

30 September 2014

DDD Group PLC

Half yearly results for six months to 30 June 2014

DDD Group plc (AIM: DDD; OTCQX: DDDGY; 'DDD' or the 'Group' or the 'Company'), the advanced imaging and 3D solutions company, announces its half yearly results for the six months ended 30 June 2014.

Operational Highlights

- 6m units of DDD TriDef 2D to 3D conversion solutions shipped by TV, PC and mobile licensees in period; cumulative total TriDef unit shipments are 44m at 30 June 2014
- Signed two additional license agreements for next generation glasses-free 3D tablet PCs
- Launched Dementia3D™ game in Google Play™ and the Apple® app stores
- Launched TriDef® 3D Gallery and Yabazam® mobile apps into the Google Play store
- Launched Yabazam 3D movie streaming app on Panasonic VIERA® Connect 3D Smart TVs

Financial Overview

- Revenue of \$1,185,000 (H1 2013: \$2,356,000) – decline due to previously reported contraction in 3D PC market
- Gross margin of 99% (H1 2013: 99%)
- Adjusted* EBITDA loss of \$460,000 (H1 2013: \$132,000)
- Loss per share of 1.13 cents (H1 2013: 0.99 cents)
- Cash used by operating activities of \$694,000 (H1 2013: generated \$22,000)
- Cash and receivables at 30 June 2014 of \$1,428,000 (H1 2013: \$3,858,000)

*Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortisation adjusted for the non-cash share based payment expense required under IFRS.

Subsequent to Period End

- As announced on 31 July 2014, the Group issued £535,000 (\$906,000) of convertible unsecured loan notes under an approved program of up to £2.1m (approximately \$3.5m)
- The IP licensing program transferred to a new licensing advisor to expedite progress with licensee discussions

Chris Yewdall, Chief Executive said:

"While the results for the first half reflect the loss of revenue from the 3D PC market as compared to the same period in 2013, the steps that the company took to contain costs including a reduction in headcount by approximately 30% since the beginning of 2013 are reflected in the small increase in losses.

During the first half, the Group continued to develop the core technologies and applications for the opportunities in emerging growth 2D video markets. These new technologies are due to be released for early customer evaluation towards the beginning of the fourth quarter and are already generating solid interest from prospective licensees in the PC and mobile markets.

Most recently, the Group changed its patent licensing advisor due to slower than expected progress. The new advisor has already met the agreed objectives with key licensees in the consumer electronics market and presentations and discussions with prospective licensees have commenced.

For the remainder of 2014, the Group will focus on commercializing the new 2D technologies with existing and new licensees, concluding licensing discussions with

prospective licensees in conjunction with the patent advisor and continuing to support existing licensees in the 3D TV and tablet markets.”

Enquiries

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About DDD

DDD transforms the visual experience. Its advanced imaging and TriDef® solutions are licensed by leading brands including Samsung, LG and Lenovo for use in TVs, tablets and PCs. Over 44 million 3D products have been shipped by DDD's licensees worldwide. DDD's Yabazam® streaming service delivers 3D to smart TVs and tablets everywhere. DDD's shares are quoted on the London Stock Exchange's AIM Market (AIM: DDD) and the OTCQX (DDGY). For more information please visit www.ddd.com.

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Overview

During the period, the Group has been focused on the development of new intellectual property and the repurposing of existing solutions to solve issues in the 3D sensor market and 2D streaming media market while continuing to service existing technology clients.

Business Review

Technology Licensing

During the first half of the year, 6 million 3D consumer products were shipped with the TriDef 2D to 3D conversion solution. The majority of the shipment volume came from the television market where Samsung is a key customer. TV market shipments including TriDef technology were down 8% over the same period in 2013 but up 33% sequentially over the second half of 2013. The leading display market research firms estimate that the 3D TV market will continue to grow at a range of 6-12% year over year through 2017 as 3D remains a feature of premium and high end televisions. PC and mobile shipments represented less than 1% of shipments in the period (H1 2013: 4%). On a positive note, two new tablet agreements for TriDef 3D mobile software were signed with Chinese companies (CVision Technology and Dongguan Longfar) which are expected to begin shipments in the second half of the year.

The Group also launched a new innovative mobile game, Dementia3D, which can be played in 2D or 3D modes and highlights the integration of multidimensional thinking into an easy to use consumer game. The game app was launched for Android™ devices through the Google Play store, and Apple mobile products via the Apple App store.

In addition to Dementia3D, the existing TriDef 3D mobile and Yabazam applications were launched in the Google Play store during the period. These apps are available to consumers for direct download

to their 2D phones and tablets. The Group anticipates delivering and distributing additional products via app stores as the Group moves more actively into the 2D market and delivers additional consumer apps.

Product development on 3D sensor solutions for the 2D market are well underway and preliminary discussions with prospective licensees indicate that the solution is of interest to the market. An early software release is targeted for fourth quarter 2014 with a full release slated to be available to manufacturers in the first quarter of 2015. The Group also continues development on 2D streaming video solutions that will decrease bandwidth requirements on the existing content delivery infrastructure.

Other

The Group's Yabazam! 3D movie service was expanded to the Panasonic VIERA® Connect 3D Smart TV platform in early 2014. The Yabazam 3D Smart TV app had been downloaded to over 850,000 3D devices at the end of June 2013. Over 270 titles are now under license for the platform which reaches 16 countries in seven languages.

The Group continues to monitor the 3D cinema box office which reflects the appeal of 3D content in various key markets worldwide. 3D box office revenues in certain markets have declined throughout 2013 and early 2014 and the Group continues to monitor this trend when considering platform and content acquisition decisions for the Yabazam service.

Financial Review

An analysis of the financial results and business progress for the period follows. A thorough analysis of the business model and key markets is provided in the 2013 Annual Report and Accounts available on the Group's website.

Revenue for the period ended 30 June 2014 declined 50% against the same period in the prior year to \$1,185,000 (June 2013: \$2,356,000). Revenue increased 13.5% sequentially over the second half of 2013.

Total technology revenue, including licensing, royalties and software sales, decreased to \$1,179,000, representing 99.5% of total revenues (June 2013: \$2,350,000 or 99.7% of total revenues). High margin OEM royalty revenues decreased to \$1,095,000 (June 2013: \$2,222,000), primarily resulting from the downturn in shipments of 3D PC market products by existing licensees. During the first half of 2014, only five licensees (H1 2013: 9) were shipping 3D PC products with the majority or remaining 3D PC products becoming end of line in the period. Additionally, the decline in overall 3D PC shipments effected the direct-to-consumer PC software sales which fell 27% to \$69,000 (June 2013: \$95,000). Other licensing royalty revenues were \$15,000 (June 2013: \$33,000).

Other revenues were \$6,000 (June 2013: \$6,000).

Gross profit reduced to \$1,179,000 (June 2013: \$2,331,000) while gross margin remained 99% (June 2013: 99%).

Depreciation and amortisation expenses totalled \$818,000 (June 2013: \$679,000). The increase is due to the focus on expanded R&D activities in recent years.

The non-cash share-based incentive expense was \$92,000 (June 2013: \$246,000).

Administrative expenses fell 33% to \$1,673,000 (June 2013: \$2,499,000) and down 6% sequentially compared to H2 2013 (\$1,788,000) as headcount was reduced and expenditure was controlled in light of the demise of the 3D PC market.

Adjusted Group loss before tax and before share-based incentive costs, was \$1,276,000 (June 2013: \$807,000). Reported pre-tax loss was \$1,368,000 (June 2013: \$1,053,000).

The majority of taxation is due to foreign withholding taxes that are deducted at source from royalty revenues by certain non-treaty territories such as Korea and Taiwan. These foreign withholding taxes may be available as tax credits in the US for future periods against foreign-sourced profits which are uncertain and are therefore included in the taxation line item. Taxation for the period was \$257,000 (June 2013: \$292,000) reflecting the mix in revenues from tax treaty jurisdictions during the period plus the effect of deferred tax liability adjustments as a result of the R&D capitalisation.

The Group's loss per share after taxation was 1.13 cents per share (June 2013: 0.99 cents per share).

Cash used by operations (before tax payments and interest received) was \$486,000 (June 2013: generated \$359,000). Net cash used by operating activities was \$694,000 (June 2013: generated \$22,000). Capitalised expenditure was \$1,093,000 (June 2013: \$949,000). No money was raised from equity activity, resulting in cash of \$867,000 at the end of June 2014 (June 2014: \$2,946,000).

Outlook

The expansion of the Group into new 2D markets is progressing well and is expected to produce initial revenue contributions in early 2015. The growth projections for 3D sensors into the PC, tablet and mobile phone markets are well in excess of 200% average per year until 2018 and are a key reason for the sustained research and development efforts within the Group for new product solutions.

The July introduction of Amazon's Fire phone which provides a depth effect on a standard 2D display using a dynamic perspective viewpoint shift enabled with the use of sensor technologies demonstrates the trend towards including 3D sensors in mass market devices. These devices are expected to create additional opportunities to repurpose some of the Group's existing software apps to take advantage of these new interactive features.

Despite having made slower than expected progress with the initial patent advisor appointed in March, the Group was able to quickly transition to a new partner in August. Since the analysis work performed to identify products where a license may be required was already available, the new patent advisor was able to come up to speed quickly and has already achieved key objectives with prospective licensees in the consumer electronics market. The advisor has begun initial licensing discussions with prospective licensees on the Group's behalf.

2014 represents a year of expansion for the Company as it prepares to enter new growth markets in the PC, tablet and smartphone markets with innovative new technologies and applications. Unlike the 3D market, the Group's 2D solutions are not constrained by the availability of special display technologies in the licensee's products. Consequently, the total addressable markets for these new solutions are forecast to be substantially larger than the niche 3D market in which the company has earned its reputation with OEM manufacturers.

The debt offering that was announced in July is intended to enable the Group to accelerate the development and delivery of these new solutions so that they may augment the licensing revenue from the 3D technologies from early 2015 onwards.

C M Yewdall
Chief Executive Officer
30 September 2014

Consolidated statement of comprehensive income

		6 months to 30 June 2014 \$'000 (unaudited)	6 months to 30 June 2013 \$'000 (unaudited)	12 months to 31 Dec 2013 \$'000 (audited)
	Notes			
Revenue	3	1,185	2,356	3,400
Cost of sales		(6)	(25)	(39)
Gross profit		1,179	2,331	3,361
Depreciation/amortisation expense		(818)	(679)	(1,062)
Share based payment expense		(92)	(246)	(426)
Administration expense		(1,673)	(2,499)	(4,287)
Total administrative expenses		(2,583)	(3,424)	(5,775)
Other income		34	36	415
Operating loss		(1,370)	(1,057)	(1,999)
Analysed as:				
Loss before interest, taxes, depreciation, amortisation and share based payments (Adjusted EBITDA)		(460)	(132)	(511)
Depreciation/amortisation expense		(818)	(679)	(1,062)
Share based payments		(92)	(246)	(426)
		(1,370)	(1,057)	(1,999)
Finance income		2	4	11
Loss before tax		(1,368)	(1,053)	(1,988)
Taxation		(257)	(292)	(581)
Loss for the period		(1,625)	(1,345)	(2,569)
Exchange differences on translation of foreign operations which will be subsequently reclassified to profit and loss		26	(61)	(165)
Other comprehensive income (loss) for the period, net of tax		26	(61)	(165)
Total comprehensive loss for the period		(1,599)	(1,406)	(2,734)
Loss per share				
Basic & Diluted (cents per share)	4	(1.13) cents	(0.99) cents	(1.86) cents

Consolidated statement of financial position

		30 June 2014 \$'000 (unaudited)	30 June 2013 \$'000 (unaudited)	31 Dec 2013 \$'000 (audited)
	Notes			
Assets				
Non-current assets:				
Intangible assets	5	3,765	2,854	3,428
Property, plant and equipment		58	117	87
Deferred tax asset		1,096	1,096	1,096
Total non-current assets		4,919	4,067	4,611
Current assets:				
Inventory		6	7	6
Trade and other receivables		561	912	506
Cash and bank balances		867	2,946	2,661
Total current assets		1,434	3,865	3,173
Total assets		6,353	7,932	7,784
Equity and liabilities				
Capital and reserves:				
Issued capital		13,867	12,268	13,414
Share premium		19,169	16,338	18,543
Merger reserve		22,638	20,205	21,898
Share based payment reserve		2,018	1,550	1,861
Translation reserve		(4,954)	1,241	(3,072)
Retained earnings		(48,007)	(45,194)	(46,406)
Total equity		4,731	6,408	6,238
Non-current liabilities:				
Deferred tax liabilities		666	500	619
Total non-current liabilities		666	500	619
Current liabilities:				
Trade and other payables		956	1,024	927
Total current liabilities		956	1,024	927
Total liabilities		1,622	1,524	1,546
Total equity and liabilities		6,353	7,932	7,784

Consolidated statement of cash flows

	6 months to 30 June 2014 \$'000 (unaudited)	6 months to 30 June 2013 \$'000 (unaudited)	12 months to 31 Dec 2013 \$'000 (audited)
Cash flows from operating activities			
Loss for the period	(1,625)	(1,345)	(2,569)
Finance income	(2)	(4)	(11)
Taxation	257	292	581
Depreciation	34	44	86
Amortisation	784	635	976
Loss on disposal of assets	--	--	23
Share based payments	92	246	426
Decrease in inventory	--	--	1
(Increase)/decrease in trade and other receivables	(55)	766	1,172
Increase/(decrease) in trade and other payables	29	(275)	(372)
Net cash (used in)/generated from operations	(486)	359	313
Interest received	2	4	11
Income tax paid	(210)	(341)	(503)
Net cash (used in)/generated from operating activities	(694)	22	(179)
Cash flows from investing activities			
Payments for property plant and equipment	(1)	(33)	(45)
Payments for intangible assets	(1092)	(916)	(1,852)
Net cash used in investing activities	(1,093)	(949)	(1,897)
Cash flows from financing activities			
Proceeds from issue of equity shares	--	303	1,292
Issuance costs	--	--	(11)
Net cash generated by financing activities	--	303	1,281
Net change in cash and cash equivalents	(1,787)	(624)	(795)
Effect of exchange rate fluctuation	(7)	(25)	(139)
Total change in cash and cash equivalents	(1,794)	(649)	(934)
Cash and cash equivalents at the start of the period	2,661	3,595	3,595
Cash and cash equivalents at the end of the period	867	2,946	2,661

Consolidated statement of changes in equity

	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Share based payment reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1 January 2013	13,005	17,069	21,469	1,515	(1,825)	(43,968)	7,265
<u>Transactions with owners</u>							
Share issue	29	274	-	-	-	-	303
Share based payment reserve transfer	-	-	-	(119)	-	119	-
Equity settled share options	-	-	-	246	-	-	246
Foreign exchange differences	(766)	(1,005)	(1,264)	(92)	3,127	-	-
Total transactions with owners	(737)	(731)	(1,264)	35	3,127	119	549
<u>Comprehensive income</u>							
Loss for the period	-	-	-	-	-	(1,345)	(1,345)
Other comprehensive loss	-	-	-	-	(61)	-	(61)
Total comprehensive loss	-	-	-	-	(61)	(1,345)	(1,406)
At 30 June 2013	12,268	16,338	20,205	1,550	1,241	(45,194)	6,408
<u>Transactions with owners</u>							
Share issue	119	859	-	-	-	-	978
Share based payment reserve transfer	-	-	-	(12)	-	12	-
Equity settled share options	-	-	-	180	-	-	180
Foreign exchange differences	1,027	1,346	1,693	143	(4,209)	-	-
Total transactions with owners	1,146	2,205	1,693	311	(4,209)	12	1,158
<u>Comprehensive income</u>							
Loss for the period	-	-	-	-	-	(1,224)	(1,224)
Other comprehensive loss	-	-	-	-	(104)	-	(104)
Total comprehensive loss	-	-	-	-	(104)	(1,224)	(1,328)
At 31 December 2013	13,414	18,543	21,898	1,861	(3,072)	(46,406)	6,238
<u>Transactions with owners</u>							
Share issue	-	-	-	-	-	-	-
Share based payment reserve transfer	-	-	-	(24)	-	24	-
Equity settled share options	-	-	-	92	-	-	92
Foreign exchange differences	453	626	740	89	(1,908)	-	-
Total transactions with owners	453	626	740	157	(1,908)	24	92
<u>Comprehensive income</u>							
Loss for the period	-	-	-	-	-	(1,625)	(1,625)
Other comprehensive income	-	-	-	-	26	-	26
Total comprehensive income (loss)					26	(1,625)	(1,599)
At 30 June 2014	13,867	19,169	22,638	2,018	(4,954)	(48,007)	4,731

Notes to the Unaudited Consolidated Half-Yearly Financial Statements of DDD Group plc for the six months ended 30 June 2014

1. The Company

DDD Group Plc ("the Company") is the parent entity of the consolidated group which is a leading developer and licensor of intellectual property in the advanced imaging market for consumer entertainment products. It provides patented software solutions for consumer 3D devices which automatically convert content from 2D to 3D that had been shipped in 44 million consumer devices as of the end of the period. Additionally, the Group is broadening its development and licensing activities into larger markets by delivering new solutions that solve complexities in the emerging 3D sensor market and in streaming media solutions for conventional 2D applications including video conferencing and video streaming services.

The Company is a public limited liability company incorporated and domiciled in England and Wales. The address of its registered office is Thames House, Portsmouth Road, Esher, Surrey KT10 9AD, United Kingdom.

The Company has its quote on AIM, a market operated by the London Stock Exchange. It is also listed on the OTCQX Market in the US.

2. Basis of preparation

This interim report on the unaudited consolidated financial statements is for the six month period ended 30 June 2014. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2013, which were prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The consolidated financial statements have been prepared under the historical cost convention except for share based payments which are valued at the date of grant.

Except as noted below, these unaudited consolidated half-year financial statements have been prepared in accordance with accounting policies consistent with those set out in the Group's financial statements for the year ended 31 December 2013, which were prepared in accordance with IFRS as adopted by the EU.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2013, prepared under IFRS as adopted by the EU, have been filed with the Registrar of Companies. Those accounts have received an unqualified audit report and did not contain statements or matters to which the auditors drew attention under the Act.

The Group's consolidated financial statements are presented in US dollars.

3. Selected segmental reporting data

The Group's operating segments are based upon the Group's revenue streams. At present, given the size of the Group, costs of goods sold and operating expenses cannot be allocated on a reasonable basis to the segments below and, as a result, the segmental analysis is limited to the Group gross profit as presented to the Board of Directors.

Please note that the following data is not an IFRS8 compliant disclosure but selected financial information.

	6 months to 30 June 2014 \$'000 (unaudited)	6 months to 30 June 2013 \$'000 (unaudited)	12 months to 31 December 2013 \$'000 (audited)
REVENUES:			
Technology licensing segment:			
Royalties from OEM unit shipments	1,095	2,222	3,132
Other licensing royalties	15	33	51
Consumer software product sales	69	95	203
Revenue from group technologies	1,179	2,350	3,386
Other areas:			
Consulting	-	-	-
Other revenue streams	6	6	14
Total revenue	1,185	2,356	3,400
Cost of sales	(6)	(25)	(39)
Gross profit	1,179	2,331	3,361
Margin	99%	99%	99%

The revenues generated from licensees of the Group's intellectual property are categorised based on contractual agreement terms.

4. (Loss)/earnings per share

	6 months to 30 June 2014 \$'000 (unaudited)	6 months to 30 June 2013 \$'000 (unaudited)	12 months to 31 December 2013 \$'000 (audited)
Loss for the period attributable to equity shareholders	(1,625)	(1,345)	(2,569)
Loss per share			
Basic (cents per ordinary share)	(1.13) cents	(0.99) cents	(1.86) cents
Diluted (cents per ordinary share)	(1.13) cents	(0.99) cents	(1.86) cents
	Shares (unaudited)	Shares (unaudited)	Shares (audited)
Ordinary shares			
Issued ordinary shares par 1p at start of the period	143,663,572	134,628,812	134,628,812
Ordinary shares issued in the period	-	1,895,000	9,034,760
Issued ordinary shares at end of the period	143,663,572	136,523,812	143,663,572
Weighted average number of shares in issue for the period	143,663,572	134,531,574	138,221,427
Deferred shares			
Issued deferred shares par 9p at start of the period	74,416,547	74,416,547	74,416,547
Deferred shares issued in the period	-	-	-
Issued deferred shares at end of the period	74,416,547	74,416,547	74,416,547
Total issued share capital	218,080,119	210,940,359	218,080,119

For profit periods, the diluted profit per share includes the effect of outstanding, fully vested, in-the-money share options at the end of the period. For loss periods, the diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

For all periods, the deferred shares are not deemed to be dilutive given the characteristics of these shares which are described in full in the 2013 Annual Report and Accounts of the Company.

5. Intangible assets

	Capitalised development costs \$'000	Patents \$'000	Other intangibles \$'000	Total \$'000
Cost				
At 1 January 2013	6,556	308	340	7,204
Additions	816	-	100	916
Foreign exchange	(77)	-	(2)	(79)
At 30 June 2013	7,295	308	438	8,041
Additions	781	24	131	936
Disposals	(361)	-	-	(361)
Foreign exchange	(17)	-	-	(17)
At 31 December 2013	7,698	332	569	8,599
Additions	959	78	54	1,091
Foreign exchange	2	-	-	2
At 30 June 2014	8,659	410	623	9,692
Amortisation				
At 1 January 2013	4,188	308	116	4,612
Charge for the period	607	-	28	635
Foreign exchange	(59)	-	(1)	(60)
At 30 June 2013	4,736	308	143	5,187
Charge for the period	301	-	40	341
Disposals	(338)	-	-	(338)
Foreign exchange	(19)	-	-	(19)
At 31 December 2013	4,680	308	183	5,171
Charge for the period	725	4	55	784
Foreign exchange	(27)	-	(1)	(28)
At 30 June 2014	5,378	312	237	5,927
Net book value				
At 30 June 2013	2,559	-	295	2,854
At 31 December 2013	3,018	24	386	3,428
At 30 June 2014	3,281	98	386	3,765

6. Related party transactions

As announced on 20 May 2014, on 19 May 2014 Victoria Stull, CFO and Executive Director, purchased 125,000 ordinary shares in the Company at an average purchase price of 4.5 pence per share.

Further details of the transaction can be found in the relevant regulatory news service (RNS) announcement at www.ddd.com/investors/rns-announcements/.

7. Events after the balance sheet date

Financial:

As announced on 31 July 2014, the Company issued Convertible Unsecured Loan Notes ("Notes") totalling £535,000 (\$906,000) to certain Directors of the Group and to Arisawa Manufacturing Company. The Notes have an annual interest rate of 7%. The Notes can be converted by the holders into ordinary shares of 1 pence each in the capital of the Company ("Shares") at a conversion price of 10 pence nominal amount of Notes per Share. The Company has the option to redeem the Notes at any time at a 5% premium to their nominal value plus accrued interest. Any Notes outstanding on 30 January 2016 will, at the option of the Company, be repaid in cash or settled by the issue of Shares at the conversion price; in both cases accrued interest will be payable in cash.

Further details can be found in the relevant RNS announcement available on the Company's website at www.ddd.com/investors/rns-announcements/.