompanying interim consolidated balance sheet of smartphoto group as of June 30, 2013 and the related consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim consolidated financial information in accordance with the International Financial Reporting Standards as approved by the European Union, applicable to the communication of interim financial information ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information does not present fairly, in all material respects the consolidated financial position of the entity as at June 30, 2013, and of its financial performance and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards as approved by the European Union, taking into account that the motivation of the valuation of the consolidation goodwill depends on the future positive developments of the markets on which the business plan is based.

Antwerp – Ghent, August 29, 2013

Grant Thornton Bedrijfsrevisoren BV CVBA Statutory Auditor Represented by	Ernst & Young, Lippens & Rabaey Audit BV CVBA Statutory Auditor Represented by
Ria Verheyen Registered auditor	Leen Defoer Registered auditor

12. Definitions

REBIT = Profit/loss (-) from operating activities before non-recurring items.
EBIT = Profit/loss (-) from operating activities (Earnings Before Interest and Tax).
REBITDA = Profit/loss (-) from operating activities before non-recurring items, adjusted for depreciation, amortisation, impairment and provisions (Recurrent Earnings Before Interest, Tax, Depreciation and Amortisation).
EBITDA = Profit/loss (-) from operating activities adjusted for depreciation, amortisation, impairment and provisions (Earnings Before Interest, Tax, Depreciation and Amortisation).
Profit/loss (-) from continuing operations, adjusted for non-cash items = Profit/loss (-) after taxes, adjusted for depreciation, amortisation, impairment, provisions, financial non-cash items and deferred taxes.
Net Financial debt = Financial obligations less cash, cash equivalents, and other financial assets.

Financial calendar

24 October 2013 (2)	after exchange closes	Trading update for third quarter of 2013
6 March 2014 (2)	before exchange opens	2013 Annual results
14 May 2014	before exchange opens	Trading update for first quarter of 2014
27 August 2014 (2)	after exchange closes	Half-year results and half-year financial report for 2014

Smartphoto group, profile

Smartphoto group operates in 14 European countries and focuses on both consumers and businesses. Smartphoto group's shares are traded on Euronext Brussels (ISIN BE0003663748, stock code SMAR).

Smartphoto group operates in B2C E-commerce with affordable high-quality photo products, such as photo books, photo cards, photo calendars, photos on canvas, and photo gifts, under the brand name *smartphoto*™.
smartphoto.biz, using the same products, focuses on businesses and organisations that want to offer personalised products.
smartphotoXL is positioning itself as the professional provider of visual communications, presentation systems, and printed textiles for business-to-business customers and specialised resellers.

The Wholesale segment is positioning itself as a distributor of photo hardware to independent traders who do not want to join a franchise concept, and offers 'à la carte' services in this context. In addition, '*Spector by smartphoto*' supplies within the Wholesale segment high-quality photo products to independent photographers.

For additional information, please contact:

Stef De corte, CEO

smartphoto group NV
Kwatrechtsteenweg 160,
B - 9230 Wetteren, Belgium
Telephone: +32.9.365.98.10
Email: maggy.vandenstock@smartphoto.com - Internet: www.smartphotogroup.com

(1) This press release contains forward-looking information that is based on the current internal estimates and expectations. The forward-looking statements contain inherent risks and only apply at the date on which they are communicated. It cannot be excluded that the actual results differ considerably from the forward-looking expectations that have been incorporated in this report.

(2) Indicative dates

This report is an English translation of the official Dutch version.