# Global Scanning A/S

Svanevang 2, 3450 Allerød

CVR nr. 34 61 31 41

# Annual Report

for the financial period 1 January 2018 – 31 December 2018
6th financial year

Adopted at the Annual General Meeting of shareholders
on 23 April 2019

Gunnel Duveblad

Chairman

## Contents

## Company details

**Main office**
Global Scanning A/S
Svanevang 2
3450 Allerød

| | |
|---|---|
| Phone | +45 48 14 11 22 |
| Fax | +45 48 14 01 22 |

**Country of incorporation**
Denmark

**Board of Directors**
Gunnel Ellinor Duveblad (Chairman)
Tomas Håkan Therén
Anne Raaen Rasmussen
Søren Thuun Jensen (employee elected)
Nis Ulrik Engholm (employee elected)

**Executive Board**
Graham James Ohn Tinn (CEO)

| **Shareholders holding 5% or more of the share capital or the voting rights** | **Percentage** |
|---|---|
| Procuritas Capital Investores V LP | 92,5% |

**Ultimative parent**
Procuritas Capital Investors V LP, Guernsey

**Auditors**
Ernst & Young Godkendt Revisionspartnerselskab

**Bankers**
Nordea Bank Danmark A/S

**Statement by the Board of Directors and the Executive Board**

The Board of Directors and the Executive Board have today discussed and approved the annual report of Global Scanning A/S for the financial year 1 January 2018 - 31 December 2018.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company´s financial statements give a true and fair view of the Group´s and the Company's financial position at 31 December 2018 and of the results of the Group´s and the Company's operations and cash flows for the financial period 1 January - 31 December 2018.

Further, in our opinion, the Management's Review includes a true and fair review of the development in the Group's and the Parent Company's operations and financial conditions, of the results for the year and of the financial position of the Group and the Parent Company, as well as a description of the more significant risks and uncertainty facing the Group and the Parent Company.

We recommend that the annual report be approved at the annual general meeting.

Allerød, 23 April 2019

Executive board:

Graham James Ohn Tinn
*(CEO)*

Board of Directors:

Gunnel Ellinor Duveblad
Chairman

Tomas Håkan Therén

Anne Raaen Rasmussen

Søren Thuun Jensen
Employee elected

Nis Ulrik Engholm
Employee elected

## Independent auditor's report

### To the shareholders of Global Scanning A/S

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Global Scanning A/S for the financial year 1 January – 31 December 2018, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to note 4 to the financial statements, in which Management has described that the Parent Company's outstanding bonds, USD 22,146 thousand (nominal SEK 200,000 thousand), are due for redemption at 9 December 2019. The refinancing of the Parent Company's outstanding bonds has not yet been secured. This indicate a material uncertainty that may cast significant doubt on the Parent Company's and the Group's ability to continue as a going concern.

We have not modified our opinion in respect of this matter.

### *Independence*

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

### *Appointment of auditor*

Subsequent to Global Scanning A/S being listed on the Stockholm Stock Exchange, we were initially appointed as auditors of Global Scanning A/S on 27 April 2016. We have been re-appointed annually by resolution of the general meeting for a total consecutive period of three years up to and including the financial year 2018.

**Independent auditor's report**

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2018. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

**Goodwill - Recoverability of the carrying value**

The carrying amount of goodwill related to prior years' acquisitions comprise a significant part of the consolidated balance sheet. The cash-generating units in which goodwill are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, we considered these impairment tests to be a key audit matter.

For details on the impairment tests performed by Management reference is made to note 11 Intangible assets in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the assumptions applied.

We further evaluated the disclosures provided by Management in the financial statements compared to applicable accounting standards.

**Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

**Independent auditor's report**

**Management's responsibilities for the financial statements**

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Independent auditor's report**

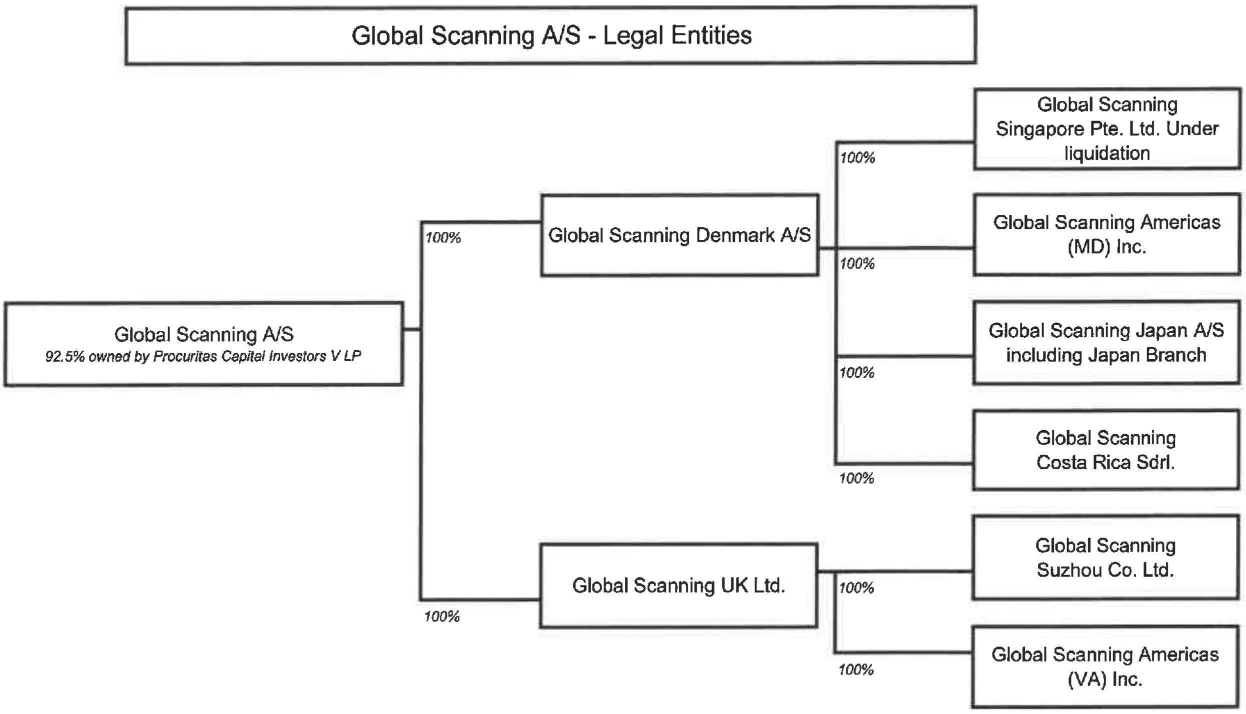
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 23 April 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mogens Andreasen
State Authorised
Public Accountant
mne28603

Alex Nissov
State Authorised
Public Accountant
mne33237

**Financial highlights**




In USD thousands, except ratios, USD rate and number of employees.

| **Key figures group** | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| **Profit & Loss** | | | | | |
| Revenue | 42.984 | 39.543 | 41.623 | 46.016 | 53.000 |
| Operating result | 65 | 3.360 | (2.337) | (1.215) | (917) |
| Net financials | 317 | (5.177) | (453) | (2.871) | (1.956) |
| Net result for the year | 771 | (1.612) | (2.262) | (2.749) | (1.871) |
| **Cash Flows** | | | | | |
| Cash flows from operating activities | 2.299 | 7.216 | 2.169 | 4.475 | 8.668 |
| Cash flow to net investments | (4.415) | (3.641) | (4.130) | (4.108) | (4.093) |
| Hereoff investments in tangible assets | (229) | (690) | (658) | (1.471) | (727) |
| Net cash flow for the year | (572) | 3.575 | (1.960) | (2.909) | 5.144 |
| Cash and cash equivalents at year-end | 2.481 | 3.053 | (522) | 1.438 | 4.347 |
| **Balance sheet** | | | | | |
| Total equity | 27.717 | 27.452 | 28.658 | 29.253 | 31.545 |
| Total assets | 59.937 | 59.619 | 60.153 | 66.805 | 70.769 |
| Solvency Ratio | 46,2% | 46,0% | 47,6% | 43,8% | 44,6% |
| Exchange rate per balance sheet date DKK/USD | 6,52 | 6,21 | 7,05 | 6,86 | 6,11 |
| **Average number of employees** | 170 | 159 | 203 | 202 | 219 |

## Key figures and ratio explanations and definitions

The financial highlights and ratios are defined and calculated in accordance with the online guidance from the Danish Finance Society regarding the calculation of financial highlights and ratios: "Recommendations & Financial Ratios".

Solvency Ratio: (Total shareholder's equity) / (Total Equity and Liabilities)

IFRS 15 and IFRS 9 was implemented in FY2018. Comparisons are not restated.

**Management´s Review**

**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 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. 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. The first revenues have been generated during 2018.

Following the decision to commercialise on three 3D projects, three new business units have been formed in addition to the core 2D business unit. Each unit is being accounted for separately, thereby providing management with the necessary financial data to monitor the progress of each unit, and also enabling the presentation of segmented financial results. Each unit is mostly independent but, where resource is shared (for example top management and facilities), appropriate cross-charging is applied. These new units comprise Brand3D, ScanDimension, and Shapewatch.

Brand3D offers a 3D model creation service, 3D model storage and sharing and 3D product placement in web shops and games. Key reference accounts were established in 2018, resulting in revenues of USD 212,000. The operation will be scaled in 2019 and an increase in revenues is expected.

ScanDimension is addressing 3D object scanning. The first product Sol is a commodity product aimed at the Hobbyist / MakerSpace market enabling the scanning of small objects in 3D. This product will be launched in April 2019 and first revenues are expected in 2019.

Shapewatch comprises a 3D body visualization tool allowing users to scan their body, monitor key biometrics, and view their body transformation in 3D. The product will be launched at international trade shows in March and April 2019 with a target market of fitness centres and (non-medical) healthcare. First revenues are expected in 2019.

**Net profit for the year**

The Group´s revenue was in line with expectations, and increased to USD 42.984 thousand from USD 39.543 thousand in 2017.

The operating profit showed a profit of USD 65 thousand influenced by non-capitalized 3D costs of USD of 2.677 thousand. In 2017 the operating profit showed a profit of USD 3.360 thousand influenced by non-capitalized 3D cost of USD 1.918 thousand.

The profit for the year before tax is USD 382 thousand against a deficit of USD 1.817 thousand in 2017 KUSD influenced by an unrealized exchange gain from bond debt USD 2.111 thousand, due to decrease in SEK compared to USD.

The net result before tax for the year in the parent company amounts to a profit of USD 3.124 thousand (USD 235 thousand profit in 2017) which mainly consists of dividend from subsidiaries and a unrealized exchange gain from bond debt USD 2.111 thousand, due to decrease in SEK compared to USD .

**Management´s Review, continued**

**Financial position**

**Liquidity and capital resources**

The balance sheet total at 31 December 2018 was USD 59.937 thousand compared to USD 59.619 thousand in 2017. Cash and cash equivalents at 31 December 2018 is positive by USD 937 thousand and the unused credit facilities including cash and cash equivalents total USD 2.471 thousand.

Movements in the DKK/USD and RMB/USD rate during 2019 can have a limited impact on the Group´s operating profit.

**Capital structure**

**Equity and gearing**

The Company's capital structure is as follows:

| | 2018 USD'000 | 2017 USD'000 |
|---|---|---|
| **Debt** | | |
| Interest-bearing loans and other borrowings | 23.690 | 24.054 |
| Cash | 2.481 | 3.053 |
| Net debt | 21.209 | 21.001 |
| Total equity | 27.717 | 27.452 |
| Total capital employed | 48.926 | 48.453 |

**Debt profile**

The Company's financial debt profile is as follows:

| | 2018 USD'000 | 2017 USD'000 |
|---|---|---|
| Short-term liabilities: | | |
| Bonds (Redemption December 2019) | 22.146 | 0 |
| Bank debt | 1.544 | 0 |
| Long-term liabilities: | | |
| Bonds (Redemption December 2019) | 0 | 24.054 |
| Bank debt | 0 | 0 |
| | 23.690 | 24.054 |

In December 2015, the Parent company issued SEK 200,000,000 (equal to USD 22,146 thousand) in corporate bonds which are traded on the Stockholm Nasdaq exchange.

The outstanding bonds, USD 22,146 thousand is due for redemption on 9th December 2019 and the Group will need to complete a re-financing agreement in order to have sufficient fund to complete this redemption. The Group's cash flow budget for 2019 does not support repaying the outstanding bonds. The Group has appointed Pareto Securities AB to assist in securing the re-financing as planned.

The Group has as 31 December 2018, USD 2,471 thousand in cash and cash equivalents including unutilized credit facilities. The Group´s ability to continue as a going concern is dependent upon refinancing of the Parent Company´s outstanding bonds. The Management believes that the refinancing of the outstanding bonds will be secured in due time in 2019.

Since the re-financing has not yet been secured a material uncertainty exists that may cast significant doubt on the Parent Company's and the Group's ability to continue as a going concern, and therefore, the Parent Company and the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management believes that the refinancing of the outstanding bonds will be secured in due time in 2019. On this basis Management Assessment concludes that the Group will be able to comply with its financial covenants and continue as a going concern during 2019.

**Management's Review, continued**

For further information see note 4.

**Research and development**
Research and development expenses in 2018 amounted to USD 6.885 thousand (2017: USD 6.205 thousand) equal to 16.0% of the revenue (2017:15.7%). The Group has, during the year, developed new product platforms for both scanners and software. Of the costs incurred USD 4.105 thousand was capitalized.

In 2018 R&D has focused on developing and introducing 1 new platform within 2D, covering the high segment productivity market. At the same time, more and more resources have been used to explore the world of 3D scanning where the investments have been made in 3 different 3D projects. Brand3D based on a 3D online sharing platform; Scan Dimension an easy-to-use, customer-operated, affordable system for 3D scanning of small objects; Shapewatch a low-cost, easy-to-use, customer-operated, smartphone and cloud-based system for tracking body shape.

The development will continue with a further strengthening of the product program.

It is the Group's opinion that it has gained a competitive edge with its product portfolio.

**Risk Management**
At Global Scanning risk management is an integrated part of the operational activities with a view to reducing the uncertainty of the Group's strategic objectives being met.

The key risks are summarized by the following main areas:

- Industry and market risks
- Financial risks (currency, interest rates, liquidity)
- Credit risks (financial institutions and commercial receivables)
- Environmental risks

A detailed description of the Group's risks is provided in note 24. Financial risk – management objectives and policies.

**Industry and market risks**
Global Scanning minimizes industry and market risks through (1) using numerous routes to market under a number of different brands which include two own brands in parallel with OEM contracts with major global suppliers; (2) continuing to invest in research and development to ensure the company's technology base and products are state-of-the-art; and (3) manufacturing in a low cost environment to ensure products carry a low cost and can be competitively priced.

The Group's European logistics center is currently based in the UK. A contingency plan is in place in case of a Hard Brexit. Inventory can be moved very quickly from the UK to a centre within the EU.

**Environmental risks**
Global Scanning manages risks concerning the environment by (1) ensuring the company's manufacturing operations are fully compliant with relevant international standards and (2) ensuring that all of the company's products meet relevant international standards.

**Control and risk management measures in connection with the presentation of accounts**
The Company's internal control and risk management systems in connection with the presentation of the accounts are as outlined below.

**Control measures**
The Company has established a formal corporate report process to incorporate monthly reporting such as a budget follow up, an assessment of performance and compliance of agreed targets. In addition to this a central corporate function is responsible for the control of reports from subsidiaries.

It is not the Board of Directors assessment that the establishment of an internal auditing department is warranted at present in view of the limited complexity of the company and the transparency in reporting.

**Management´s Review, continued**

**Information and communication**

The Board of Directors emphasize that whilst observing the confidentiality of a listed company an open communication exist within the corporation and that each individual is familiar with their role in the internal control.

Business units have been established within the corporation; each with the responsibility for their own strategies, action plans and budgets. This division ensures an efficient follow up and distribution of responsibility within the corporation.

The Company does not have a formal accounting manual in view of the limited complexity of the company but reporting instructions are continually updated and communicated to all relevant employees.

The instructions include entry instructions and procedures for balancing of accounts and analysis, control of assets as well as a policy for the granting of credit and approval of fixed asset investment. Major changes are communicated to all financial controllers in writing. The corporate information system has been designed to continuously gather and communicate relevant information, reports etc. while observing the confidentiality of a listed company, to enable individuals to perform their duties and controls in an efficient and reliable manner.

**Supervision**

Ongoing evaluation of management takes place on all levels of the corporation. The scope and frequency of the periodic evaluation depend largely on a risk assessment and the efficiency of the ongoing evaluation. The elected auditors report significant weaknesses in the internal control measures in connection with presentation of accounts to the board of directors through the audit minutes. Minor issues are reported in Management Letters to the directors who then brief the Board of Directors.

The Board of Directors meets with the auditors annually without management attendance.

**Outlook**

Global Scanning A/S has a strong global market position, including opportunities for further profitable growth. A continued focus on R&D investments will enhance the competitive advantages.

In 2019 the Group expects the revenue to be in line with 2018 and a profit before tax close to zero depending on the introduction of the new 3D products.

The outlook is based on the following underlying assumptions:

- Expectation of stable market conditions on the 2D scanning market
- Unchanged F/X correlation between USD/SEK/DKK/RMB

**Subsequently events**

No post balance sheet events have occurred which could materially affect the assessment of the Group´s and the Parent´s financial position.

**Management´s Review, continued**

**Management Duties**
**Board of Directors**
Gunnel Ellinor Duveblad (Chairman)

- Team Olivia Group AB (Chairman)
- HiQ International AB (Chairman)
- Foundation Ruter Dam (Chairman)
- Sweco AB (Board Member)
- Dustin Group AB (Board Member)
- Kindred Group Plc. (Board Member)
- Accessio AB (Board Member)

Tomas HåkanThéren

- Procuritas Capital Investors VI Holding AB (Board Member)
- SEM AB (Board Member)
- DSI Holding A/S (Board Member)

Anne Raaen Rasmussen

- Solgaarden Holding ApS (Chief Executive Officer)

Søren Thuun Jensen

- None

Nis Engholm

- Frederiksborg Søpark Antenneforening (Alternate Board Member)

**Gender composition of management**
The Board of Directors in the parent company consists, apart from the employee elected board members, of 2 women (67%) and 1 man (33%) and in the Danish subsidiary consists of 1 woman (33%) and 2 men (67%). A gender balance is expected to be maintained in the future.

Management has adopted a policy to increase the share of the under-represented sex to the other levels of management, which includes the company expanded executive and middle management. The policy sets internal targets for the proportion of female managers and the policy also provides guidelines for the recruitment and retention of women leaders in the Danish subsidiary.

Specifically, the company has initiated several actions to increase the proportion of female managers:
• Personnel policy that promotes career opportunities for both sexes
• Recruitment procedures, which help to ensure a level recruitment opportunities for both sexes

The initiatives has been implemented in 2013 and has not yet had an effect, and the proportion of female managers at other levels of management is 20%.

**Management´s Review, continued**

The company expects as a result of the initiatives put in place that the proportion of female managers at other management levels will rise slightly in the coming years.

**Corporate Social Responsibilities**

| Global Scanning Corporate Social Responsibility | Policy | Implementation / Audit / Other activities | Risk Assessment / Mitigation | KPI(s) | Performance |
|---|---|---|---|---|---|
| Human Rights | GS will comply with all existing labour legislation and collective agreements wherever GS operates. This will include freedom of association and assembly, the elimination of forced and compulsory labour, the use of child labour, as well as the elimination of discrimination in respect of the employees gender, race, religious beliefs or political affiliation | This GS policy is stated in the Code of Conduct. There is a dedicated staff association in China and access to unions / associations elsewhere. In 2018 all new employees have been introduced to the Code of Conduct. | Gender balance is the greatest risk - particulary in Engineering which is male dominant. The Group will monitor carefully, promote non-discrimination, and encourage female participation in Engineering | Divergence of employees<br>Union / association membership<br>Employee age audit (i.e. "above x years") | The GS factory (111 FTE) is 100% Chinese with a mix of *76.6% male and 23.4% female*. Other office locations (69 FTE) are predominantly staffed by nationals but Denmark does employ *3 Indians, 2 Italians, 1 Dutch, 1 Chinese and 1 English (87% male and 13% female)*. |
| Working Conditions | GS will ensure that its offices and factory are safe and healthy places for its employees; GS will focus on measures to prevent employees being over-worked and incurring any work-related injuries. GS will comply with all relevant work-place legislation. GS will seek to provide an environment to assist with job satisfaction for all employees | Health and safety regulations in all revelant countries are monitored by the local manager and measures are taken to ensure compliance<br>A job satifaction survey will be conducted on an annual basis. | The China factory represents the highest safety risk; the factory GM coordinates with the local authorities in China to ensure a safe working environment | Accident Report Logs<br>Time Sheet Compliance Audit<br>Local authority inspection results<br>Employee satisfaction | *Accident Report Logs show no significant accidents in 2018*<br>*No excessive overtime has been forced on staff*<br>*No reprimands from local authorities on safety*<br>*Employee satisfaction survey was positive* |
| Environment & Climate | GS will comply with all existing environmental and climate legislation wherever it operates or sells product. The GS factory site is certified under ISO 14001 environmental management standard. All GS products will comply with ROHS, REACH, WEEE standards. Whenever possible, GS products will comply with Energy Star standards | Environmental and climate regulations in all revelant countries are monitored by the local manager and measures are taken to ensure compliance. Engineering is fully aware that all products must comply with international green standards | Failure of the factory to meet ISO 14001 standards - factory GM is aware and will ensure compliance; the risk is low due the factory being assembly-only<br>Chinese suppliers also represent a risk in terms of pollution - green credentials are part of qualification | ISO 14001 Certification<br>Product compliance<br>Energy and water consumption | GS factory retained its ISO 14001 certification in 2018. All GS product complied with ROHS, REACH and WEEE directives. Products were labelled as Energy Star compliant wherever appropriate. *Energy and water consumption was on-target* |
| Finance & Business<br>Anti-Corruption | GS works against all forms of corruption, including extortion and bribery. GS's activities will be in compliance with existing anti-corruption legislation, irrespective of geographical area. All employees and suppliers will be advised of this policy and that any breach of this policy will result in termination of employment or approved vendor status | This GS policy is stated in the Employee Handbook/Code of Conduct. All employess and suppliers are required to sign that they understand this policy, that they will comply, and that they accept the serious consequences should they fail to comply | GS operates in China where the risks of corruption (historically) have been high - the CEO and the factory GM remain highly vigilant.<br>The risk elsewhere is considered to be low. | Complaints/reports from suppliers or customers on employee behaviour; evidence of employee attempts to solicit bribes<br>Complaints / reports from employees on supplier behaviour; evidence of supplier attempts at bribery | *In 2018, no complaints/reports were received from either suppliers, customers or employees.*<br>Management sees no evidence of attempts at corruption by suppliers, customers or employees |
| Anti-Trust | GS´s business will be conducted in full compliance with existing local and international competition law wherever GS operates or sells products. GS Executive will be responsible for this compliance and will seek legal advice if deemed necessary | The GS CEO and CFO take direct responsibility for ensuring that GS does not breach any anti-trust laws | GS will always seek legal advice if there is any indication that GS may be in breach of anti-trust laws | No Anti-trust complaints/proceedings | No complaints or proceedings were filed against GS in 2018 |
| Tax | GS operates in a number of countries and will therefore comply with relevant international and national rules and legislation on direct taxes, indirect taxes and custom duties. GS will establish a clear transfer pricing structure which does not manipulate local profits. GS will not endeavour to set up tax avoidance schemes. GS will be open with all tax authorities | *The GS CFO takes direct responsibility for all tax affairs and ensures full compliance.* | China represent the highest risk of tax mis-doings; however, EY does a full audit annually - which is reviewed by EY in the UK and EY in Denmark.<br>Transfer pricing policy can be an area open for interpretation - the CFO takes responsibility | All tax returns, reports and payments were made to the satisfaction of all relevant tax authorities.<br>Transfer pricing policies and documentation accepted by all interested parties | All 2018 tax affairs were handled to the satisfaction of all relevant tax authorities. GS's transfer pricing policy and documentation was send for review to the Danish authorities - No respond yet from the authorities |

## Statement of profit and loss
## for the year ended 31 December

| | Notes | Group 2018 USD´000 | Group 2017 USD´000 | Parent 2018 USD´000 | Parent 2017 USD´000 |
|---|---|---|---|---|---|
| Revenue | | 42.984 | 39.543 | 0 | 0 |
| Production costs | 6 | (32.928) | (28.301) | 0 | 0 |
| **Gross profit** | | **10.056** | **11.241** | **0** | **0** |
| Distribution costs | 6 | (6.421) | (4.765) | 0 | 0 |
| Administrative costs | 6 | (3.581) | (3.117) | (663) | (472) |
| Other operating income | 7 | 11 | 0 | 636 | 416 |
| **Operating result** | | **65** | **3.360** | **(27)** | **(56)** |
| Financial income | 8 | 2.767 | 251 | 5.316 | 4.186 |
| Financial expenses | 9 | (2.450) | (5.428) | (2.165) | (3.895) |
| **Result before tax** | | **382** | **(1.817)** | **3.124** | **235** |
| Income taxes | 10 | 390 | 206 | (2) | 345 |
| **Net result for the year** | | **771** | **(1.612)** | **3.122** | **580** |

## Statement of other comprehensive Income

| | Notes | Group 2018 USD´000 | Group 2017 USD´000 | Parent 2018 USD´000 | Parent 2017 USD´000 |
|---|---|---|---|---|---|
| **Net profit for the year** | | 771 | (1.612) | 3.122 | 580 |
| **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 | 0 | 0 |
| **Total comprehensive income for the year, net of tax** | | **266** | **(1.207)** | **3.122** | **580** |

## Balance sheet
**at 31 December**

| | Notes | Group 2018 USD´000 | Group 2017 USD´000 | Parent 2018 USD´000 | Parent 2017 USD´000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Goodwill | | 28.602 | 28.602 | 0 | 0 |
| Development costs | | 8.187 | 7.591 | 0 | 0 |
| Customer relations | | 1.134 | 1.791 | 0 | 0 |
| License rights and patents | | 1.930 | 1.989 | 0 | 0 |
| **Total intangible assets** | 11 | 39.853 | 39.973 | 0 | 0 |
| **Property, plant and equipment** | | | | | |
| Land and buildings | | 1.546 | 1.670 | 0 | 0 |
| Leasehold improvements | | 385 | 609 | 0 | 0 |
| Plant and machinery | | 5 | 0 | 0 | 0 |
| Other plant, operating equipment etc. | | 662 | 907 | 0 | 0 |
| **Total property, plant and equipment** | 12 | 2.597 | 3.186 | 0 | 0 |
| **Financial assets** | | | | | |
| Investments in subsidiaries | 13 | 0 | 0 | 58.366 | 58.366 |
| Receivable from group enterprises | | 0 | 0 | 6.844 | 7.191 |
| Deferred tax assets | 16 | 0 | 0 | 434 | 761 |
| Other long term assets | | 104 | 98 | 0 | 0 |
| **Total financial assets** | | 104 | 98 | 65.644 | 66.318 |
| **Total non-current assets** | | 42.554 | 43.257 | 65.644 | 66.318 |
| **Current assets** | | | | | |
| **Inventories** | | | | | |
| Raw materials and consumables | | 4.557 | 4.478 | 0 | 0 |
| Work in progress | | 0 | 0 | 0 | 0 |
| Finished goods | | 2.648 | 2.384 | 0 | 0 |
| **Total inventories** | 14 | 7.205 | 6.862 | 0 | 0 |
| **Receivables** | | | | | |
| Trade receivables | 15 | 6.880 | 5.466 | 0 | 0 |
| Receivable from group enterprises | | 0 | 0 | 2.338 | 454 |
| Other receivables | | 0 | 0 | 0 | 0 |
| Income tax receivable | 18 | 0 | 0 | 0 | 0 |
| Prepayments | | 816 | 981 | 3 | 2 |
| **Total receivables** | | 7.697 | 6.447 | 2.340 | 456 |
| **Cash and cash equivalents** | | 2.481 | 3.053 | 0 | 0 |
| **Total current assets** | | 17.383 | 16.362 | 2.340 | 456 |
| **Total assets** | | 59.937 | 59.619 | 67.984 | 66.775 |

## Balance sheet
**at 31 December**

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Notes | USD´000 | USD´000 | USD´000 | USD´000 |
| **Equity and liabilities** | | | | | |
| **Shareholders´ equity** | | | | | |
| Share capital | | 171 | 171 | 171 | 171 |
| Share premium | | 41.671 | 41.671 | 41.671 | 41.671 |
| Reserve for foreign currency translation | | (101) | 405 | 0 | 0 |
| Retained earnings | | (14.024) | (14.795) | 3.870 | 749 |
| **Total shareholders´equity** | | 27.717 | 27.452 | 45.712 | 42.591 |
| **Liabilities other than provisions** | | | | | |
| Deferred tax liabilities | 16 | 27 | 497 | 0 | 0 |
| Bonds | 17 | 0 | 24.054 | 0 | 24.054 |
| **Long-term liabilities other than provisions** | | 27 | 24.551 | 0 | 24.054 |
| Bonds | 17 | 22.146 | 0 | 22.146 | 0 |
| Bank debt | 17 | 1.544 | 0 | 0 | 0 |
| Trade payables | | 6.308 | 4.956 | 0 | 0 |
| Income taxes payable | 19 | 258 | 156 | 0 | 0 |
| Other liabilities | | 1.937 | 2.504 | 126 | 130 |
| **Short-term liabilities** | | 32.193 | 7.616 | 22.272 | 130 |
| **Total liabilities other than provisions** | | 32.220 | 32.167 | 22.272 | 24.184 |
| **Total equity and liabilities** | | 59.937 | 59.619 | 67.984 | 66.775 |

| | |
|---|---|
| Liabilities from financing activities | 18 |
| Contingent assets and liabilities and other financial obligations | 20 |
| Foreign currency in the balance sheet | 21 |
| Financial assets and liabilities | 22 |
| Share capital and reserves | 23 |
| Financial risk - management objectives | 24 |
| Related party transactions | 25 |

## Changes in equity

USD´000

| Group | Share capital | Share premium | Retained earnings | Reserve for foreign currency translation | Proposed dividend | Total |
|---|---|---|---|---|---|---|
| **Balance 1/1 2017** | 171 | 41.671 | (13.184) | 0 | 0 | 28.658 |
| **Transactions with shareholders:** | | | | | | |
| Addition from capital increases | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 |
| **Transactions with shareholders** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Comprehensive income:** | | | | | | |
| Net profit for the year | 0 | 0 | (1.612) | 0 | 0 | (1.612) |
| **Other comprehensive income:** | | | | | | |
| Exchange differences on translation of foreign operations | 0 | 0 | 0 | 405 | 0 | 405 |
| Valuation adjustment for the year, cash flow hedges | 0 | 0 | 0 | 0 | 0 | 0 |
| Valuation adjustment reclassified to production, distributioi | 0 | 0 | 0 | 0 | 0 | 0 |
| Valuation adjustment reclassed to financial items | 0 | 0 | 0 | 0 | 0 | 0 |
| Income tax effect | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other comprehensive income** | 0 | 0 | 0 | 405 | 0 | 405 |
| **Comprehensive income** | 0 | 0 | (1.612) | 405 | 0 | (1.207) |
| **Balance 1/1 2018** | 171 | 41.671 | (14.795) | 405 | 0 | 27.452 |
| **Comprehensive income:** | | | | | | |
| Net profit for the year | 0 | 0 | 771 | 0 | 0 | 771 |
| **Other comprehensive income:** | | | | | | |
| Exchange differences on translation of foreign operations | 0 | 0 | 0 | (506) | 0 | (506) |
| Valuation adjustment for the year, cash flow hedges | 0 | 0 | 0 | 0 | 0 | 0 |
| Valuation adjustment reclassified to production, distributioi | 0 | 0 | 0 | 0 | 0 | 0 |
| Valuation adjustment reclassed to financial items | 0 | 0 | 0 | 0 | 0 | 0 |
| Income tax effect | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other comprehensive income** | 0 | 0 | 0 | (506) | 0 | (506) |
| **Comprehensive income** | 0 | 0 | 771 | (506) | 0 | 266 |
| **Shareholders´equity at 31/12 2018** | 171 | 41.671 | (14.024) | (101) | 0 | 27.717 |

USD´000

| Parent | Share capital | Share premium | Retained earnings | Reserve for foreign currency translation | Proposed dividend | Total |
|---|---|---|---|---|---|---|
| **Balance 1/1 2017** | 171 | 41.671 | 169 | 0 | 0 | 42.011 |
| **Transactions with shareholders:** | | | | | | |
| Addition from capital increases | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 |
| **Transactions with shareholders** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Comprehensive income:** | | | | | | |
| Net profit for the year | 0 | 0 | 580 | 0 | 0 | 580 |
| **Comprehensive income** | 0 | 0 | 580 | 0 | 0 | 580 |
| **Balance 1/1 2018** | 171 | 41.671 | 749 | 0 | 0 | 42.591 |
| **Transactions with shareholders:** | | | | | | |
| Addition from capital increases | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 |
| **Transactions with shareholders** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Comprehensive income:** | | | | | | |
| Net profit for the year | 0 | 0 | 3.122 | 0 | 0 | 3.122 |
| **Comprehensive income** | 0 | 0 | 3.122 | 0 | 0 | 3.122 |
| **Shareholders´equity at 31/12 2018** | 171 | 41.671 | 3.870 | 0 | 0 | 45.712 |

## Cash flow statement

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | USD´000 | USD´000 | USD´000 | USD´000 |
| Operating profit/loss | 65 | 3.360 | (27) | (56) |
| Amortisation/Depreciation | 5.124 | 4.597 | 0 | 0 |
| EBITDA | 5.189 | 7.956 | (27) | (56) |
| Change in inventory and receivables | (1.593) | 29 | (1) | 5 |
| Change in trade payables | 1.352 | 2.263 | 0 | 0 |
| Change in other current liabilities | (562) | (1.080) | 115 | 356 |
| Interest received | 222 | 251 | 627 | 686 |
| Interest paid | (2.289) | (2.204) | (2.003) | (1.828) |
| Income taxes received/(paid) | (19) | 0 | 325 | 124 |
| **Cash flow from operating activities** | 2.299 | 7.216 | (964) | (714) |
| Additions of intangible assets | (4.228) | (3.005) | 0 | 0 |
| Additions of property, plant and equipment | (229) | (690) | 0 | 0 |
| Disposals of property, plant and equipment | 42 | 54 | 0 | 0 |
| Acquisition of activities, net cash outflow | 0 | 0 | 0 | 0 |
| Dividend received | 0 | 0 | 2.500 | 3.500 |
| Group contribution | 0 | 0 | 0 | (5.000) |
| Change in receivables from group enterprises | 0 | 0 | (1.536) | 2.214 |
| **Cash flow from investing activities** | (4.415) | (3.641) | 964 | 714 |
| Proceeds from borrowings | 0 | 0 | 0 | 0 |
| Repayment of borrowings | 0 | 0 | 0 | 0 |
| Dividend paid | 0 | 0 | 0 | 0 |
| Change in operating credits | 1.544 | 0 | 0 | 0 |
| Change in payables to parent company | 0 | 0 | 0 | 0 |
| Change in non-current liabilities | 0 | 0 | 0 | 0 |
| **Cash flow from financing activities** | 1.544 | 0 | 0 | 0 |
| **Net cash flow for the year** | (572) | 3.575 | 0 | 0 |
| Cash and cash equivalents at 1/1 2018 | 3.053 | (522) | 0 | 0 |
| Net cash flow for the year | (572) | 3.575 | 0 | 0 |
| **Cash and cash equivalents at 31/12 2018** | 2.481 | 3.053 | 0 | 0 |
| **Cash and cash equivalents at 31/12 2018** | | | | |
| Cash | 2.481 | 3.053 | 0 | 0 |
| | 2.481 | 3.053 | 0 | 0 |
| **Unutilised portion of credit facilities including cash and cash equivalents** | 2.471 | 1.611 | | |

**Notes**

**Note 1 Accounting policies**

The Annual Report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU with effect as of 1 January 2018 and additional disclosure requirements in the Danish Financial Statement Act 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.

**New and amended standards and interpretations that have become operative:**
In its Annual Report 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 in the Group's Annual Report for 2018:

- IFRS 9 Financial instruments and amendments to IFRS 9, IFRS 7 and IAS 39
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs 2014-16 Cycle

None of the above mentioned standards, amendments to existing standards and interpretations have had any effect on recognition and measurement in Global Scanning A/S' annual report:

IFRS 9 Financial instruments was issued in July 2014 and is effective for annual periods beginning 1 January 2018.

IFRS 9 requires the Group to record expected credit losses on all its trade receivables, either on a 12-month or lifetime basis. The Group and Parent Company applied the simplified method upon adoption of IFRS 9 on 1 January 2018 and record lifetime expected losses on all trade receivables. Based on the portfolio of financial assets and liabilities and the historical low realized loss on trade receivables, the adoption of the new standard did not have a material impact on the Group's financial statements and therefore no effect on retained earnings at 1 January 2018. The new standard has introduced expanded disclosure requirements and changes in presentation, which are adopted in the annual report 2018

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.

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 must be applied to all contracts with customers in order to identify when and how revenue is to be recognized in the income statement.

The standard is effective for annual periods beginning 1 January 2018, and has been implemented using the modified retrospective method, which means that the cumulative impact, if any, is recognized in retained earnings as of 1 January 2018 and that comparative figures are not restated.

The new standard have not any effect on the recognition and measurement of the Group's sales-types, which primarily consist of goods for resale and finished goods with no complex discount agreements, variable considerations or other elements that could result in significant reversals of revenue already recognized.

**Notes**

**Note 1 Accounting policies, continued**

**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 2019:

- IFRS 16 Leases
- IFRS 3 Business combinations – amendments to IFRS 3
- IFRIC 23 Uncertainty over income tax treatments
- Annual Improvements to IFRSs 2015-2017 Cycle

New and amended standards are expected to be implemented by their effective dates. Of the above mentioned standards, amendments to existing standards and interpretations, only IFRS 16 are expected to affect Global Scanning A/S' future annual reports

IFRS 16 is effective for financial years commencing on or after 1 January 2019. The Group has not adopted the standard before the effective date.

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 2018, The Group has non-cancellable operating lease commitments of USD 429 KUSD (see note 20).

The Group plans to adopt the new standard of 1 January 2019 using the modified retrospective method, which means that the cumulative impact, if any, of the adoption will be recognized in retained earnings as of 1 January 2019 and that comparative figures will not be restated.

Global Scanning A/S has completed a detailed analysis of the potential impact of the new standard on the Group, using a discount rate of 4 % p.a. equal to the group´s external average interest rate on bank loans. Based on the analysis the Group expects to recognize Right Of Use Assets and corresponding lease liability of USD 1,987 thousand, equal to 3.4 % of the balance sheet. As per 1 January 2019 the expected impact on Equity is 0 USD and the expected impact on profit/loss for the year will not be material compared to the expected profit/loss for 2019.

The expected total lease payment (interest and installments) in 2019, USD 451 thousand, will according to IFRS16 be presented as finance activity.

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

**Business combinations**
Recently acquired or sold subsidiaries are recognized in the 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.

**Notes**

**Note 1 Accounting policies, continued**

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.

**Currency translation**
Transactions in foreign currency are translated into USD at the exchange rate at the date of the transaction.

**Foreign subsidiaries**
The accounts of foreign subsidiaries are translated according to the following principles:

Balance sheet items are translated at closing rates. The income statement is translated at the rates at the date of the transaction. Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the income statement from the rate at the date of the transaction to the closing rate are taken directly through equity.

**Derivative financial instruments**
The Group enters into forward exchange contracts to hedge the future value of its cash flows. Upon initiation of contracts, the Group classifies each contract that qualifies for hedge accounting as a hedge for a specific hedged financial transaction or firm commitment.

On initial recognition, all forward exchange contracts are measured at cost and subsequently re-measured at their fair value at the balance sheet date. The value adjustments on forward contracts designated as hedges are taken directly to equity, given hedge effectiveness. The value adjustments on those forward contracts that do not meet the requirements of IAS 39 for hedge accounting are recognized directly in the income statement under financial income/expenses.

**Revenue**
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

**Sales of goods**
Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

**Rendering of services**
Revenue from service contracts is allocated over the service period

**Production costs**
Production costs comprise the direct production costs and production overheads relation to revenue and direct costs and costs of labor for product development, which have not been capitalized according to IAS 38.

**Distribution costs**
Distribution costs comprise the expenses relation to distribution and sale of products, salaries to the sales staff, advertising and exhibition expenses etc.

**Administrative expenses**
Administrative expenses comprise expenses for the administrative staff and management including office expenses, salaries etc.

**Notes**

**Note 1 Accounting policies, continued**

**Other operating income**
Other operating income comprises income of secondary nature in relation to the activities of the Company, including rental income, sale of scrap and gain on sale of fixed assets.

**Amortization/depreciation and write-downs**
Depreciation and write-downs include depreciation and write-downs of intangible assets and property, plant and equipment.

Property, plant and equipment include land and building, plant and machinery, other fixture and fittings, tools and equipment and leasehold improvement.

Land is recorded at cost and is not depreciated.

Intangible assets include development costs and patents.

Intangible assets and property, plant and equipment are amortized/depreciated on a straight-line basis on the basis of the cost, measured by reference to the following assessment of the useful life of the assets:

| | Years |
|---|---|
| Goodwill | Indefinite |
| Development costs | 3 |
| Customer relations | 3-10 |
| License rights and patents | 5-20 |
| Buildings | 30 |
| Leasehold improvements | 3 |
| Plant and machinery | 4-8 |
| Other plant, operating equipment etc. | 2-6 |

**Parent company dividend**
Dividend from subsidiaries is recognized fully in the profit and loss statement at the time of distribution.

**Net financials**
Financial income and expenses are recognized in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realized and unrealized capital and exchange gains and losses in foreign currency transactions and surcharges and allowances under the advance-payment -of-tax scheme, etc.

**Tax**
Tax for the year includes current tax on the year´s expected taxable income and the year´s deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

Current and deferred taxes related to items recognized directly in the equity are taken directly on the equity.

The parent company and all Danish group enterprises are jointly taxed. The Danish corporation tax charge is allocated between profit-making and loss-making Danish enterprises in proportion to their taxable income (full allocation).

**Intangible assets**
Intangible assets comprise goodwill with indefinite useful life and of development costs, customer relations and license rights and patents with finite useful life.

**Notes**

**Note 1 Accounting policies, continued**

**Goodwill**
Goodwill is measured at cost less accumulated write-downs

Goodwill is tested for impairment annually or when there are indications of decreases in value. The impairment test is made for the activity or business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or the business area to which the goodwill relates (recoverable amount) if it is lower than the carrying amount.

**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.

Development costs are measured at direct costs.

An impairment test is made for acquired intangible assets if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment test is made at yearend for intangible assets that are not ready for use.

**Customer relations, license rights and patents**
Customer relations, license rights and patents are measured at cost less accumulated amortization and write-downs.

An impairment test is made for acquired intangible assets if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment test is made at yearend for intangible assets that are not ready for use.

**Property, plant and equipment**
Property, plant and equipment comprise land and buildings, production equipment, machinery and other fixtures, fittings, tools and equipment and leasehold improvements. Property, plant and equipment are measured at cost less accumulated depreciation and write-downs.

An impairment test is made for property, plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

**Investments**
The value of investments in subsidiaries is stated in the parent company´s financial statement according to the cost method. Investments are tested for impairment if there is any indication of decreases in value.

**Inventories**
Inventories are measured at the lower cost (FIFO basis) and net realizable value.

Raw materials and consumables are measured at cost.

Work in progress and finished goods are measured at manufacturing cost, which includes the cost of materials and direct payroll costs plus production overheads.

**Notes**

**Note 1 Accounting policies, continued**

**Receivables**
Trade receivables are measured at the lower of amortized cost, which essentially corresponds to the nominal account receivable, and net realizable value.
Write-downs on trade receivables are based on the simplified expected credit loss model.

Credit loss allowances on individual receivables are provided for when objective indications of credit losses occurs such as customer bankruptcy and uncertainty about the customers´ ability and/or willingness to pay etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

**Prepayments**
Prepayments recognized under assets comprise prepaid expenses

**Shareholders´ equity**
Dividends proposed for the reporting period are presented as a separate item under Shareholders´ equity. Purchase and sales amounts for treasury shares are recognized directly on equity.

**Income taxes**
Current tax charges are recognized in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years´ taxable income and tax paid in advance.

Provisions for deferred tax are calculated of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations for the taxable income.

Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

**Liabilities**
Financial liabilities are recognized at the inception of the loan at the proceeds received net of transaction costs incurred. Interest-baring debt is subsequently measured at amortized cost, using the effective interest rate method at the time of the inception.

Other non-financial liabilities are measured at net realizable value.

**Cash flow**
The cash flow statement shows the enterprise´s net cash flows, the year´s changes in cash and cash equivalents and the enterprise´s cash and cash equivalents at the beginning and at the end of the year.

Cash flow from operation activities are presented using the indirect method and are made up as the net profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid financial and extraordinary expenses and paid income taxes.

Cash flow from investing activities comprises payments related to additions and disposals of fixed assets, securities related to investing activities.

Cash flow from financing activities comprises dividends paid to shareholders, capital increases and reductions and the raising of loans and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and near money securities in respect of which the rest of changes in value are insignificant.

**Notes**

**Note 2 Significant accounting judgments, estimates and assumptions**

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 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 2018 was USD 28,602 thousand (USD 28,602 thousand at 31 December 2017). More details are given in note 11.

**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.

The carrying amount of the parent company's deferred tax assets were at 31 December 2018 USD 434 thousand (USD 761 thousand at 31 December 2017).

**Capitalized Development Costs**

Development costs are capitalized based on ongoing assessments when they meet the criteria as described in note 1.

Capitalized Development Costs are annually reviewed for impairment indicators. If there is evidence of impairment, an impairment test is carried out for the project concerned. The impairment test is prepared on the basis of factors such as the future use of the project, the present value of expected future income, interest and risk.

**Note 3 Subsequent Events**

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

**Note 4 Material uncertainty related to Going Concern**

According to the regulations for preparation of financial statements, Management is required to determine whether the financial statements can be presented on a 'going concern' basis. The assessment is based on estimated future prospects, expectations of future cash flow, availability of credit facilities, etc.

In December 2015, the Parent company issued SEK 200,000,000 (equal to USD 22,146 thousand) in corporate bonds which are traded on the Stockholm Nasdaq exchange. The outstanding bonds, USD 22,146 thousand is due for redemption on 9th December 2019 and the Group will need to complete a re-financing agreement in order to have sufficient fund to complete this redemption. The Group's cash flow budget for 2019 does not support repaying the outstanding bonds. The Group has appointed Pareto Securities AB to assist in securing the re-financing.

The Group has as 31 December 2018, USD 2,471 thousand in cash and cash equivalents including unutilized credit facilities. The Group´s ability to continue as a going concern is dependent upon refinancing of the Parent Company´s outstanding bonds. The Management believes that the refinancing of the outstanding bonds will be secured in due time in 2019.

However, as the re-financing has not yet been secured a material uncertainty exists that may cast significant doubt on the Parent Company's and the Group's ability to continue as a going concern, and therefore, the Parent Company and the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management believes that the refinancing of the outstanding bonds will be secured in due time in 2019. On this basis Management Assessment concludes that the Group will be able to comply with its financial covenants and continue as a going concern during 2019.

## Notes

**Note 5. Segment Information**

According to IFRS 8 Segment Iinformation should be reported in a way that is consistent with the internal reporting provided to the chief operating decision-maker in the Group. The chief operating decision-maker is the function responsible for allocating resources and acessing operating segment results.
Within Global Scanning Group the CEO is identified as the chief operating decision-maker.

- The Group is from 2018 managed and controlled as four units of segmentation based on the fact that the Group is now ready to go to market with products within 3D.
- Management is able to make independent decisions within the 2D and the three 3D businesses without affecting the others.
- Individuals have individual authorities in decision-making concerning product launch and new initiatives to promote results between 2D and the 3 3D businesses.

As a result hereof Global Scanning has changed the reportable segments from one to four which is regularly reviewed by the chief operating decision-maker who makes decisions about allocation of resources, budget and financial plan.

**Nature of the consolidated revenue**

The consolidated revenue relates in all majorities to sale of goods but 9% relates to rendering of services (2017: 14%).

**Transactions with major customers**

The Group has two major customers that individually amount to more than 10 percent of the Group´s revenue. The Group´s transactions with its two major customers amount to total USD 27.278 thousand (2017: USD 23.071 thousand), corresponding to 63% (2017: 58%) of the consolidated revenue.

The revenue streams from the two major customers are of significantly different nature and accordingly the amount of revenue from each customer is not disclosed. The two major customers are of similar impact to the Group´s gross profit, and in total they contribute to the Group´s gross profit in the same level as they contribute to the revenue.

| **Geographic information** | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| **Revenue** | **USD´000** | **USD´000** |
| Americas | 20.503 | 18.045 |
| Emea | 12.769 | 13.605 |
| Apac | 9.712 | 7.893 |
| | 42.984 | 39.543 |

The revenue information above is based on the locations of the customers, and as a material part of the revenue is sold as OEM, it is not possible to disclose geographic location of the end users.

| **Non-current assets** | | |
|---|---|---|
| Americas | 62 | 78 |
| Emea | 40.213 | 40.709 |
| Apac | 2.278 | 2.470 |
| | 42.553 | 43.257 |

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

| **2018** | **2D** | **Brand3D** | **Shapewatch** | **Scandimension** | **Total segments** |
|---|---|---|---|---|---|
| Revenue | 42.772 | 212 | 0 | 0 | 42.984 |
| Production costs | (31.721) | (1.108) | (56) | (43) | (32.928) |
| **Gross profit** | **11.052** | **(897)** | **(56)** | **(43)** | **10.056** |
| Distribution costs | (4.460) | (1.105) | (441) | (415) | (6.421) |
| Administrative costs | (2.852) | (65) | (445) | (219) | (3.581) |
| Other operating income | 11 | 0 | 0 | 0 | 11 |
| **Segment operating profit** | **3.750** | **(2.066)** | **(942)** | **(677)** | **65** |

| **2017** | **2D** | **Brand3D** | **Shapewatch** | **Scandimension** | **Total segments** |
|---|---|---|---|---|---|
| Revenue | 39.528 | 14 | 0 | 0 | 39.543 |
| Production costs | (26.398) | (1.233) | (270) | (401) | (28.301) |
| **Gross profit** | **13.131** | **(1.218)** | **(270)** | **(401)** | **11.241** |
| Distribution costs | (4.293) | (472) | 0 | 0 | (4.765) |
| Administrative costs | (2.560) | (279) | (139) | (139) | (3.117) |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| **Segment operating profit** | **6.278** | **(1.969)** | **(409)** | **(540)** | **3.360** |

## Notes

**Note 5. Segment Information, continued**

| | 2D | Brand3D | Shapewatch | Scandimension | Total segments | Other non-segmented | Total assets |
|---|---|---|---|---|---|---|---|
| Additions on non-current assets | 1.771 | 752 | 1.107 | 827 | 4.457 | 0 | 4.457 |
| **Assets at 31/12 2018** | **55.575** | **1.299** | **1.962** | **997** | **59.833** | **104** | **59.937** |
| Additions on non-current assets | 3.039 | 0 | 596 | 60 | 3.695 | 0 | 3.695 |
| **Assets at 31/12 2017** | **57.350** | **1.417** | **694** | **60** | **59.521** | **98** | **59.619** |
| **Liabilities at 31/12 2018** | **8.245** | **0** | **0** | **0** | **0** | **23.975** | **32.220** |
| **Liabilities at 31/12 2017** | **7.460** | **0** | **0** | **0** | **0** | **24.707** | **32.167** |

| Reconciliation of profit | Full year 2018 USD'000 | Full year 2017 USD'000 |
|---|---|---|
| **Segment operating profit** | **65** | **3.360** |
| Financial income | 2.767 | 251 |
| Financial expenses | (2.450) | (5.428) |
| Income tax | 390 | 206 |
| **Net result for the year** | **771** | **(1.611)** |

**Note 6. Expenses**

**6.1 Amortisation/depreciation and writedowns**

| | Group 2018 USD´000 | Group 2017 USD´000 | Parent 2018 USD´000 | Parent 2017 USD´000 |
|---|---|---|---|---|
| Analysis of amortisation/depreciation and writedowns for the year: | | | | |
| Land and buildings | 126 | 123 | 0 | 0 |
| Leasehold improvements | 207 | 163 | 0 | 0 |
| Plant and machinery | 1 | 6 | 0 | 0 |
| Other plant, operating equipment etc. | 442 | 471 | 0 | 0 |
| Development costs | 3.509 | 2.990 | 0 | 0 |
| Customer relations | 657 | 657 | 0 | 0 |
| License rights and patents | 182 | 187 | 0 | 0 |
| | 5.124 | 4.597 | 0 | 0 |

**6.2 Staff costs**

Analysis of total payroll costs, etc.:

| | Group 2018 | Group 2017 | Parent 2018 | Parent 2017 |
|---|---|---|---|---|
| Fee to the Board of Directors | 112 | 86 | 112 | 86 |
| Remuneration and salaries to the Executive Management | 366 | 374 | 0 | 0 |
| Defined contribution plans to the Executive Management | 0 | 7 | 0 | 0 |
| Remuneration and salaries to other key management personnel | 843 | 812 | 0 | 0 |
| Defined contribution plans to other key management personnel | 44 | 33 | 0 | 0 |
| Wages and salaries | 8.658 | 7.500 | 0 | 0 |
| Bonuses | 369 | 223 | 0 | 0 |
| Defined contribution plans | 759 | 767 | 0 | 0 |
| Other social security costs | 159 | 165 | 0 | 0 |
| | 11.310 | 9.966 | 112 | 86 |

The average number of staff during the year was 170 employees. (2017: 159 employees).

In both 2018 and 2017, Remuneration and salaries to the executive Management consist of wages etc. to a single person.

**Share based payment**

In 2017 the Group established an warrant program for the CEO of the parent company, to the total of 11.223 warrants as of 31 December 2018.

Each warrant giving the right to purchase one (1) class A-share in Global Scanning A/S of nominal value of USD 0,18 at an exercise price of USD 67,22. The outstanding equals 1,13% of the share capital should all warrants be utilized.

It is a condition that the warrant holder is not under notice at the time of utilization. Warrants may only be settled upon renewal of shares in the company. There are no other conditions to the acquisition of rights. Special conditions apply concerning illness and death as well as in the event of changes in the company´s capital.

The warrants vest and must be exercised to purchase A-shares in a 20 days period prior to the expected completion of an Exit Event. An Exit Event shall mean i) change of majority shareholder, ii) IPO of the Company, or iii) a sale of all assets or all important assets of the Company to a third party within a period of 10 years from allocation time.

## Notes

**Note 6. Expenses, continued**

The average tenor on outstanding warrants as of 31 December 2018 constitute 7,8 years.

Fair value per warrant at time of allocation has been settled at USD 0 in 2016. The fair value upon allocation is estimated under the Black-Scholes model. The calculated market value amounts to USD 0 in the result for 2018.

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| **6.3 Audit fee** | | | | |
| Fee for statutory audit | 199 | 192 | 19 | 17 |
| Fee for other assurance engagements | 0 | 0 | 0 | 0 |
| Fee for tax advice | 12 | 10 | 0 | 0 |
| Fee for non-audit services | 9 | 4 | 4 | 1 |
| | 220 | 206 | 23 | 18 |

**6.4 Research and development**

Research and development expenses in 2018 amounted to USD 6.885 thousand (2017: USD 6.205 thousand) of which USD 4.105 thousand was capitalised.
Net development expenses amount to USD 7.129' thousand (2017: USD 7.197 thousand).

| | | | | |
|---|---|---|---|---|
| **Note 7. Other operating income** | | | | |
| Sale of scrap | 0 | 0 | 0 | 0 |
| Management fee from subsidiaries | 0 | 0 | 636 | 416 |
| Profit from sale of property, plant and equipment | 11 | 0 | 0 | 0 |
| Rental income | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| | 11 | 0 | 636 | 416 |
| **Note 8. Financial income** | | | | |
| Dividends from investments in subsidiaries | 0 | 0 | 2.500 | 3.500 |
| Foreign currency exchange gain | 2.545 | 0 | 2.189 | 0 |
| Interest income | 125 | 2 | 0 | 0 |
| Interest income from subsidiaries | 0 | 0 | 627 | 686 |
| Other | 97 | 249 | 0 | 0 |
| | 2.767 | 251 | 5.316 | 4.186 |
| **Note 9. Financial expenses** | | | | |
| Impairment of investments in subsidiaries | 0 | 0 | 0 | 0 |
| Foreign currency exchange loss | 0 | 2.860 | 0 | 1.703 |
| Interest expenses | 2.166 | 2.264 | 1.986 | 2.012 |
| Interest expenses to parent company | 0 | 0 | 0 | 0 |
| Other | 284 | 304 | 178 | 180 |
| | 2.450 | 5.428 | 2.165 | 3.895 |
| **Note 10. Income taxes** | | | | |
| **Tax in the Statement of income** | | | | |
| Estimated tax on the taxable income for the year | 0 | 0 | 0 | 0 |
| Income tax, carry back refund | (741) | (861) | (285) | (124) |
| Adjustments prior years | 4 | 1 | 0 | 0 |
| Foreign tax | 860 | 1.009 | 0 | 0 |
| FX adjustment | (40) | 63 | (40) | 61 |
| Change in deferred tax | (473) | (418) | 327 | (282) |
| | (390) | (206) | 2 | (345) |
| **Tax in the Statement of other comprehensive income** | | | | |
| Net adjustments of cash flow hedges | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| **Reconciliation of tax rate** | | | | |
| Danish tax rate | 22,0% | 22,0% | 22,0% | 22,0% |
| Adjustment relating to previous years | 1,0% | -0,1% | 0,0% | 0,0% |
| Adjustment carry back refund | 0,0% | 0,0% | 0,0% | 0,0% |
| Permanent differences | -3,0% | -1,8% | -15,3% | -295,2% |
| Foreign currency exchange differences | -122,2% | -8,8% | -6,7% | 126,0% |
| Effective tax rate | -102,1% | 11,3% | 0,1% | -147,2% |

Tax paid during the tax year amounts to USD 19 thousand exclusive of interest surcharges.
Provision for current tax on the profit for the year has been made at USD 0 thousand.

## Notes

**Note 11. Intangible assets**

| USD'000 | Goodwill | Development costs | Customer relations | License rights and patents | Total |
|---|---|---|---|---|---|
| | | | Group | | |
| Cost at 1/1 2017 | 28.602 | 24.292 | 3.650 | 2.536 | 59.080 |
| Disposal at cost | 0 | (3) | 0 | 0 | (3) |
| Additions | 0 | 2.899 | 0 | 106 | 3.005 |
| **Cost at 31/12 2017** | 28.602 | 27.189 | 3.650 | 2.642 | 62.083 |
| Amortisation at 1/1 2017 | 0 | 16.610 | 1.202 | 466 | 18.278 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Amortisation | 0 | 2.988 | 657 | 187 | 3.832 |
| **Amortisation at 31/12 2017** | 0 | 19.598 | 1.859 | 653 | 22.110 |
| **Carrying amount at 31/12 2017** | 28.602 | 7.591 | 1.791 | 1.989 | 39.973 |
| Cost at 1/1 2018 | 28.602 | 27.189 | 3.650 | 2.642 | 62.083 |
| Disposal at cost | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 4.105 | 0 | 123 | 4.228 |
| **Cost at 31/12 2018** | 28.602 | 31.294 | 3.650 | 2.765 | 66.311 |
| Amortisation at 1/1 2018 | 0 | 19.598 | 1.859 | 653 | 22.110 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 474 | 0 | 0 | 474 |
| Amortisation | 0 | 3.035 | 657 | 182 | 3.874 |
| **Amortisation at 31/12 2018** | 0 | 23.107 | 2.516 | 835 | 26.458 |
| **Carrying amount at 31/12 2018** | 28.602 | 8.187 | 1.134 | 1.930 | 39.853 |

At December 31 2018 the balance of 8.187 KUSD regarding development costs contains 5 significant projects with a total value of 5.570 KUSD of which 1 project has not been released yet.

In 2017 the Company bought an intangible asset related to development cost. The purchase price for the asset consisted of a cash payment of 59 KUSD (50 KEUR) and an earn-out, based unit-sales related to the development asset until year 2022, with a maximum value of 1.200 KUSD (1.000 KEUR). The addition has been recognized in 2017 with a value corresponding to the cash payment of 59 KUSD.

Amortisation and writedowns of intangible assets are included in production costs.

In 2018 there has been a need to make a impairment of one development costs project of 474 KUSD (2017: no need to make any impairment).

Goodwill relates to the 2D activity in Global Scanning Denmark A/S and Global Scanning UK Ltd., in total USD 28.602 thousand (2017: USD 28.602 thousand).

Before 2017 impairment was tested separately for Global Scanning Denmark A/S and Global Scanning UK Ltd. Based on the fact that the two entities commercially and organizationally have been merged into one cash-generating unit the test of goodwill is from 2017 based on one cash-generating unit for the entire 2D activity.

The Group performed its annual impairment test for the cash generating unit in December 2018 (December 2017). The Group considers the relationship between its market capitalisation and its accounting value, among other factors, when reviewing for indicators of impairment. As at 31 December 2018, the market capitalisation of the Group´s 2D activity was above the accounting value of the goodwill that relates to the 2D cash generation unit, and accordingly the impairment test has not resulted in any impairment for 2018 (2017: no impairment).

The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets for 2019, and cash flow projections for a four-year period. The four-year cash flow projections are based on a 3 year strategy plan for the 2D activity. The board of directors have approved the assumptions used for the impairment test.

The projected cash flows have been updated to reflect the current demand for products and services. The pre-tax discount rate applied to cash flow projections is 10,3% (2017: 10,1%). The decrease in the pre-tax discount rate is caused by a change in the basis for determining the risk free rate. The risk free rate is based on a US government bond. The assumptions made when calculating the pre-tax discount rate for 2018 are unchanged from 2017.

Cash flows beyond the five-year period are extrapolated using a 2,0% growth rate (2017: 2%).

**Key assumptions used in value in use calculations**

*Revenue and constribution* - Overall the future development is expected to be flat. Volumes are expected to increase and pricing generally expected to decrease. In addition, the 2D business is expected to be a steady future business, which will require less investment compared to previous periods.

*Discount rates* - Discount rates represent the current market assessment of the risks specific to the CGU. The discount rate calculation is based on the specific circumstances of the Group and its operationg segment and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

*Life* - Life represent a infinitive period, which is the management´s best estimate for the expected length of the cash flow projection period. The assessment of growth rate and infinitive period has not been changed since last year as there has been no significant change in the underlying market and business.

## Notes

**Note 11. Intangible assets, continued**

*Other key assumptions* - Unchanged f/x correlation between USD/SEK/DKK has been built into the model combined with the assumption of stable market conditions on the 2D scanning market.

It is the management´s assessment that no reasonable possible change in a key assumption on which the management has based its determination of the unit´s recoverable amount would cause the unit´s carrying amount to exceed its recoverable amount.

**Note 12. Property, plant and equipment**

| | Group | | | | |
|---|---|---|---|---|---|
| **USD´000** | **Land and Buildings** | **Leasehold Improvements** | **Plant and Equipment** | **Other plant, operating equipment etc.** | **Total** |
| Cost at 1/1 2017 | 2.200 | 1.244 | 44 | 3.060 | 6.548 |
| Disposal at cost | 0 | 0 | 0 | (91) | (91) |
| Additions | 75 | 19 | 0 | 595 | 690 |
| **Cost at 31/12 2017** | 2.275 | 1.263 | 44 | 3.564 | 7.147 |
| Depreciation and writedowns at 1/1 2017 | 482 | 491 | 38 | 2.223 | 3.235 |
| Disposals | 0 | 0 | 0 | (37) | (37) |
| Depreciation | 123 | 163 | 6 | 471 | 762 |
| **Depreciation and writedowns at 31/12 2017** | 605 | 654 | 44 | 2.657 | 3.960 |
| **Carrying amount at 31/12 2017** | 1.670 | 609 | 0 | 907 | 3.186 |
| Cost at 1/1 2018 | 2.275 | 1.263 | 44 | 3.564 | 7.147 |
| Disposal at cost | 0 | (24) | 0 | (577) | (601) |
| Additions | 1 | 7 | 6 | 214 | 229 |
| **Cost at 31/12 2018** | 2.277 | 1.246 | 50 | 3.201 | 6.774 |
| Depreciation and writedowns at 1/1 2018 | 605 | 654 | 44 | 2.657 | 3.960 |
| Disposals | 0 | 0 | 0 | (560) | (560) |
| Depreciation | 126 | 207 | 1 | 442 | 776 |
| **Depreciation and writedowns at 31/12 2018** | 731 | 861 | 45 | 2.540 | 4.177 |
| **Carrying amount at 31/12 2018** | 1.546 | 385 | 5 | 662 | 2.597 |

In 2018 and 2017 there has not been any indication of need to make any impairment of tangible assets.

**Note 13. Investments in subsidiaries**

The fiscal year´s investments in and value adjustments of investment in subsidiaries, which are financial assets, are specified as follows:

| | Parent |
|---|---|
| **USD´000** | **Investment in subsidiaries** |
| Cost at 1/1 2017 | 59.165 |
| Additions | 5.000 |
| Cost of acquisition | 0 |
| Cost at 31/12 2017 | 64.165 |
| Impairment at 1/1 2017 | (5.800) |
| Impairment during the year | 0 |
| Impairment at 31/12 2017 | (5.800) |
| **Carrying amount at 31/12 2017** | 58.365 |
| Cost at 1/1 2018 | 64.165 |
| Additions | 0 |
| Cost of acquisition | 0 |
| Cost at 31/12 2018 | 64.165 |
| Impairment at 1/1 2018 | (5.800) |
| Impairment during the year | 0 |
| Impairment at 31/12 2018 | (5.800) |
| **Carrying amount at 31/12 2018** | **58.365** |

## Notes

**Note 13. Investments in subsidiaries, continued**

| USD '000 | Domicile | Currency | Nominal capital | Interest (%) | Equity | Net profit/loss |
|---|---|---|---|---|---|---|
| Global Scanning Denmark A/S | Denmark | USD | 3.401 | 100% | (1.306) | (4.165) |
| Global Scanning Americas (MD) Inc. | USA | USD | 0 | 100% | (2.489) | 29 |
| Global Scanning Singapore Pte. Ltd. | Singapore | USD | 300 | 100% | 773 | 7 |
| Global Scanning Japan A/S | Denmark | DKK | 84 | 100% | 282 | 46 |
| Global Scanning Costa Rica Sdrl. | Costa Rica | USD | 0 | 100% | (3) | (3) |
| Global Scanning UK Ltd. | Great Britain | USD | 21 | 100% | 4.370 | 1.272 |
| Global Scanning Suzhou Co. Ltd. | China | USD | 203 | 100% | 8.938 | 2.265 |
| Global Scanning Americas (VA) Inc. | USA | USD | 1 | 100% | 1.714 | 959 |

**Note 14. Inventories**

| Movements in the provision for impairment of inventory were as follows: | Group USD´000 | Parent USD´000 |
|---|---|---|
| Cost at 1/1 2017 | (368) | 0 |
| Adjustment | (16) | 0 |
| Cost at 31/12 2017 | (385) | 0 |
| Adjustment | (32) | 0 |
| **Cost at 31/12 2018** | (417) | 0 |

This expense is included in production costs.

The book value of inventory provisioned for measured at net realisable cost at 31 December 2018 to USD 447 thousand (2017: USD 439 thousand).

Cost of goods sold in 2018 amounted to USD 24.964 thousand (2017: USD 19.634 thousand).

**Note 15. Trade receivables**

Trade receivables are non-interest bearing and generally on 30-60 days terms.

As at 31 December 2018, trade receivables at nominal value of USD 3 thousand (2017: 122 thousand) were impaired for.

| Movements in the provision for impairment of receivables were as follows: | |
|---|---|
| Cost at 1/1 2017 | 9 |
| Charge for the year | 113 |
| Utilized | 0 |
| Unused amounts reversed | 0 |
| Cost at 31/12 2017 | 122 |
| Charge for the year | 0 |
| Utilized | (119) |
| Unused amounts reversed | 0 |
| **Cost at 31/12 2018** | 3 |

All customers who wish to trade on credit terms are subject to credit verification procedures and insured through a credit insurance company.

Analysis of trade receivables that were past due but not impaired at 31 December 2018:

| | Total | Neither past due nor impaired | Past due but not impaired <60 days | Past due but not impaired >60 days |
|---|---|---|---|---|
| 2017 | 5.588 | 4.907 | 552 | 129 |
| 2018 | 6.884 | 5.502 | 1.307 | 75 |

## Notes

**Note 16. Deferred tax**

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| Analysis of deferred tax: | | | | |
| Property, plant and equipement | (171) | (121) | 0 | 0 |
| Intangible assets | 1.830 | 1.903 | 0 | 0 |
| Inventories | 0 | 0 | 0 | 0 |
| Prepaid expenses | 63 | 58 | 0 | 0 |
| Other | (108) | (68) | (81) | (42) |
| tax loss carried forward | (1.588) | (1.275) | (354) | (719) |
| | 27 | 497 | (434) | (761) |

| | Group | | | Parent | | |
|---|---|---|---|---|---|---|
| | Deferred tax | Income taxes payable | Tax in income statement | Deferred tax | Income taxes payable | Tax in income statement |
| **Opening balance of 1 January 2017** | 915 | 58 | | (479) | 0 | |
| Income taxes received (paid) | 0 | 0 | | 0 | 0 | 0 |
| Foreign taxes received (paid) | 0 | (861) | | | | 0 |
| Calculated foreign tax | 0 | 960 | 1.009 | | | 0 |
| Estimated tax on the taxable income for the year | 0 | 0 | 0 | | 0 | 0 |
| Change in deferred tax | (418) | 0 | (418) | (282) | 0 | (282) |
| Income tax, carry back refund | 0 | 0 | (861) | 0 | 0 | (124) |
| Adjustments prior years | 0 | (1) | 1 | | 0 | 0 |
| FX adjustment | 0 | 0 | 63 | 0 | 0 | 61 |
| **Opening balance of 1 January 2018** | 497 | 156 | | (761) | 0 | |
| Income taxes received (paid) | 0 | 0 | | 0 | 0 | 0 |
| Foreign taxes received (paid) | 0 | (760) | | | | 0 |
| Calculated foreign tax | 0 | 883 | 860 | | | 0 |
| Estimated tax on the taxable income for the year | 0 | 0 | 0 | | 0 | 0 |
| Change in deferred tax | (470) | 0 | (473) | 327 | 0 | 327 |
| Income tax, carry back refund | 0 | 0 | (741) | 0 | 0 | (285) |
| Adjustments prior years | 0 | (20) | 4 | | 0 | 0 |
| FX adjustment | 0 | 0 | (40) | 0 | 0 | (40) |
| **Closing balance as of 31 December 2018** | 27 | 259 | (390) | (434) | 0 | 2 |

Tax asset of USD 54 thousand regarding sale of property has not been included in the deferred tax calculation as it can only be used in future profit of sale of property which the company consider as unlikely in the foreseen future.

**Note 17. Bank loans, Bonds, Mortgage debt and other bank debt**

| The debt is due for repayment in the following order: | Group | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| Within 1 year (bonds and bank loans) | 23.690 | 0 | 22.146 | 0 |
| Between 1 and 5 years (bonds) | 0 | 24.054 | 0 | 24.054 |
| After 5 years | 0 | 0 | 0 | 0 |
| | 23.690 | 24.054 | 22.146 | 24.054 |

The interest rate applied on the issued bonds (SEK 200 million) is 8.5% + STIBOR. The final redemption date is 9 December 2019.

For the issued bonds certain terms and conditions apply regarding negative pledge and an incurrence test is required subject to additional bonds and change of controls.

## Notes

**Note 18. Liabilities from financing activities**

| | Group | | Parent | |
|---|---|---|---|---|
| | Long-term liabilities | Short-term liabilities | Long-term liabilities | Short-term liabilities |
| Cost at 1/1 2018 | 24.054 | 0 | 24.054 | 0 |
| Reclassification | (24.054) | 24.054 | (24.054) | 24.054 |
| Cashflow | 0 | 1.544 | 0 | 0 |
| Currency adjustments | 0 | (1.908) | 0 | (1.908) |
| Cost at 31/12 2018 | 0 | 23.690 | 0 | 22.146 |

| | Group | | Parent | |
|---|---|---|---|---|
| | Long-term liabilities | Short-term liabilities | Long-term liabilities | Short-term liabilities |
| Cost at 1/1 2017 | 21.602 | 21.602 | 21.602 | 21.602 |
| Reclassification | 0 | 0 | 0 | 0 |
| Cashflow | 0 | 0 | 0 | 0 |
| Currency adjustments | 2.452 | 2.452 | 2.452 | 2.452 |
| Cost at 31/12 2017 | 24.054 | 24.054 | 24.054 | 24.054 |

**Note 19. Income taxes**

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 USD'000 | 2017 USD'000 | 2018 USD'000 | 2017 USD'000 |
| Estimated income taxes | 258 | 155 | 0 | 0 |
| Tax receivable | 0 | (0) | 0 | 0 |
| Due in subsidaries | 0 | 1 | 0 | 0 |
| | 258 | 156 | 0 | 0 |

**Note 20. Contingent liabilities, operating lease obligations and securities for loans**

The company's other off balance obligations mainly relate to operating leases for office premises and operating equipment.

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 USD'000 | 2017 USD'000 | 2018 USD'000 | 2017 USD'000 |
| Within 1 year | 295 | 364 | 0 | 0 |
| Between 1 and 5 years | 134 | 325 | 0 | 0 |
| After 5 years | 0 | 0 | 0 | 0 |
| | 429 | 689 | 0 | 0 |
| Total expenditure charged to the Income statement | 485 | 350 | 0 | 0 |

**Pledged assets for loans at Nordea Bank**

The owner's mortgage deed in the properties nominally USD 9.200 thousand (2017: USD 9.666 thousand) is pledged to banks in Global Scanning Denmark A/S and in Global Scanning A/S.

| | | | | |
|---|---|---|---|---|
| Carrying amount of land and buildings | 1.546 | 1.670 | 0 | 0 |

The subsidiary Global Scanning Denmark A/S has entered into a credit agreement with Nordea Bank Danmark A/S with a variable credit line of up to USD 1.533 thousand (DKK 10 million).
Global Scanning Denmark A/S has given Nordea Bank Danmark A/S a security in inventories and trade receivables for USD 1.533 thousand (DKK 10 million).
The value of inventories and trade receivables as per 31 December 2018 is USD 3.924 thousand (2017: USD 3.468 thousand).
Furthermore the associated company Global Scanning UK Limited has given Nordea Bank Danmark A/S a security in all assets for the above mentioned arrangement between the company and Nordea Bank Danmark A/S. The value of assets in Global Scanning UK Limited as per 31 December 2018 is USD 9.845 thousand (2017: USD 9.066 thousand).

**Pledged assets for bonds**

As security for the parent company's bond debt, nominally USD 22.146 thousand (2017: USD 24.054 thousand), the following assets are pledged:

| | Parent | |
|---|---|---|
| | 2018 USD'000 | 2017 USD'000 |
| Investments in subsidiaries (share-pledge) | 58.366 | 58.366 |
| Receivable from group enterprises | 6.844 | 7.191 |
| | 65.210 | 65.557 |

**Contingent liabilities**

In 2012/13, the parent company joined the joint taxation arrangement with the Danish subsidiary Global Scanning Denmark A/S which is management company and other Danish group entities, thus becoming jointly and severally liable with these entities for payment on income taxes and withholding tax in the group of jointly taxed entities.

The parent company has issued a letter of support stating that it will make funds available to the subsidiary Global Scanning Denmark A/S, enabling it to meets its liabilities, as they fall due, and a letter of subordination that all intercompany balances from the subsidiary (loans, operational funding etc.) shall be subordinate to all the subsidiary's other creditors until 1 January 2020.

## Notes

**Note 21. Foreign currency**

**Foreign currency risks**

As a result of the operation in Denmark, the Group is exposed to a risk in cash flow from foreign currencies and in the balance sheet and can be affected by movements in the USD/DKK and USD/EUR foreign exchange rates. The foreign currency in the balance sheet have been specified below:

**USD´000**

| Currency | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| DKK Danish kroner | 344 | 601 | 3.481 | 339 | (3.137) | 262 |
| SEK Swedish kroner | 0 | 0 | 22.310 | 24.418 | (22.310) | (24.418) |
| RMB Renminbi | 6.684 | 5.082 | 4.916 | 4.047 | 1.768 | 1.035 |
| EUR Euros | 545 | 595 | 19 | 39 | 525 | 556 |
| GBP Pound | 439 | 691 | 332 | 475 | 107 | 217 |
| JPY Japanese Yen | 993 | 784 | 654 | 635 | 338 | 150 |
| Other currencies | 106 | 94 | 0 | 0 | 106 | 94 |
| | 9.110 | 7.848 | 31.712 | 29.953 | (22.603) | (22.104) |

Impact on the results of operations and changes in shareholders' equity resulting from a change of the Group's primary foreign currencies are shown below. The changes in exchange rates are based on the year's actual foreign exchange rate movements:

| Million USD | Exchange rate adjustment | Pre-tax profit 2018 | Equity 2018 | *Pre-tax profit 2017* | *Equity 2017* |
|---|---|---|---|---|---|
| DKK Danish kroner | +/- 10% | -0,3 | -0,2 | 0,0 | 0,0 |
| SEK Swedish kroner | +/- 10% | -1,9 | -1,5 | -2,2 | -1,7 |
| RMB Renminbi | +/- 10% | 0,2 | 0,1 | 0,1 | 0,1 |
| EUR Euros | +/- 10% | 0,0 | 0,0 | 0,1 | 0,0 |

**Note 22. Financial assets and liabilities**

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Loans and receivables measured at amortized cost** | USD´000 | USD´000 | USD´000 | USD´000 |
| Trade accounts receivables | 6.880 | 5.466 | 0 | 0 |
| Receivable from Group company | 0 | 0 | 9.181 | 7.645 |
| Cash | 2.481 | 3.053 | 0 | 0 |
| **Total loans and receivables measured at amortized cost** | 9.362 | 8.518 | 9.182 | 7.645 |

There are no significant differences between the carrying amounts and the fair values of the asset.

| **Financial liabilities measured at amortized cost** | | | | |
|---|---|---|---|---|
| Bonds | 22.146 | 24.054 | 22.146 | 24.054 |
| Bank debt | 1.544 | 0 | 0 | 0 |
| Trade payables | 6.308 | 4.956 | 0 | 0 |
| **Total financial liabilities measured at amortized cost** | 29.998 | 29.010 | 22.146 | 24.054 |

Carrying amount and fair value of the company´s financial instruments that are carried in the financial statements are not shown separately as book values in all material respect are the same except on bonds where the book value is USD 22.146 thousand (2017: USD 24.054 thousand) and the fair value is USD 19.915 thousand (2017: USD 21.612 thousand).

**Note 23. Share capital and reserves**

Share capital with nominal value USD 171.378 is distributed in 426.469 shares in shares in Class A, 411.519 shares in Class B and 140.600 shares in Class C with a domination of USD 0,18.

All shares are fully paid.

| | Class A shares | Class B shares | Class C shares | Total |
|---|---|---|---|---|
| Opening balance of 1 January 2017 | 426.469 | 411.519 | 140.600 | 978.588 |
| Addition from capital increases | 0 | 0 | 0 | 0 |
| Closing balance as of 31 December 2017 | 426.469 | 411.519 | 140.600 | 978.588 |
| | | | | |
| Addition from capital increases | 0 | 0 | 0 | 0 |
| Closing balance as of 31 December 2018 | 426.469 | 411.519 | 140.600 | 978.588 |

Shares in class B earns annually right to a preferential dividend of 8% on the related equity investment price and previous years calculated preferential dividend.
As per December 31 2018 the preferential dividend right amounts to USD 9.683 thousand (2017: USD 7.698 thousand).

Shares in class C earns annually right to a preferential dividend of 10% on the related equity investment price and previous years calculated prefential dividend.
As per December 31 2018 the preferential dividend right amounts to USD 3.377 thousand (2017: USD 2.515 thousand).

We refer to section "capital structure" in the management review for a description of the entity´s objectives, policies and processes for managing capital.

## Notes

**Note 24. Financial risk - management objectives and policies**

The Group's principal financial instruments comprise bank loans, bond debt, overdraft and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Foreign currency risk is described in note 21.

The Group´s financial aims are to ensure adequate funds to cover the Group´s operations and to comply with the demands from the owners and agreed-upon terms of the loans.

**Credit risk**

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and insured through a credit insurance company. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Credit risk arising from the other financial assets of the Group, which primarily comprise cash and trade receivables, the Group´s exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risks of the Group are considered to be low.

**Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with variable interest rates.

At December 31 2018 the Group has a bank debt of USD 1.544 thousand (2017: no bank debt) which normally is use of bank overdrafts at a interest rate of 4% (2017: 4,3%).

At December 31 2018 the Group debt on long term corporate bonds is 22.146 KUSD (2017: 24.054 KUSD) at an interest rate of 8,5% + STIBOR. A 1% increase in STIBOR will increase financial cost with 223 KUSD (2017: 244 KUSD).

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Group´s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, capital increases etc. The Group´s policy is to maintain a balanced relation between its short-term and long-term debt.

The bonds are due for redemption on 9th December 2019. For further information see note 4.

The table below summarises the maturity profile of the Group´s financial liabilities based on contractual undiscounted payments:

| 2017: | Less than 1 year | 1-2 years | 2-3 years | Total |
|---|---|---|---|---|
| Bonds | 0 | 24.054 | 0 | 24.054 |
| Bank debt | 0 | 0 | 0 | 0 |
| Trade and other payables | 7.460 | 0 | 0 | 7.460 |
| **Total** | 7.460 | 24.054 | 0 | 31.514 |
| | | | | |
| 2018: | | | | |
| Bonds | 22.146 | 0 | 0 | 22.146 |
| Bank debt | 1.544 | 0 | 0 | 1.544 |
| Trade and other payables | 8.245 | 0 | 0 | 8.245 |
| **Total** | 31.935 | 0 | 0 | 31.935 |

The table below summarises the maturity profile of the Parent´s financial liabilities based on contractual undiscounted payments:

| 2017: | Less than 1 year | 1-2 years | 2-3 years | Total |
|---|---|---|---|---|
| Bonds | 0 | 24.054 | 0 | 24.054 |
| Trade and other payables | 130 | 0 | 0 | 130 |
| **Total** | 130 | 24.054 | 0 | 24.184 |
| | | | | |
| 2018: | | | | |
| Bonds | 22.146 | 0 | 0 | 22.146 |
| Bank debt | 0 | 0 | 0 | 0 |
| Trade and other payables | 126 | 0 | 0 | 126 |
| **Total** | 22.272 | 0 | 0 | 22.272 |

**Capital risk management**

The Group wants to secure structural and finansial flexibility as well as competitiveness. In order to secure this, the company continuously evaluate the appropriate capital structure for the Group.

At the operationel level, the Group continuously efforts to optimize capital tied up in working capital.

# Notes

## Note 25. Related party transactions

**Group**

Related parties with material interest include the Board of Directors and Executive Board of the Company and key employees and their related family members. Futhermore related parties include companies in which the aforementioned persons have a material interest. Refer to note 6.2.

**Parent**

The company is controlled by Procuritas Capital Investors V LP, Guernsey, which owns 92.5% of the share capital.

Transactions with related parties:

| | Group | | Parent | |
|---|---|---|---|---|
| | 2018 USD´000 | 2017 USD´000 | 2018 USD´000 | 2017 USD´000 |
| **Costs** | | | | |
| Purchase from Group enterprises | | | 441 | 292 |
| **Other operating income** | | | | |
| Management fee from Group enterprises | | | 636 | 416 |
| **Financial income and expenses** | | | | |
| Dividend from Group enterprises | | | 2.500 | 3.500 |
| Interest from Group enterprises | | | 627 | 686 |
| **Executive Management** | | | | |
| Remuneration and salaries to the Executive Management | 366 | 374 | 0 | 0 |
| Defined contribution plans to the Executive Management | 0 | 7 | 0 | 0 |
| **Board of Directors** | | | | |
| Board fee | 112 | 86 | 112 | 86 |
| **Intercompany balances 31/12** | | | | |
| Receivables from Group enterprises | | | 9.181 | 7.645 |
| **Guarantees and security** | | | | |
| Guarantee from Group enterprises | 9.845 | 9.066 | | |