

Videometer A/S

Lyngsoe Allé 3

2970 Hoersholm

Central Business Registration No

24230430

Annual report 2016/17

The Annual General Meeting adopted the annual report on 16.02.2018

Chairman of the General Meeting

Name: Svend Aage Dreist Hansen

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Entity details

Entity

Videometer A/S
Lyngsoe Allé 3
2970 Hoersholm

Central Business Registration No: 24230430

Registered in: Hoersholm

Financial year: 01.10.2016 - 30.09.2017

Phone: +4545761077

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E-mail: mail@videometer.com

Board of Directors

Svend Aage Dreist Hansen, Chairman of the board

Nette Schultz

Jens Michael Carstensen

Executive Board

Jens Michael Carstensen, CEO

Bank

Nykredit ErhvervsBank

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Videometer A/S for the financial year 01.10.2016 - 30.09.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2017 and of the results of its operations for the financial year 01.10.2016 - 30.09.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hoersholm, 16.02.2018

Executive Board

Jens Michael Carstensen
CEO

Board of Directors

Svend Aage Dreist Hansen
Chairman of the board

Nette Schultz

Jens Michael Carstensen

Independent auditor's report

To the shareholders of Videometer A/S

Opinion

We have audited the financial statements of Videometer A/S for the financial year 01.10.2016 - 30.09.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2017 and of the results of its operations for the financial year 01.10.2016 - 30.09.2017 in accordance with the Danish Financial Statements Act.

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 financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about 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 the 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 these financial statements.

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

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 16.02.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Keld Juel Danielsen

State Authorised Public Accountant

Management commentary

Primary activities

Videometer specializes in spectral imaging, automated visual measurements and quality control. Focus is on development and supply of high performance vision systems for a broad range of industries.

The main business areas of Videometer are:

- Vision Instruments; own development, production and sales
- Vision Projects; development and delivery of custom made solutions for the industry
- OEM; contract development and royalties

The technology platform in Videometer consists of:

- Spectral imaging instruments; with the principal product VideometerLab4
- Accurate vision-based measurements of texture, color, topography, gloss, shape, and surface chemistry
- In-line visual quality control
- Robot vision
- R&D intensive vision technology projects

Learn more about Videometer A/S at: www.videometer.com

The employees and vision knowhow

Similar to last year Videometer has this year an average of 11 employees. Most employees are university graduated specialists with backgrounds as M. Sc. in engineering or Ph.D., in image processing and spectroscopy.

Co-operation with, DTU Compute, University of Copenhagen, and Maintec

Videometer is strongly linked to DTU Compute, Institute of Mathematics, and Computer Science at Technical University of Denmark. This co-operation ensures close access to the latest research results of image processing- and vision systems, and the application field phenotyping. CEO of Videometer, Jens Michael Carstensen, is also a scientist and teaches part-time at Technical University Denmark, and is the owner of the company Maintec ApS.

Co-operation with ProInvent A/S technology development

Videometer offers in a collaboration with ProInvent to take the total responsibility for development and delivery of automatic inspection- and sorting machines, and assembly and package systems, based on vision-controlled robots, where Videometer contributes with the vision part. There is a great synergy between Videometer's and ProInvent's product development- and automation activities. Videometer shares business system, premises, and workshop with ProInvent in "The Royal Military Clothing Factory", Lyngsoe Allé 3, 2970 Hoersholm.

In total ProInvent and Videometer have 33 highly qualified employees who provide skills and capacity to carry out both very large and more limited development projects.

Management commentary

Development in activities and finances

- Gross profit amounts to DKK 8.916.431 vs. DKK 7,904.227 the year before.
- Profit/loss before tax amounts to DKK 979.402 vs. DKK 1,624.251 the year before.
- The Profit for the year after tax amounts to DKK 762.357 vs. DKK 1,265.668 the year before.
- Contributed capital amounts to DKK 503,000 vs. DKK 500.000 the year before.
- Equity amounts to DKK 7.690.484 vs. DKK 8,193.798 the year before.

It is expected to be decided at the Annual General Assembly on November 29th 2017 to pay ordinary dividend DKK 2,000.000 vs. DKK 1,265.668 the year before. After payout of ordinary dividend, equity amounts to DKK 5,690.484 vs. DKK 6,912.225 after payout of ordinary dividend the year before.

It is the management's opinion that the financial statement gives a true and fair view of the company's financial position at September 30th 2017 and of the results of the company's operations during the financial year October 1st 2016 – September 30th 2017.

Bank connections

Videometer's main bank connection is Nykredit ErhvervsBank. Danske Bank is the secondary bank connection.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Gross profit		8.916.431	7.904
Staff costs	1	(7.381.343)	(5.682)
Depreciation, amortisation and impairment losses	2	<u>(495.014)</u>	<u>(579)</u>
Operating profit/loss		1.040.074	1.643
Other financial expenses		<u>(60.672)</u>	<u>(19)</u>
Profit/loss before tax		979.402	1.624
Tax on profit/loss for the year	3	<u>(217.045)</u>	<u>(358)</u>
Profit/loss for the year		<u>762.357</u>	<u>1.266</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		2.000.000	1.266
Retained earnings		<u>(1.237.643)</u>	<u>0</u>
		<u>762.357</u>	<u>1.266</u>

Balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Completed development projects		1.065.383	1.066
Acquired intangible assets		183.151	0
Intangible assets	4	1.248.534	1.066
Other fixtures and fittings, tools and equipment		93.824	120
Property, plant and equipment	5	93.824	120
Other receivables		63.046	63
Fixed asset investments		63.046	63
Fixed assets		1.405.404	1.249
Raw materials and consumables		2.032.084	2.001
Inventories		2.032.084	2.001
Trade receivables		3.323.006	2.277
Contract work in progress		787.644	599
Receivables from group enterprises		0	310
Other receivables		207	25
Prepayments		261.488	229
Receivables		4.372.345	3.440
Cash		2.676.036	3.566
Current assets		9.080.465	9.007
Assets		10.485.869	10.256

Balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Contributed capital	6	503.000	500
Reserve for development expenditure		445.610	0
Retained earnings		4.741.874	6.428
Proposed dividend		2.000.000	1.266
Equity		<u>7.690.484</u>	<u>8.194</u>
Deferred tax		443.079	370
Provisions		<u>443.079</u>	<u>370</u>
Bank loans		14.778	11
Trade payables		376.552	202
Payables to group enterprises		403.765	263
Payables to associates		77.745	146
Income tax payable		143.760	323
Other payables		1.335.706	747
Current liabilities other than provisions		<u>2.352.306</u>	<u>1.692</u>
Liabilities other than provisions		<u>2.352.306</u>	<u>1.692</u>
Equity and liabilities		<u>10.485.869</u>	<u>10.256</u>
Related parties with controlling interest	7		

Statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	500.000	0	6.428.127	1.265.668
Increase of capital	3.000	0	(3.000)	0
Ordinary dividend paid	0	0	0	(1.265.668)
Profit/loss for the year	0	445.610	(1.683.253)	2.000.000
Equity end of year	503.000	445.610	4.741.874	2.000.000
				Total DKK
Equity beginning of year				8.193.795
Increase of capital				0
Ordinary dividend paid				(1.265.668)
Profit/loss for the year				762.357
Equity end of year				7.690.484

Notes

	2016/17	2015/16
	DKK	DKK'000
1. Staff costs		
Wages and salaries	6.836.656	5.197
Pension costs	352.259	308
Other social security costs	55.531	58
Other staff costs	136.897	119
	7.381.343	5.682
Average number of employees	11	11
	2016/17	2015/16
	DKK	DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	445.878	480
Depreciation of property, plant and equipment	49.136	99
	495.014	579
	2016/17	2015/16
	DKK	DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	143.760	323
Change in deferred tax for the year	73.285	35
	217.045	358

Notes

	Completed develop- ment projects DKK	Acquired intangible assets DKK	
4. Intangible assets			
Cost beginning of year	8.024.961	100.000	
Additions	445.610	183.151	
Cost end of year	8.470.571	283.151	
Amortisation and impairment losses beginning of year	(6.959.310)	(100.000)	
Amortisation for the year	(445.878)	0	
Amortisation and impairment losses end of year	(7.405.188)	(100.000)	
Carrying amount end of year	1.065.383	183.151	
		Other fixtures and fittings, tools and equipment DKK	
5. Property, plant and equipment			
Cost beginning of year		863.447	
Additions		22.295	
Cost end of year		885.742	
Depreciation and impairment losses beginning of the year		(742.782)	
Depreciation for the year		(49.136)	
Depreciation and impairment losses end of the year		(791.918)	
Carrying amount end of year		93.824	
	Number	Par value DKK	Nominal value DKK
6. Contributed capital			
A shares	5.000	100	500.000
B shares	30	100	3.000
	5.030		503.000

Notes

7. Related parties with controlling interest

Related parties with controlling interest on Videometer A/S:

ProInvent Group Holding A/S, Hoersholm

ProInvent A/S technology development, Hoersholm

Jens Michael Carstensen, CEO

Leif Dalum, ProInvent Group Holding

Additional related parties, which Videometer A/S has had transactions with during 2016/17:

Maintec ApS, Koege

On February 15, Maintec ApS has acquired the majority of shares in Videometer A/S.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

With reference to The Danish Financial Statement Act § 32 has the management chosen to sum up revenue, production cost and other external cost in the entry gross profit or loss.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Accounting policies

Licence income are recognised as income as we obtain the rights herefor.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with ProInvent Group Holding A/S and ProInvent A/S teknologiudvikling. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Accounting policies

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 3-5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over 5 years, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5-10 years
IT	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax