



GLOBAL SCANNING

INTERIM REPORT
JANUARY - SEPTEMBER
2016

Group

	Jan-Sep 2016	Jan-Sep 2015	Q3 2016	Q3 2015
Revenue, KUSD	33 571	34 032	8 103	10 315
Gross Profit, KUSD	14 590	15 734	3 156	4 387
EBITDA, KUSD	5 022	5 395	- 83	1 076
EBIT, KUSD	- 1 190	- 735	- 2 131	- 958
Net profit, KUSD	- 3 673	- 2 450	- 2 628	- 1 432
Gross Margin, %	43%	46%	39%	43%
EBITDA Margin, %	15%	16%	-1%	10%
EBIT Margin, %	-4%	-2%	-26%	-9%
Cash flow from operating activities, KUSD	2 136	4 286	- 1 672	614
Equity ratio, %	44%	45%	43%	43%
Net debt/EBITDA, times	4	2	4	2
Interest coverage ratio, %	274%	387%	-13%	231%

Third quarter 2016 (July 1 to September 30 2016)

- Net sales for the group for the quarter amounted to 8 103 KUSD
- EBITDA for the group amounted to - 83 KUSD
- As a result of the decision taken in August 2015 to move the production from own factory in Denmark to own factory in China, the majority of the employees at the factory in Denmark were given notice of dismissal in March 2016 and the remaining was given notice in August and the retention bonuses associated with this action have been expensed and accrued for at a total of 486 KUSD.

1-3 quarter 2016 (January 1 to September 30 2016)

- Net sales for the group for January to September amounted to 33 571 KUSD
- EBITDA for the group amounted to 5 022 KUSD
- The total cost for the first 3 quarters related to the move of the production from own factory in Denmark to own factory in China is 1 551 KUSD included in the EBITDA for the period.

Comments from CEO

Group overview

The group's objective is to maintain its position as the market leader in innovative and reliable 2D digital imaging solutions.

Global Scanning A/S is the holding company for Global Scanning Denmark A/S and Global Scanning UK Ltd.

The Group develops, manufactures and markets large-format scanning solutions for the computer-aided design (CAD), geographic information systems (GIS), reprographic products, copy services and document archiving segments under the brand names of Contex and Colortrac respectively. The scanners digitally capture documents, drawings and other 2D input in order to view, edit, archive, convert or print output data.

The group's products are sold across the world through a value-add distribution network and via OEM agreements with major multinational enterprises within the Large Format Printing industry.

Comments on the third quarter 2016

Sales revenue and EBITDA for the third quarter were affected by seasonal factors, but were also lower than expected due to a necessary purchasing adjustment by major accounts in order to reduce excessive inventory, as mentioned in the second quarter report. This decrease is still ongoing and will have an impact on 4th quarter.

The transfer of production from Denmark to China has been completed. All product lines now being manufactured in Suzhou and are meeting the required demand and quality standard. A buyer for the Denmark factory has been found and the sale expects to be completed at the end of the year.

Our bank arrangement with Nordea will change from a corporate relationship to a branch relationship during first quarter 2017. As there will be no need for a credit facility going forward the credit facility of 35 MDKK will be reduced and terminated end first quarter 2017 starting reduction in December 2016.

Significant events after the third quarter of 2016

No post balance sheet events have occurred which could materially affect the assessment of the Group's financial position after the third quarter of 2016.

Comments on the first 3 quarters 2016

Sales revenue and EBITDA for the first three quarters were slightly below expectation following the inventory adjustments made by major accounts.

As the USD has strengthened since year end 2015 the bond debt (nominal SEK) has decreased and the net other financial items is therefore lower due to currency revaluation between SEK and USD.

Other events

In August 2015 the Group announced the decision to move production from its own factory in Denmark to its own factory in China. As a result of this, the majority of all employees at the factory in Denmark were given notice of dismissal in March 2016.

At the end of June 2016 Global Scanning A/S entered into an agreement to acquire assets from Real Awesomesauce S.A. to explore opportunities within 3D file sharing and other collaboration services. The transaction is valued at USD 3 million, comprising 50% in cash and 50% in new share issues.

The acquisition includes “P3D.in”, a proven cloud-based solution for the sharing and editing of 3D files over the internet. Furthermore this acquisition supports our future 2D product strategy, but also extends our opportunities within the emerging 3D market, allowing Global Scanning to accelerate the development and launch of future 3D products.

Outlook

Global Scanning does not give any outlook.

Market conditions look unchanged for the future.

Risks and uncertainties

The main risks for the next year relate to foreign exchange rates (especially continued significant appreciation of the USD) and any further deterioration in the global political and economic situation.

Graham Tinn

CEO, Global Scanning A/S

Board Assurance

The Board of Directors and the executive Board give their assurance that this interim report provides a fair review of the company's and the group's operations, financial position and earnings, and describes material risks and uncertainties facing the company and the companies in the group.

The interim report has not been subject to audit or review by our auditors.

Allerød, November 4th 2016

Global Scanning A/S

(CVR no. 34 61 31 41)

Graham Tinn
CEO

Gunnel Duveblad
Chairman

Tomas Therén
Board Member

Oskar Lindholm
Board Member

Anne Rasmussen
Board Member

Søren Jensen
Employee elected

Reporting Dates

Interim report January - December 2016 February 28th, 2017

Annual Report 2016 April 27th, 2017

Interim report January – March 2017 April 27th, 2017

Contact Information

Global Scanning A/S

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Interim Statement of income

	Group				Parent			
	Jan-Sep	Jan-Sep	Q3	Q3	Jan-Sep	Jan-Sep	Q3	Q3
	2016	2015	2016	2015	2016	2015	2016	2015
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue	33 571	34 032	8 103	10 315	-	-	-	-
Costs of sales	- 18 981	- 18 298	- 4 947	- 5 928	-	-	-	-
Gross Profit	14 590	15 734	3 156	4 387	-	-	-	-
Research and Development	- 3 073	- 2 481	- 1 118	- 807	-	-	-	-
Sales and Marketing	- 3 526	- 4 250	- 1 102	- 1 328	-	-	-	-
Support	- 733	- 662	- 243	- 215	-	-	-	-
Administration	- 2 236	- 2 946	- 775	- 961	- 114	18	- 45	4
EBITDA	5 022	5 395	83	1 076	- 114	18	- 45	4
Depreciation and Amortization	- 6 213	- 6 131	- 2 049	- 2 034	-	-	-	-
EBIT	- 1 190	- 735	- 2 131	- 958	- 114	18	- 45	4
Net Finance charges	- 1 834	- 1 396	- 619	- 466	- 1 678	- 866	- 554	- 264
Net other financial items	463	353	282	137	719	1 391	319	1 202
EBT	- 2 562	- 1 778	- 2 469	- 1 287	- 1 074	543	- 279	942
Income taxes	- 1 111	- 672	- 159	- 144	-	-	-	-
Net profit for the year	- 3 673	- 2 450	- 2 628	- 1 432	- 1 074	543	- 279	942

Interim Statement of comprehensive Income

	Group				Parent			
	Jan-Sep	Jan-Sep	Q3	Q3	Jan-Sep	Jan-Sep	Q3	Q3
	2016	2015	2016	2015	2016	2015	2016	2015
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Net profit for the year	- 3 673	- 2 450	- 2 628	- 1 432	- 1 074	543	- 279	942
Other comprehensive income								
Exchange differences on translation of foreign operation	-	-	-	-	-	-	-	-
Other comprehensive income to be reclassified to profit and loss in subsequent periods								
Valuation adjustment for the year	- 32	2 289	- 36	- 526	-	- 239	-	- 107
Valuation adjustment reclassified to costs	677	1 035	-	432	-	-	-	-
Valuation adjustment reclassified to financial items	-	151	-	94	-	242	-	94
Income tax effect	- 142	- 817	8	-	-	56	-	25
Total comprehensive income for the year, net of tax	- 3 170	208	- 2 656	- 1 432	- 1 074	603	- 279	954

Interim Balance sheet

	Group				Parent			
	Year End	Year End	End Q3	End Q3	Year End	Year End	End Q3	End Q3
	2015	2014	2016	2015	2015	2014	2016	2015
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Goodwill	28 602	28 602	28 602	28 602	-	-	-	-
Other intangible assets	13 576	17 840	13 175	14 882	-	-	-	-
Tangible fixed assets	5 169	5 094	4 974	5 279	-	-	-	-
Other long term assets	87	77	133	91	-	-	-	-
Investments in subsidiaries	-	-	-	-	53 366	53 366	53 366	53 366
Deferred tax assets	-	-	-	-	1 177	744	1 215	728
Total non-current assets	47 435	51 614	46 884	48 854	54 543	54 110	54 581	54 094
Inventory	7 003	6 680	8 181	6 980	-	-	-	-
Trade receivables	5 439	6 239	4 858	5 987	-	-	-	-
Receivables from group enterprises	-	-	-	-	6 744	3 967	6 936	-
Income tax receivable	521	412	30	17	609	-	-	-
Other receivables	1 189	1 090	1 599	1 292	6	-	2	-
Cash and cash equivalents	5 218	4 734	2 761	3 507	-	-	0	-
Total current assets	19 370	19 155	17 429	17 783	7 359	3 967	6 938	-
Total assets	66 805	70 769	64 314	66 636	61 902	58 077	61 519	54 094
Total shareholders' equity	29 253	31 545	27 584	28 898	37 921	38 939	38 346	39 531
Deferred tax	1 650	2 727	1 820	2 764	-	-	-	-
Bank loans	-	26 301	-	22 348	-	18 019	-	14 234
Bonds	23 025	-	22 707	-	23 025	-	22 707	-
Long-term liabilities other than provision	24 675	29 028	24 527	25 112	23 025	18 019	22 707	14 234
Bank debt	3 780	387	3 348	2 418	-	-	-	-
Trade payables	4 777	4 389	3 570	4 585	415	415	-	415
Income taxes payable	-	-	295	228	-	-	-	-
Debt to group enterprisees	-	-	-	-	-	217	-	402
Other liabilities	4 320	5 419	4 989	5 395	541	487	466	315
Short-term liabilities	12 877	10 196	12 202	12 626	956	1 119	466	328
Total liabilities other than provision	37 552	39 224	36 730	37 738	23 981	19 138	23 173	14 563
Total equity and liabilities	66 805	70 769	64 314	66 636	61 902	58 077	61 519	54 094

Interim Statement of changes in shareholders' equity

USD'000	Group					
	Share capital	Share premium	Retained earnings	Foreign currency translation	Proposed dividend	Total
Balance 1/1 2015	164	40 172	- 8 791	-	-	31 545
Net profit for the year			- 2 749	-	-	- 2 749
Valuation adjustment for the year			- 5 637			- 5 637
Valuation adjustment reclassified to costs			1 747			1 747
Valuation adjustment reclassified to financial items			4 495			4 495
Income tax effect			- 148	-	-	- 148
Balance 1/1 2016	164	40 172	- 11 083	-	-	29 253
Addition from capital increases	7	1 493	-	-	-	1 500
Net profit for the year			- 3 673		-	- 3 673
Valuation adjustment for the year			- 32			- 32
Valuation adjustment reclassified to costs			677			677
Valuation adjustment reclassified to financial items			-			-
Income tax effect			- 142	-	-	- 142
Shareholders' equity at 31/3 2016	171	41 664	- 14 252	-	-	27 583

USD'000	Parent					
	Share capital	Share premium	Retained earnings	Foreign currency translation	Proposed dividend	Total
Balance 1/1 2015	164	40 172	- 1 397	-	-	38 939
Addition from capital increases	-	-	-	-	-	-
Net profit for the year			- 1 246	-	-	- 1 246
Valuation adjustment for the year			- 3 901			- 3 901
Valuation adjustment reclassified to costs			-			-
Valuation adjustment reclassified to financial items			4 204			4 204
Income tax effect			- 74	-	-	- 74
Balance 1/1 2016	164	40 172	- 2 416	-	-	37 920
Addition from capital increases	7	1 493	-	-	-	1 500
Net profit for the year			- 1 074	-	-	- 1 074
Valuation adjustment for the year			-			-
Valuation adjustment reclassified to costs			-			-
Valuation adjustment reclassified to financial items			-			-
Income tax effect			-	-	-	-
Shareholders' equity at 30/6 2016	171	41 664	- 3 490	-	-	38 346

Interim Cash flow	Group				Parent			
	Jan-Sep	Jan-Sep	Q3	Q3	Jan-Sep	Jan-Sep	Q3	Q3
	2016	2015	2016	2015	2016	2015	2016	2015
EBITDA	5 022	5 395	- 83	1 076	- 114	18	- 45	4
Change in working capital	- 898	- 58	- 532	- 8	462	84	56	- 12
Change in financial items	- 1 697	- 1 012	- 483	- 257	- 1 655	- 716	- 503	- 215
Income taxes paid	- 292	- 39	- 575	- 197	-	-	-	-
Cash flow from operating activities	2 136	4 286	- 1 672	614	- 1 308	- 614	- 492	- 222
Additions of intangible assets	- 4 953	- 2 121	- 637	- 889	-	-	-	-
Additions of property, plant and equipment	- 708	- 1 250	- 240	- 529	-	-	-	-
Cash flow from investing activities	- 5 661	- 3 371	- 877	- 1 418	-	-	-	-
Change in debt	-	- 4 173	-	0	-	- 3 934	-	- 0
Capital contribution	1 500	-	-	-	-	-	-	-
Dividend received	-	-	-	-	-	1 200	-	1 200
Change in receivables from group enterprises	-	-	-	-	1 308	3 348	492	- 978
Cash flow from financing activities	1 500	- 4 173	-	0	1 308	614	492	222
Net cash flow	- 2 025	- 3 259	- 2 549	- 804	0	- 0	- 0	- 0
Cash and cash equivalents at the beginning of year	1 438	4 347	1 962	1 892	-	-	-	-
Cash and cash equivalents at the end of year	- 587	1 088	- 587	1 089	0	- 0	- 0	- 0
Cash and cash equivalents								
Cash	2 761	3 507	2 761	3 507	-	-	0	-
Bank debt	- 3 348	- 2 418	- 3 348	- 2 418	-	-	-	-
	- 587	1 088	- 587	1 089	-	-	0	-

Wordlist

Gross Margin

Gross Profit in relation to total revenue.

EBITDA Margin

Operating income before depreciation (EBITDA) in relation to total revenue.

EBIT Margin

Operating Profit (EBIT) in relation to total revenue.

Equity ratio

Equity in relation to total assets.

Interest coverage ratio

Operating income before depreciation (EBITDA) in relation to net finance charges.

IAS

International Accounting Standards. The international accounting standards issued by the independent body, the International Accounting Standards Board (IASB) and processed and adopted by the EU. The rules must be complied by listed companies in the EU.

IFRS

International Financial Reporting Standards. International accounting standards to be applied for the consolidated financial statements of listed companies in the EU from 2005.

Accounting Policies

The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for listed companies. The accounting policies are consistent with those applied to the consolidated financial statements for 2015.

The consolidated financial statements for 2015 contain a full description of accounting policies.

Changes in accounting policies

Effective 1 January 2016, Global Scanning A/S has implemented the following new or amended standards and interpretations:

- Amendments to IAS 16 and IAS 38 concerning methods of accounting for depreciation and amortization.
- Amendments to IFRS 11 concerning accounting for business acquisitions in joint operations.
- Amendments to IAS 1 for clarifications as a result of disclosure initiative.
- Amendments to IAS 27 about the equity method in separate financial statements.
- Annual Improvements to IFRSs 2012-14.

Annual improvements to IFRSs 2012-2014 Cycle result in changes to IFRS 5, IFRS 7, IAS 19 and IAS 34. Except for the amendments to IAS 34 the changes must be characterized as very specific changes with a narrow scope.

None of the new amendments and improvements has affected the recognition and measurement in the interim report.

As none of the new standards and interpretations impacted recognition and measurement in 2016, they did not impact the profit/loss for the year or diluted earnings per share either.

Consolidation

The interim consolidated financial statements comprise the parent company, Global Scanning A/S and entities controlled by the parent. Control is presumed to exist when the parent owns, directly or indirectly, more than half of the voting power of an entity.

The consolidated entities' financial statements are prepared in accordance with the accounting policies applied by the parent. The interim consolidated financial statements are prepared on the basis of the interim financial statements of the consolidated entities by adding together like items. Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated.

Recently acquired or sold subsidiaries are recognized in the interim consolidated income statement for the period in which the parent controls such entities. Comparative figures are not restated for recently acquired or sold entities.

The purchase method of accounting is applied to the acquisition of subsidiaries. The cost is made up at the net present value of the consideration agreed plus directly attributable expenses. Conditional payments are recognized at the amount expected to be paid.

Identifiable assets and liabilities in the acquired entities are recognized at the fair value at the time of acquisition. Allowance is made for the tax effect of revaluations of assets and liabilities. Any residual difference between the cost and the group's share of the fair value of the identifiable assets and liabilities is recognized as goodwill or negative goodwill.

Significant accounting judgments

In the process of applying the Company's accounting policies, management has made the following judgments and estimates, which have a significant effect on the amounts recognized in the interim financial statements:

Impairment of goodwill

The Group determines whether goodwill is impaired at least once a year. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires that the Group makes an estimate of the expected future cash flows from the cash-generating unit and chooses a suitable discount rate in order to calculate the net present value of such cash flows. The carrying amount of goodwill at 31 December 2015 was USD 28,602 thousand (USD 28,602 thousand at 31 December 2014).

Recognition of deferred taxes

Deferred tax assets in the parent company are recognized for tax losses carried forward to the extent that the losses expected to be utilized in the foreseeable future jointly with profitable group companies.

Business combinations

End of June 2016 Global Scanning A/S entered into an agreement to acquire assets from Real Awesomesauce S.A. to explore opportunities within 3D file sharing and other collaboration services. The transaction is valued at USD 3 million, comprising 50% in cash and 50% in new share issues.

The acquisition includes "P3D.in", a proven cloud-based solution for the sharing and editing of 3D files over the internet. Furthermore this acquisition supports our future 2D product strategy, but also extends our opportunities within the emerging 3D market, allowing Global Scanning to accelerate the development and launch of future 3D products.

The acquisition is booked as intangible assets.