Nanonord A/S

Skjernvej 4A, 9220 Aalborg Øst

CVR no. 25 99 55 54

Annual report 2018/19

Approved at the Company's annual general meeting on 25/9 2019

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Nanonord A/S for the financial year 1 May 2018 - 30 April 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 April 2019 and of the results of the Company's operations for the financial year 1 May 2018 - 30 April 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Aalborg, 25 September 2019
Executive Board:

Ole Nørgaard Jensen
CEO

Board of Directors:

Tommy Thomsen Chairman	Niels Christian Nielsen	Bent Østergaard

Ole Nørgaard Jensen

Independent auditor's report

To the shareholders of Nanonord A/S

Opinion

We have audited the financial statements of Nanonord A/S for the financial year 1 May 2018 - 30 April 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 30 April 2019 and of the results of the Company's operations for the financial year 1 May 2018 - 30 April 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements.

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 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 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 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 the 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:

- 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 Company's internal control.

Independent auditor's report

- 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 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 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.

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'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 Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 25 September 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Allan Terp
State Authorised Public Accountant
mne33198

Management's review

Company details

Name	Nanonord A/S
Address, Postal code, City	Skjernvej 4A, 9220 Aalborg Øst
CVR no.	25 99 55 54
Registered office	Aalborg
Financial year	1 May 2018 - 30 April 2019
Board of Directors	Tommy Thomsen, Chairman Niels Christian Nielsen Bent Østergaard Ole Nørgaard Jensen
Executive Board	Ole Nørgaard Jensen, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, 9000 Aalborg, Denmark

Management's review

Business review

The Company's objective is to develop innovative, cost-effective NMR-based products for commercial purposes by means of high-technological research and development.

NanoNord A/S is focused specific markets including salt measurements in food, NPK measurements in agriculture, wastewater, and biogas segments, as well as catalytic fines in heavy fuel oil.

Financial review

Loss for year after tax amounted to DKK 15.8 million, which is attributable to the fact that all investments in development, patents and other intangible assets have been charged to the income statement.

In 2018/19 products have been successfully launched to several chips/crisps manufactories to measure salt as part production optimization.

In a longer perspective, we expect to become the new industry standard for salt measurements in the global snacks/chips market. Furthermore, we will adapt the technology to fit other areas of the food market with focus on salt as well as fat, protein, and moisture.

Furthermore, we will continue focus NPK measurements for the agriculture, wastewater and biogas marked based on laboratory as well as inline flow measurement technology.

Equity amounted to a negative DKK 26.1 million at 30 April 2019.

Management is aware that the Company has lost the entire share capital and is thus subject to the capital adequacy rules of section 119 of the Danish Companies Act. It is Management's assessment that the share capital will be re-established by means of future earnings and operations, possibly combined with a capital increase or debt conversion.

To strengthen the capital base and cash resources, the Company's shareholders provided subordinate loans totalling DKK 27.7 million in the financial year. The total subordinate loans amounted to DKK 49.3 million at 30 April 2019 and will not be subject to repayment until the Company has sufficient liquidity.

It is Management's assessment that it is realistic to finalise a long-term plan for the Company during 2019/20.

It is Management's assessment that the operating budget, the budgeted balance sheet and the cash budget for 2019/20 are realistic, and on this basis, it is Management's assessment that the Company's cash resources are adequate to cover all activities and operations according to the budgets for 2019/20.

Events after the balance sheet date

In July 2019 there has been a fire in the Company's production. The Company is fully insured and the fire is not expected to affect the Company's financial position.

Apart from the conclusion of the above-mentioned fire in the production, no events materially affecting the Company's financial position have occurred after the balance sheet date.

Financial statements 1 May 2018 - 30 April 2019

Income statement

Note	DKK'000	2018/19	2017/18
	Gross loss	-8,051	-5,988
3	Staff costs	-9,632	-6,519
	Depreciation of property, plant and equipment	-535	-87
	Profit/loss before net financials	-18,218	-12,594
	Income from investments in group entities	-22	-32
	Financial income	1	1
4	Financial expenses	-1,095	-436
	Profit/loss before tax	-19,334	-13,061
	Tax for the year	3,582	2,547
	Profit/loss for the year	-15,752	-10,514

Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-15,752	-10,514
	-15,752	-10,514

Financial statements 1 May 2018 - 30 April 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	ASSETS		
	Fixed assets		
5	**Property, plant and equipment**		
	Research and development equipment	0	0
	Plant and machinery	2,139	0
	Other fixtures and fittings, tools and equipment	516	145
	Leasehold improvements	93	104
		2,748	249
6	**Investments**		
	Investments in group entities, net asset value	10	22
	Deposits, investments	213	206
		223	228
	Total fixed assets	2,971	477
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	3,413	1,740
		3,413	1,740
	Receivables		
	Trade receivables	167	202
	Receivables from group entities	168	0
7	Deferred tax assets	5,242	5,971
	Income taxes receivable	6,394	2,933
	Joint taxation contribution receivable	429	371
	Other receivables	526	656
	Prepayments	453	216
		13,379	10,349
	Cash	6,077	384
	Total non-fixed assets	22,869	12,473
	TOTAL ASSETS	25,840	12,950

Financial statements 1 May 2018 - 30 April 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	64,110	64,110
	Retained earnings	-90,176	-74,424
	Total equity	-26,066	-10,314
	Provisions		
6	Provision, investments in group entities	8	10
	Total provisions	8	10
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
8	Subordinate loan capital	49,299	20,550
		49,299	20,550
	Current liabilities other than provisions		
	Prepayments on work in progress	75	106
	Trade payables	911	1,434
	Payables to group entities	20	70
	Payables to shareholders and management	7	3
	Other payables	1,586	1,091
		2,599	2,704
	Total liabilities other than provisions	51,898	23,254
	TOTAL EQUITY AND LIABILITIES	25,840	12,950

1 Accounting policies
2 Capital structure
9 Contractual obligations and contingencies, etc.
10 Contingent assets

Financial statements 1 May 2018 - 30 April 2019

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 May 2018	64,110	-74,424	-10,314
Transfer through appropriation of loss	0	-15,752	-15,752
Equity at 30 April 2019	64,110	-90,176	-26,066

Financial statements 1 May 2018 - 30 April 2019

Notes to the financial statements

1 **Accounting policies**

The annual report of Nanonord A/S for 2018/19 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

Income from the sale of goods, comprising sale of measuring instruments and services in this respect, is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross loss

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross loss in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including grants received.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Financial statements 1 May 2018 - 30 April 2019

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Research and development equipment	5-10 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5-10 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The Company is covered by the Danish rules on compulsory joint taxation of group entities. Entities are included in the joint taxation from the date when they become part of the Group and up to the date when they are excluded from the Group.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 1 May 2018 - 30 April 2019

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development costs and internally accumulated rights are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and equity investments in subsidiaries is assessed for indication of impairment annually.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for impairment no longer exists.

Financial statements 1 May 2018 - 30 April 2019

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 May 2018 - 30 April 2019

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Subordinate loan capital

Liabilities where the creditors have stated they are willing to subordinate their claim to rank after all the entity's other creditors are presented as subordinate loan capital. Subordinate loan capital is recognised using the same method as applies to liabilities.

2 Capital structure

Equity amounted to a negative DKK 26.1 million at 30 April 2019.

Management is aware that the Company has lost the entire share capital and is thus subject to the capital adequacy rules of section 119 of the Danish Companies Act. It is Management's assessment that the share capital will be re-established by means of future earnings and operations, possibly combined with a capital increase or debt conversion.

To strengthen the capital base and cash resources, the Company's shareholders provided subordinate loans totalling DKK 27.7 million in the financial year. The total subordinate loans amounted to DKK 49.3 million at 30 April 2019 and will not be subject to repayment until the Company has sufficient liquidity.

It is Management's assessment that it is realistic to finalise a long-term plan for the Company during 2019/20.

It is Management's assessment that the operating budget, the budgeted balance sheet and the cash budget for 2019/20 are realistic, and on this basis, it is Management's assessment that the Company's cash resources are adequate to cover all activities and operations according to the budgets for 2019/20.

	DKK'000	2018/19	2017/18
3	**Staff costs**		
	Wages/salaries	9,202	6,232
	Pensions	219	189
	Other social security costs	54	30
	Other staff costs	157	68
		9,632	6,519
	Average number of full-time employees	14	12

Financial statements 1 May 2018 - 30 April 2019

Notes to the financial statements

DKK'000	2018/19	2017/18
4 Financial expenses		
Interest expenses, group entities	500	137
Other financial expenses	595	299
	1,095	436

5 Property, plant and equipment

DKK'000	Research and development equipment	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 May 2018	3,225	330	2,512	106	6,173
Additions in the year	0	2,449	585	0	3,034
Cost at 30 April 2019	3,225	2,779	3,097	106	9,207
Impairment losses and depreciation at 1 May 2018	3,225	330	2,367	2	5,924
Depreciation in the year	0	310	214	11	535
Impairment losses and depreciation at 30 April 2019	3,225	640	2,581	13	6,459
Carrying amount at 30 April 2019	0	2,139	516	93	2,748

6 Investments

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries				
Cantion A/S	Aalborg	100.00%	-23	-10
Tveskaeg ApS	Aalborg	100.00%	10	-12

7 Deferred tax

The Company has a total tax asset of DKK 14,002 thousand, which substantially relates to tax loss carryforwards.

The computation of deferred tax assets has been based on Management's expectations of the Company's future results for the coming 3-4 years and the consequential use of tax losses.

It is Management's assessment that the full tax asset cannot be utilised within the coming 3-4 years, and consequently, Management has chosen to write down the deferred tax asset to DKK 5,242 thousand, which has been recognised at 30 April 2019.

The remaining non-capitalised tax asset of DKK 8,760 thousand is described in note 10 Contingent assets. It is Management's assessment that the tax asset will be realisable over time.

Financial statements 1 May 2018 - 30 April 2019

Notes to the financial statements

8 Subordinate loan capital

DKK'000	Amount outstanding
Subordinate loan capital	49,299
	49,299

The Company's subordinate loan carries interest of 3% p.a. and is not subject to repayment until the Company's liquidity so permits.

9 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with the Ole Jensen Invest A/S, CVR no. 10 21 27 07, as administration company, and together with other jointly taxed companies, the Company has limited and secondary liability for the payment of income taxes as of the income year 2017 and withholding taxes on interest, royalties and dividends falling due for payment.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2018/19	2017/18
Rent and lease liabilities	318	362

10 Contingent assets

The Company has a deferred tax asset of DKK 8,760 thousand regarding special loses that have not been capitalised for accounting purposes as Management assesses that the full tax asset cannot be utilised within the coming 3-4 years.