



GLOBAL SCANNING

INTERIM REPORT
JANUARY – DECEMBER
2018

 **shapewatch**



BRAND3D

 **Colortrac**
Our Business is Your Image

 **contex**
WHEN IMAGING MATTERS

Group

	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017
Revenue, KUSD	42 984	39 543	11 359	9 867
Gross Profit, KUSD	18 020	19 909	4 986	4 269
EBITDA, KUSD	5 131	8 072	1 749	1 152
EBIT, kUSD	65	3 360	108	3
Net result, kUSD	771	-	1 611	788
Gross Margin, %	42%	50%	44%	43%
EBITDA Margin, %	12%	20%	15%	12%
EBIT Margin, %	0%	8%	1%	0%
Cash flow from operating activities, kUSD	2 246	6 403	1 573	950
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2D				
Revenue, KUSD	42 772	39 528		
Gross Profit, KUSD	17 876	19 894		
EBITDA, KUSD	7 939	10 516		
Gross Margin, %	42%	50%		
EBITDA Margin, %	19%	27%		
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3D				
Revenue, KUSD	212	14		
Gross Profit, KUSD	144	14		
EBITDA, KUSD	- 2 677	- 1 918		
Gross Margin, %	68%	100%		
EBITDA Margin, %	-1264%	-13283%		
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Equity ratio, %	46%	46%	46%	46%
Net debt/EBITDA, times	4	3	4	3
Interest coverage ratio, %	264%	401%	339%	238%

Fourth quarter 2018 (October 1 to December 31 2018)

- Net sales for the group for the quarter amounted to 11 359 KUSD which has improved by 1 492 KUSD compared to Q4 last year
- EBITDA for the group amounted to 1 749 KUSD, an increase of 597 KUSD over Q4 2017

Full year 2018 (January 1 to December 31 2018)

- Net sales for the group for the full year amounted to 42 984 KUSD of which 212 KUSD came from the commencement of sales for the new 3D business – see Segment Information below for more detail
- Gross Profit decreased by 1 889 KUSD compared to 2017 with 1 520 KUSD being related to product mix moving towards lower-margin offerings; in addition, non-recurring logistical costs amounted to 655 KUSD
- EBITDA for the group amounted to 5 131 KUSD of which 7 939 KUSD came from the 2D business; change in FX compared to USD had a negative effect on EBITDA of 854 KUSD compared to 2017
- Costs related to 3D for the full year were 5 365 KUSD of which 2 688 KUSD was capitalized; this compares to 2017 where 3D costs were 2 526 KUSD of which 608 KUSD was capitalized. The negative EBITDA impact of the 3D business was 2 677 KUSD

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, and to establish itself as a significant player in the emerging 3D digital imaging marketplace.

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 (2D) 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. These 2D 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.

The group operates a 3D online model-sharing platform and has been investing in the development of further 3D technology and new innovative products in this 3D space, as shown in the Segmentation Report below for 2017 and 2018. These projects are now in (or about to enter) a market development phase and are expected to generate increased revenues during 2019, with a target of achieving a positive cash flow in 2020. As noted above, the first revenues have been generated during 2018.

Comments on the fourth quarter 2018

The 2D business strengthened during the fourth quarter 2018, exceeding the fourth quarter 2017 result, as well as the previous 3 quarters of 2018; this was due an increase in higher-margin own-brand sales. Foreign exchange rates continue to have a negative impact on the group's reporting in USD (negative effect on EBITDA of 28 KUSD compared to fourth quarter last year).

Significant events after the fourth quarter of 2018

No post balance sheet events have occurred which could materially affect the assessment of the Group's financial position after the fourth quarter of 2018.

As per January 1 the Group formed a new company Brand3D Aps and moved all the Brand3D activities to this entity. Brand3D Aps is 100% owned by Global Scanning A/S.

Comments on the full year 2018

Sales revenue for 2018 improved compared to 2017 as a result of an increase in demand from the major accounts; however, being lower-margin business this, combined with FX movements and some non-recurring costs, resulted in a decrease in Gross Profit and EBITDA. FX had a negative effect on EBITDA of 854 KUSD compared to 2017.

Some early revenue was generated from the limited launch of new 3D products

Outlook

Global Scanning does not usually give any detailed outlook.

Market conditions for the 2D business look unchanged for the future. 3D revenues are expected to increase in 2019.

Risks and uncertainties

The main risks for the 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 2018

Global Scanning A/S

(CVR no. 34 61 31 41)

Graham Tinn

CEO

Gunnel Duveblad
Chairman

Tomas Therén
Board Member

Anne Rasmussen
Board Member

Søren Jensen
Employee elected

Nis Engholm
Employee elected

Reporting Dates

Annual report 2018	April 26 th , 2019
Interim report January – March 2019	April 26 th , 2019
Interim report January – June 2019	August 29 th , 2019

Contact Information

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Interim Statement of profit and loss

	Group				Parent			
	Full Year	Full Year	Q4	Q4	Full Year	Full Year	Q4	Q4
	2018	2017	2018	2017	2018	2017	2018	2017
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue	42 984	39 543	11 359	9 867	-	-	-	-
Costs of sales	- 24 964	- 19 634	- 6 373	- 5 599	-	-	-	-
Gross Profit	18 020	19 909	4 986	4 269	-	-	-	-
Research and Development	- 2 781	- 3 892	- 735	- 922	-	-	-	-
Sales and Marketing	- 5 609	- 4 101	- 1 467	- 1 150	-	-	-	-
Support	- 787	- 727	- 226	- 192	-	-	-	-
Administration	- 3 711	- 3 117	- 810	- 853	- 27	- 56	0	- 62
EBITDA	5 131	8 072	1 749	1 152	- 27	- 56	0	- 62
Depreciation and Amortization	- 5 067	- 4 712	- 1 641	- 1 149	-	-	-	-
EBIT	65	3 360	108	3	- 27	- 56	0	- 62
Net Finance charges	- 1 944	- 2 013	- 517	- 484	1 141	2 174	153	168
Net other financial items	- 2 261	- 3 164	- 192	- 170	2 010	- 1 883	32	108
EBT	382	- 1 817	- 217	- 650	3 124	235	185	213
Income taxes	390	206	1 006	967	- 2	345	- 2	345
Net result for the year	771	- 1 611	788	317	3 122	580	183	558

Interim Statement of comprehensive Income

	Group				Parent			
	Full Year	Full Year	Q4	Q4	Full Year	Full Year	Q4	Q4
	2018	2017	2018	2017	2018	2017	2018	2017
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Net profit for the year	771	- 1 611	788	317	3 122	580	183	558
Other comprehensive income								
Other comprehensive income to be reclassified to profit and loss in subsequent periods								
Exchange differences on translation of foreign operations	- 506	- 405	- 487	- 310	-	-	-	-
Total comprehensive income for the year, net of tax	265	- 1 206	301	627	3 122	580	183	558

Interim Balance sheet	Group				Parent			
	Year End	Year End	End Q4	End Q4	Year End	Year End	End Q4	End Q4
	2018	2017	2018	2017	2018	2017	2018	2017
	USD'000							
Goodwill	28 602	28 602	28 602	28 602	-	-	-	-
Other intangible assets	11 251	11 371	11 251	11 371	-	-	-	-
Tangible fixed assets	2 596	3 186	2 596	3 186	-	-	-	-
Other long term assets	104	98	104	98	-	-	-	-
Investments in subsidiaries	-	-	-	-	58 366	58 366	58 366	58 366
Receivables from group enterprises	-	-	-	-	6 844	7 191	6 844	7 191
Deferred tax assets	-	-	-	-	434	761	434	761
Total non-current assets	42 553	43 257	42 553	43 257	65 644	66 318	65 644	66 318
Inventory	7 205	6 862	7 205	6 862	-	-	-	-
Trade receivables	6 880	5 466	6 880	5 466	-	-	-	-
Receivables from group enterprises	-	-	-	-	2 338	454	2 338	454
Other receivables	1 203	981	1 203	981	3	2	3	2
Cash and cash equivalents	2 481	3 053	2 481	3 053	0	0	0	0
Total current assets	17 770	16 361	17 770	16 361	2 340	457	2 340	457
Total assets	60 323	59 619	60 323	59 619	67 984	66 775	67 984	66 775
Total shareholders' equity	27 716	27 452	27 716	27 452	45 711	42 590	45 711	42 590
Deferred tax liabilities	26	497	26	497	-	-	-	-
Bonds	-	24 054	-	24 054	-	24 054	-	24 054
Long-term liabilities other than provision	26	24 551	26	24 551	-	24 054	-	24 054
Current portion of long-term liabilities other than provisions	22 146		22 146		22 146		22 146	
Bank debt	1 544	-	1 544	-	-	-	-	-
Trade payables	6 308	4 956	6 308	4 956	-	-	-	-
Income taxes payable	258	156	258	156	-	-	-	-
Other liabilities	2 325	2 503	2 325	2 503	127	131	127	131
Short-term liabilities	32 580	7 616	32 580	7 616	22 273	131	22 273	131
Total liabilities other than provision	32 607	32 166	32 607	32 166	22 273	24 185	22 273	24 185
Total equity and liabilities	60 323	59 619	60 323	59 619	67 984	66 775	67 984	66 775

Interim changes in equity

USD'000	Group					
	Share capital	Share premium	Retained earnings	Foreign currency translation	Proposed dividend	Total
Balance 1/1 2017	171	41 671	-	13 184	-	28 658
Comprehensive income:						
Net profit for the year	-	-	-	1 612	-	1 612
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	405	-	405
Other comprehensive income	-	-	-	405	-	405
Comprehensive income	-	-	-	1 612	405	1 207
Balance 1/1 2018	171	41 671	-	14 795	405	27 452
Comprehensive income:						
Net profit for the year	-	-	-	771	-	771
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	506	-	506
Other comprehensive income	-	-	-	506	-	506
Comprehensive income	-	-	-	771	506	265
Shareholders' equity at 31/12 2018	171	41 671	-	14 024	-	27 716
USD'000	Parent					
	Share capital	Share premium	Retained earnings	Foreign currency translation	Proposed dividend	Total
Balance 1/1 2017	171	41 671	169	-	-	42 011
Comprehensive income:						
Net profit for the year	-	-	580	-	-	580
Comprehensive income	-	-	580	-	-	580
Balance 1/1 2018	171	41 671	748	-	-	42 590
Addition from capital increases	-	-	-	-	-	-
Options	-	-	-	-	-	-
Transactions with shareholders	-	-	-	-	-	-
Comprehensive income:						
Net profit for the year	-	-	3 121	-	-	3 121
Comprehensive income	-	-	3 121	-	-	3 121
Shareholders' equity at 31/12 2018	171	41 671	3 870	-	-	45 711

Interim Cash flow	Group				Parent			
	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017	Full Year 2018	Full Year 2017	Q4 2018	Q4 2017
EBITDA	5 131	8 072	1 749	1 152	-	27	-	56
Change in working capital	-	232	1 058	589	43	-	3 102	714
Change in financial items	-	1 712	-	2 540	-	458	-	645
Income taxes paid	-	942	-	187	-	306	-	400
Cash flow from operating activities	2 246	6 403	1 573	950	-	1 964	-	714
Additions of intangible assets	-	4 147	-	3 025	-	1 013	-	776
Additions of property, plant and equipment	-	215	-	715	-	63	-	215
Cash flow from investing activities	-	4 362	-	3 739	-	1 076	-	991
Change in debt	-	-	-	-	-	-	-	-
Capital contribution	-	-	-	-	-	-	-	-
Dividend received	-	-	-	-	-	2 500	-	3 500
Change in receivables from group enterprises	-	-	-	-	-	536	-	2 786
Cash flow from financing activities	-	-	-	-	-	1 964	-	714
Net cash flow	-	2 115	2 663	497	-	41	0	0
Cash and cash equivalents at the beginning of period	-	3 053	389	440	-	3 093	-	-
Cash and cash equivalents at the end of period	-	938	3 052	937	-	3 053	0	0
Cash and cash equivalents	-	-	-	-	-	-	-	-
Cash	-	2 481	-	3 053	-	2 481	-	3 053
Bank debt	-	1 544	-	-	-	1 544	-	-
	-	937	-	3 053	-	937	-	3 053
	-	-	-	-	-	-	-	-
	-	0	-	0	-	0	-	0
	-	-	-	-	-	-	-	-
	-	0	-	0	-	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.

Significant accounting Policies

The Interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU and additional Danish disclosure requirements for listed companies.

The accounting policies are, except for the following, consistent with those applied to the consolidated financial statements for 2017.

The consolidated financial statements for 2017 contain a full description of accounting policies.

New and amended standards and interpretations that have become operative:

In its Interim Reports for 2018, 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 2018.

The following standards, amendments to existing standards and interpretations have been implemented:

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

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 new model is based on a five-step process which has been 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 previous 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.

The Group has adopted IFRS 15 using the cumulative effect method, but as the implementation of IFRS 15 has not had significant effect on the Group’s interim consolidated financial statements, as revenue recognition under IFRS 15 is already in line with the Group’s current revenue recognition policies, no effect has been recognized in equity 1 January 2018. The Group’s sales types primarily consist of goods for resale and finished goods and there are no complex discount agreements, variable considerations or other elements that could result in significant reversals of revenue already recognized.

IFRS 9 Financial instruments was issued in July 2014 and is effective for annual periods beginning 1 January 2018. Global Scanning has performed an assessment of IFRS 9, based on which Global Scanning expects no significant impact on recognition and measurement for the Group and the Parent Company. The Group has no derivative financial instruments, but only traditional financial assets and liabilities which mainly relate to trade receivables on which only a few and immaterial losses have incurred in the past and trade payables and bond loans. The Parent Company has not historically realized any significant losses on intra group receivables and the Group companies are in all material aspects able to settle the receivable as they fall due.

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 annual reports:

- IFRS 16 Leases

IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The standard will affect primarily the accounting for the Group's operating leases. As of 31 December 2017, The Group has non-cancellable operating lease commitments of USD 689 KUSD (see note 20).

The analysis of the expected effect of the implementation of the above standard has not yet been completed. The Group has minimal number of lease contracts, but these include leasing of premises and the Group therefore expects IFRS 16 to have some impact on its financial statements.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before the effective date.

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 annual reports.

The interim consolidated financial statements

The interim consolidated financial statements comprise the parent, 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' interim 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.

Development projects

Development projects that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated, and where the intention is to produce, market or use the product or the process, are recognized as intangible assets provided that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the aggregate development costs. Other development costs are expensed in the income statement as incurred.

Significant accounting judgments

The preparation of the interim consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities.

The accounting judgements, estimates and assumptions that the management make are the same for these interim consolidated financial statements as for the consolidated financial statements for 2017.

Segment information

The Group has been making significant investment in developing 3D technology and products. The following tables present revenue and profit information for the Group's operating segments for 2018 and 2017, respectively.

Brand3D. 3D model creation, storage and sharing; 3D product placement in web shops and games. Key reference accounts established in 2018, driving scale in 2019. [BRAND3D](#) [P3D - the Premier Platform for 3D](#)

Shapewatch. 3D body visualization tool allowing users to scan their body, monitor key biometrics, and view their body transformation in 3D. Trials completed. International launch at trade shows in March 2019 with a target market of fitness centers and (non-medical) healthcare. [www.shapewatch.com](#)

ScanDimension: 3D object scanning; first product Sol is a commodity product aimed at the Hobbyist/MakerSpace market enabling the scanning of small objects in 3D, Early Customer Acceptance Testing in progress. Being launched March/April 2019. Website is in progress.

	2018	2D	Brand3D	Shapewatch	Scandimension	3D	Total segments	Adjustments and eliminations	Consolidated
Revenue	42 772	212	-	-	-	212	42 984	-	42 984
Costs of sales	- 24 896	- 68	-	-	-	68	- 24 964	-	- 24 964
Gross Profit	17 876	144	-	-	-	144	18 020	-	18 020
Research and Development	- 2 650	- 40	- 47	- 43	- 131	- 2 781	-	-	2 781
Sales and Marketing	- 3 648	- 1 105	- 441	- 415	- 1 961	- 5 609	-	-	5 609
Support	- 787	-	-	-	-	787	-	-	787
Administration	- 2 852	- 65	- 445	- 219	- 729	- 3 581	- 131	-	3 712
EBITDA	7 939	- 1 066	- 933	- 677	- 2 677	5 262	- 131	-	5 131
Depreciation and Amortization	- 4 058	- 1 000	- 9	-	- 1 009	- 5 067	-	-	5 067
EBIT	3 881	- 2 066	- 942	- 677	- 3 685	196	- 131	-	65
Net Finance charges	-	-	-	-	-	-	- 1 944	-	1 944
Net other financial items	-	-	-	-	-	-	- 2 261	-	2 261
EBT	3 881	- 2 066	- 942	- 677	- 3 685	196	- 186	-	382
Income taxes	-	-	-	-	-	-	- 390	-	390
Net result for the year	3 881	- 2 066	- 942	- 677	- 3 685	196	- 576	-	772

	2017	2D	Brand3D	Shapewatch	Scandimension	3D	Total segments	Adjustments and eliminations	Consolidated
Revenue	39 528	14	-	-	-	14	39 543	-	39 543
Costs of sales	- 19 634	-	-	-	-	-	- 19 634	-	- 19 634
Gross Profit	19 894	14	-	-	-	14	19 909	-	19 909
Research and Development	- 2 461	- 233	- 270	- 401	- 904	- 3 365	- 527	-	3 892
Sales and Marketing	- 3 629	- 472	-	-	- 472	- 4 101	-	-	4 101
Support	- 727	-	-	-	-	727	-	-	727
Administration	- 2 560	- 279	- 139	- 139	- 557	- 3 117	-	-	3 117
EBITDA	10 516	- 969	- 409	- 540	- 1 918	8 598	- 527	-	8 071
Depreciation and Amortization	- 3 712	- 1 000	-	-	- 1 000	- 4 712	-	-	4 712
EBIT	6 805	- 1 969	- 409	- 540	- 2 918	3 887	- 527	-	3 360
Net Finance charges	-	-	-	-	-	-	- 2 013	-	2 013
Net other financial items	-	-	-	-	-	-	- 3 164	-	3 164
EBT	6 805	- 1 969	- 409	- 540	- 2 918	3 887	- 5 704	-	1 817
Income taxes	-	-	-	-	-	-	- 206	-	206
Net result for the year	6 805	- 1 969	- 409	- 540	- 2 918	3 887	- 5 498	-	1 611

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2018 and 31 December 2017, respectively:

	2D	Brand3D	Shapewatch	Scandimension	3D	Total segments	Adjustments and eliminations	Consolidated
Assets at 31/12 2018	55 729	1 299	1 873	932	4 104	59 833	104	59 937
Assets at 31/12 2017	58 104	821	596	-	1 417	59 521	98	59 619
Liabilities at 31/12 2018	8 245	-	-	-	-	8 245	23 975	32 220
Liabilities at 31/12 2017	7 460	-	-	-	-	7 460	24 707	32 167