GLOBAL SCANNING

INTERIM REPORT
JANUARY – DECEMBER

2016

Colortrac
Our Business is Your Image

contex
WHEN IMAGING MATTERS

Group

	Full year 2016	Full year 2015	Q4 2016	Q4 2015
Revenue, KUSD	41 623	46 016	8 052	11 984
Gross Profit, KUSD	17 965	21 097	3 375	5 363
EBITDA, KUSD	5 717	6 982	694	1 587
EBIT, kUSD	- 2 337	- 1 215	- 1 146	- 480
Net profit, kUSD	- 2 261	- 2 749	1 412	- 299
Gross Margin, %	43%	46%	42%	45%
EBITDA Margin, %	14%	15%	9%	13%
EBIT Margin, %	-6%	-3%	-14%	-4%
Cash flow from operating activities, kUSD	1 387	4 608	- 749	322
Equity ratio, %	48%	44%	48%	44%
Net debt/EBITDA, times	4	3	4	3
Interest coverage ratio, %	268%	511%	136%	422%

Fourth quarter 2016 (October 1 to December 31 2016)

- Net sales for the group for the quarter amounted to 8 052 KUSD
- EBITDA for the group amounted to 694 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 Denmark factory facilities have been sold end December 2017. All activities regarding the production move have now ended and the total non-recurring costs including sale of building and machinery included in EBITDA for Q4 is 613 USD.

Full year 2016 (January 1 to December 31 2016)

- Net sales for the group for the full year amounted to 41 623 KUSD
- EBITDA for the group amounted to 5 717 KUSD
- All activities regarding the production move have now ended and the total non-recurring costs including sale of buildings and machinery included in EBITDA is 2 164 USD
- During 2016, the group invested in technical and market research in the area of 3D scanning and other 3D applications; the work has not been capitalized so the expenses used have reduced the EBITDA.

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.

We have acquired a 3D online sharing platform and plan to combine potential 3D hardware with this platform to create new innovative products in this space.

Comments on the fourth quarter 2016

Sales revenue and EBITDA for the fourth quarter were as third quarter 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.

The transfer of production from Denmark to China has been completed. From third quarter all product lines were being manufactured in Suzhou and are meeting the required demand and quality standard and fourth quarter was used to clear the Denmark factory facilities and move excess stock to China. The sale of the factory facilities was completed at the end of the quarter.

Our bank arrangement with Nordea will change from a corporate relationship to a branch relationship during first quarter 2017. As there will be limited need for a credit facility going forward the credit facility of 35 MDKK will be reduced until the end of first quarter 2017 to a level around 10 MDKK starting with a reduction in December 2016 of 7 MDKK.

Significant events after the fourth quarter of 2016

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

Comments on full year 2016

Sales revenue and EBITDA for the year were below expectations following the inventory adjustments made by major accounts in second half 2016.

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. The move is now complete and the factory facilities have been sold end December 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 usually give any detailed outlook but, in the light of the initiatives taken in 2016 to make an efficient manufacturing setup, the company is cautiously optimistic for the future.

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, which has not been subject to audit or review by the Group´s independent auditors, was prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Allerød, February 28th 2017

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

Annual Report 2016	April 27th, 2017
Interim report January – March 2017	April 27th, 2017
Interim report January – June 2017	August 25th, 2017
Interim report January – September 2017	November 15th, 2017

Contact Information

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Interim Statement of income

	Group				Parent			
	Full year 2016 USD'000	**Full year 2015 USD'000**	**Q4 2016 USD'000**	**Q4 2015 USD'000**	**Full year 2016 USD'000**	**Full year 2015 USD'000**	**Q4 2016 USD'000**	**Q4 2015 USD'000**
Revenue	**41 623**	**46 016**	**8 052**	**11 984**	**-**	**-**	**-**	**-**
Costs of sales	- 23 658	- 24 919	- 4 678	- 6 621	-	-	-	-
Gross Profit	**17 965**	**21 097**	**3 375**	**5 363**	**-**	**-**	**-**	**-**
Research and Development	- 4 139	- 4 239	- 1 066	- 1 758				
Sales and Marketing	- 4 218	- 5 758	- 692	- 1 509				
Support	- 1 059	- 891	- 326	- 229				
Administration	- 2 833	- 3 226	- 597	- 281	- 136	0	- 21	- 18
EBITDA	**5 717**	**6 982**	**694**	**1 587**	**- 136**	**0**	**- 21**	**- 18**
Depreciation and Amortization	- 8 053	- 8 197	- 1 840	- 2 067	-	-	-	-
EBIT	**- 2 337**	**- 1 215**	**- 1 146**	**- 480**	**- 136**	**0**	**- 21**	**- 18**
Net Finance charges	- 2 129	- 1 367	- 511	- 376	1 157	- 887	2 698	- 249
Net other financial items	1 677	- 1 504	1 430	- 1 452	1 396	- 1 477	814	- 2 640
EBT	**- 2 789**	**- 4 086**	**- 227**	**- 2 307**	**2 417**	**- 2 364**	**3 490**	**- 2 907**
Income taxes	528	1 337	1 639	2 009	167	1 117	167	1 117
Net profit for the year	**- 2 261**	**- 2 749**	**1 412**	**- 299**	**2 584**	**- 1 246**	**3 657**	**- 1 789**

Interim Statement of comprehensive Income

	Group				Parent			
	Full year 2016 USD'000	**Full year 2015 USD'000**	**Q4 2016 USD'000**	**Q4 2015 USD'000**	**Full year 2016 USD'000**	**Full year 2015 USD'000**	**Q4 2016 USD'000**	**Q4 2015 USD'000**
Net profit for the year	- 2 261	- 2 749	1 412	- 299	2 584	- 1 246	3 657	- 1 789
Other comprehensive income								
Exchange differences on translation of foreign operatior	-	-	-	-	-	-	-	-
Other comprehensive income to be reclassified to profit and loss in subsequent periods								
Valuation adjustment for the year	- 473	- 1 755	- 435	67	-	- 19	-	119
Valuation adjustment reclassified to costs	677	1 747		712	-	-	-	-
Valuation adjustment reclassed to financial items	-	613		79	-	322	-	79
Income tax effect	- 45	- 148	96	- 202	-	- 74	-	- 28
Total comprehensive income for the year, net of tax	**- 2 101**	**- 2 292**	**1 073**	**358**	**2 584**	**- 1 018**	**3 657**	**- 1 619**

Interim Balance sheet	Group				Parent			
	Year End 2016 USD'000	Year End 2015 USD'000	End Q4 2016 USD'000	End Q4 2015 USD'000	Year End 2016 USD'000	Year End 2015 USD'000	End Q4 2016 USD'000	End Q4 2015 USD'000
Goodwill	28 602	28 602	28 602	28 602	-	-	-	-
Other intangible assets	12 207	13 576	12 207	13 576	-	-	-	-
Tangible fixed assets	3 305	5 169	3 305	5 169	-	-	-	-
Other long term assets	116	87	116	87	-	-	-	-
Investments in subsidiaries	-	-	-	-	53 366	53 366	53 366	53 366
Receivables from group enterprises	-	-	-	-	6 930	-	6 930	-
Deferred tax assets	-	-	-	-	479	1 177	479	1 177
Total non-current assets	**44 230**	**47 435**	**44 230**	**47 435**	**60 775**	**54 543**	**60 775**	**54 543**
Inventory	6 739	7 003	6 739	7 003	-	-	-	-
Trade receivables	4 584	5 439	4 584	5 439	-	-	-	-
Receivables from group enterprises	-	-	-	-	2 929	6 744	2 929	6 744
Income tax receivable	0	521	0	521		609		609
Other receivables	1 642	1 189	1 642	1 189	6	6	6	6
Cash and cash equivalents	2 585	5 218	2 585	5 218	0	-	0	-
Total current assets	**15 551**	**19 370**	**15 551**	**19 370**	**2 936**	**7 359**	**2 936**	**7 359**
Total assets	**59 781**	**66 805**	**59 781**	**66 805**	**63 711**	**61 902**	**63 711**	**61 902**
Total shareholders´ equity	**28 657**	**29 253**	**28 657**	**29 253**	**42 010**	**37 921**	**42 010**	**37 921**
Deferred tax	915	1 650	915	1 650	-	-	-	-
Bank loans	-	-	-	-	-	-	-	-
Bonds	21 602	23 025	21 602	23 025	21 602	23 025	21 602	23 025
Long-term liabilities other than provision	**22 517**	**24 675**	**22 517**	**24 675**	**21 602**	**23 025**	**21 602**	**23 025**
Bank debt	3 108	3 780	3 108	3 780	-	-	-	-
Trade payables	2 693	4 777	2 693	4 787	-	415	-	415
Income taxes payable	58	-	58	-	-	-	-	-
Other liabilities	2 748	4 320	2 748	4 310	99	541	99	541
Short-term liabilities	**8 607**	**12 877**	**8 607**	**12 877**	**99**	**956**	**99**	**956**
Total liabilities other than provision	**31 124**	**37 552**	**31 124**	**37 552**	**21 701**	**23 981**	**21 701**	**23 981**
Total equity and liabilities	**59 781**	**66 805**	**59 781**	**66 805**	**63 711**	**61 902**	**63 711**	**61 902**

Interim Statement of changes in shareholders´equity

Group

USD´000	Share capital	Share premium	Retained earnings	Reserve for Development costs	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 reclassed 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
Options		6					6
Net profit for the year			- 2 261			-	- 2 261
Addition to reserve for development costs			- 1 354	1 354			-
Valuation adjustment for the year			- 473				- 473
Valuation adjustment reclassified to costs			677				677
Valuation adjustment reclassed to financial items			-				-
Income tax effect			- 45	-	-	-	- 45
Shareholders´equity at 31/12 2016	**171**	**41 671**	**- 14 539**	**1 354**	**-**	**-**	**28 657**

Parent

USD´000	Share capital	Share premium	Retained earnings	Reserve for Development costs	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			- 19				- 19
Valuation adjustment reclassified to costs			-				-
Valuation adjustment reclassed to financial items			322				322
Income tax effect			- 74	-	-	-	- 74
Balance 1/1 2016	**164**	**40 172**	**- 2 415**	**-**	**-**	**-**	**37 921**
Addition from capital increases	7	1 493	-	-	-	-	1 500
Options		6					6
Net profit for the year			2 583	-	-	-	2 583
Valuation adjustment for the year			-				-
Valuation adjustment reclassified to costs			-				-
Valuation adjustment reclassed to financial items			-				-
Income tax effect			-	-	-	-	-
Shareholders´equity at 31/12 2016	**171**	**41 671**	**168**	**-**	**-**	**-**	**42 010**

Interim Cash flow	**Group**				**Parent**			
	Full year 2016	**Full year 2015**	**Q4 2016**	**Q4 2015**	**Full year 2016**	**Full year 2015**	**Q4 2016**	**Q4 2015**
EBITDA	**5 717**	**6 982**	**694**	**1 587**	**-136**	**0**	**-21**	**-18**
Change in working capital	-2 398	4 142	-1 501	4 200	-772	-2 311	-2 381	-2 395
Change in financial items	-2 136	-6 478	-439	-5 466	-1 136	-965	2 726	-249
Income taxes paid	205	-38	497	1	1 474	-	-	-
Cash flow from operating activities	**1 387**	**4 608**	**-749**	**322**	**-570**	**-3 276**	**324**	**-2 661**
Additions of intangible assets	-4 039	-2 580	-587	-459	-	-	-	-
Additions of property, plant and equipment	692	-1 439	1 400	-189	-	-	-	-
Cash flow from investing activities	**-3 348**	**-4 019**	**814**	**-648**	**-**	**-**	**-**	**-**
Change in debt	-	-3 498	-	676	-	5 070	-	9 003
Capital contribution	-	-	-	-	-		-	-
Dividend received	-	-	-	-	2 600	1 200	-	-
Change in receivables from group enterprises	-	-	-	-	-2 030	-2 994	-323	-6 342
Cash flow from financing activities	**-**	**-3 498**	**-**	**676**	**570**	**3 276**	**-323**	**2 662**
Net cash flow	**-1 960**	**-2 909**	**64**	**349**	**0**	**0**	**1**	**0**
Cash and cash equivalents at the beginning of year	**1 438**	**4 347**	**-587**	**1 089**	**-**	**-**	**-**	**-**
Cash and cash equivalents at the end of year	**-523**	**1 437**	**-523**	**1 438**	**0**	**0**	**1**	**0**
Cash and cash equivalents								
Cash	2 585	5 218	2 585	5 218	0	-	0	-
Bank debt	-3 108	-3 780	-3 108	-3 780	-	-	-	-
	-523	**1 438**	**-523**	**1 438**	**0**	**-**	**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 has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU with effect as of 1 January 2016 and additional disclosure requirements for annual reports of class D enterprises.

The financial statements of the Group are presented in US dollars, which is the company’ functional and presentation currency.

In 2016, the Group has created an equity reserve for capitalized development project costs in order to comply with a new provision in the Danish Financial Statements Act. This provision requires that capitalized amount less applicable amortization is recognized under a separate equity reserve, which cannot be used for distribution of dividend and/or coverage of losses. If capitalized development project costs are subject to impairment, the corresponding amount must be deducted from the equity reserve for capitalized development project costs. If the impairment is reversed in a subsequent period, the corresponding amount under equity must result in recovery of the equity reserve for capitalized development project costs.

Accounting policies are unchanged compared to last year with the following exceptions:

New and amended standards and interpretations that have become operative:
In its Interim reports for 2016, the Group has implemented all new IFRS standards, amendments to existing standards and IFRIC interpretations that have been adopted by the EU and are operative for financial statements covering periods beginning on or after 1 January 2016.

No standards and amendments to existing standards which are relevant to the Group have affected the financial statements for 2016.

The following standards, amendments to existing standards and interpretations have been implemented but have no effect on the Group’s Interim report:

- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization – Amendments to IAS 16 and IAS 38
- IFRS 11 Accounting for Acquisitions of interests in Joint Operations – Amendments to IFRS 11
- IAS 1 Disclosure Initiative – Amendments to IAS 1
- IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27
- Annual Improvements to IFRSs 2012-14 Cycle

New and amended standards and interpretations that have not yet become operative:
The IASB has issued a number of new standards, amendments to existing standards which will become operative for financial statements covering periods beginning on or after 1 January 2017. New and amended standards are expected to be implemented by their effective dates. The Following standards, amendments to existing standards and interpretations are expected to affect Global Scanning A/S’ future interim reports:

- IFRS 9 Financial instruments and amendments to IFRS 9, IFRS 7 and IAS 39
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

The analysis of the expected effect of the implementation of the above standards has not yet been completed.

IFRS 15 “Revenue from Contracts with Customers”, which replaces the existing revenue standards (IAS 11 and IAS 18) and interpretations, creates a new model for revenue recognition and measurement of revenue from contracts with customers. The standard becomes effective for annual periods beginning on or after 1 January 2018.

The new model is based on a five-step process which must be applied to all contracts with customers in order to identify when and how revenue is to be recognized in the income statement.

Compared to the current practice, the most significant changes in IFRS 15 are:

- Sales transactions must be recognized as revenue in the income statement when control (either at a single point in time or over time) of the goods or services is transferred to the customer (the current concept of "risk and rewards" is replaced by a concept of control).
- New and more detailed guidance on how to identify the components of a transaction in a contract and how to recognize and measure the individual components.
- New and more detailed guidance on the recognition of revenue over time.

Global Scanning A/S has performed an analysis of the potential impact of the new standard on the Group. Based on analyses of the Group's current product mix and types of contracts, it is Global Scanning A/S' assessment that the new standard will not affect the recognition and measurement of the Group's sales types which primarily consist of goods for resale and finished goods.

Overall, based on the analyses performed, it is assessed that the effect on recognition and measurement is immaterial based on the current product mix and types of contract.

In addition, the IASB has issued a number of new standards, amendments to existing standards and interpretations which are not relevant to the Group and which are therefore not expected to affect its future interim reports.

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 2016 was USD 28,602 thousand (USD 28,602 thousand at 31 December 2015).

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.