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Norlase ApS

Brydehusvej 30
2750 Ballerup
CVR no. 35 64 45 47

Annual report for 2018

Adopted at the annual general meeting on 31 May 2019

David Lee Hardwick
chairman



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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Norlase ApS for the financial year 1 January - 31 December 2018.

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 company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Ballerup, 31 May 2019

Executive board

Peter Matths Wippel Skovgaard Oliver Hvidt

Supervisory board

David Lee Hardwick
chairman

Robert James Plastow

Uri Shabto, MD

Finn Mogensen

Jes Broeng

Jacob Lundgreen Philipsen

Independent auditor's report

To the shareholders of Norlase ApS

Opinion

We have audited the financial statements of Norlase ApS for the financial year 1 January - 31 December 2018, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018 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 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 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 the 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 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 judgment and maintain professional skepticism 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 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 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 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 management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that 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 management's review.

Roskilde, 31 May 2019

Addea Audit
Statsautoriseret revisionspartnerselskab
CVR no. 36 07 49 81

Anders Salomonsen
State-auth. public accountant
MNE no. mne40143

Company details

The company

Norlase ApS
Brydehusvej 30
2750 Ballerup

Website: www.norlase.com

CVR no.: 35 64 45 47

Reporting period: 1 January - 31 December 2018

Incorporated: 21. January 2014

Financial year: 5th financial year

Domicile: Ballerup

Supervisory board

David Lee Hardwick, chairman
Robert James Plastow
Uri Shabto, MD
Finn Mogensen
Jes Broeng
Jacob Lundgreen Philipsen

Executive board

Peter Matths Wippel Skovgaard
Oliver Hvidt

Auditors

Addea Audit
Statsautoriseret revisionspartnerselskab
Vindingevej 10
4000 Roskilde

Management's review

Business activities

The Company's principal activity is based on commercial high-tech products and services based on laser technology, as well as any other activity the Board finds related.

Accounting policies

The annual report of Norlase ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 is presented in DKK.

Pursuant to sections §110 subsection 1, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue less consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Accounting policies

Income from customised products is recognised as production is carried out, implying that revenue corresponds to the selling price of contracts completed in the year (percentage-of-completion method). This method is applied where the total income and expenses relating to the contract and the stage of completion at the balance sheet date can be estimated reliably and it is probable that future economic benefits will flow to the Company.

Expenses for consumables

Expenses for consumables and consumables include the raw materials and consumables used in generating the year's revenue.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, etc.

Staff costs

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Profit/loss from investments in subsidiaries

Dividend from investments is recognised in the reporting year in which the dividend is declared.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Andre anlæg, driftsmateriel og inventar	3 years	0 %

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries

Investment in subsidiaries and associates are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Fixed asset investments

Fixed asset investments comprises deposits and is measured at amortised cost.

Receivables

Receivables are measured at amortised cost.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and the expected aggregate income from the individual work in progress. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual work in progress.

Where the selling price of work in progress cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual work in progress is recognised in the balance sheet under receivables or payables. Net assets comprise the sum of work in progress where the selling price of the work performed exceeds invoicing on account. Net liabilities comprise the sum of work in progress where invoicing on account exceeds the selling price.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Provisions

Provisions comprise expected expenses relating to warranty commitments, losses on work in progress, restructuring, etc. Provisions are recognised when, as a result of a past event, the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Accounting policies

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Liabilities

Liabilities are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Income statement 1 January 2018 - 31 December 2018

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
Gross profit		-2.560.540	4.465.429
Staff costs	1	<u>-6.203.334</u>	<u>-5.315.156</u>
Profit/loss before amortisation/depreciation and impairment losses		-8.763.874	-849.727
Depreciation, amortisation and impairment of plant and equipment		<u>-93.579</u>	<u>-56.338</u>
Profit/loss before net financials		-8.857.453	-906.065
Financial income		28.895	16.642
Financial costs		<u>-55.919</u>	<u>-273.971</u>
Profit/loss before tax		-8.884.477	-1.163.394
Tax on profit/loss for the year	2	<u>1.869.688</u>	<u>245.030</u>
Profit/loss for the year		<u><u>-7.014.789</u></u>	<u><u>-918.364</u></u>
Retained earnings		<u>-7.014.789</u>	<u>-918.364</u>
		<u><u>-7.014.789</u></u>	<u><u>-918.364</u></u>

Balance sheet at 31 December 2018

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
Assets			
Other fixtures and fittings, tools and equipment		32.712	41.291
Tangible assets	3	<u>32.712</u>	<u>41.291</u>
Investments in subsidiaries	4	6.430	0
Deposits	5	54.266	26.302
Fixed asset investments		<u>60.696</u>	<u>26.302</u>
Total non-current assets		<u>93.408</u>	<u>67.593</u>
Contract work in progress	6	365.603	1.148.718
Receivables from subsidiaries		1.149.068	0
Other receivables		687.992	1.392.500
Claim for payment of company capital		3.337.309	0
Corporation tax		2.276.518	406.692
Receivables		<u>7.816.490</u>	<u>2.947.910</u>
Cash at bank and in hand		<u>6.681.340</u>	<u>2.876.469</u>
Total current assets		<u>14.497.830</u>	<u>5.824.379</u>
Total assets		<u>14.591.238</u>	<u>5.891.972</u>

Balance sheet at 31 December 2018

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
Equity and liabilities			
Share capital		109.620	84.422
Share premium account		21.507.961	4.311.920
Retained earnings		<u>-9.019.715</u>	<u>-635.431</u>
Equity	7	<u>12.597.866</u>	<u>3.760.911</u>
Other provisions		<u>89.400</u>	<u>660.915</u>
Total provisions		<u>89.400</u>	<u>660.915</u>
Subordinate loan capital		<u>228.188</u>	<u>319.079</u>
Total non-current liabilities	8	<u>228.188</u>	<u>319.079</u>
Short-term part of lon-term debt	8	110.000	130.000
Other credit institutions		118.610	62.870
Trade payables		644.333	305.824
Other payables		<u>802.841</u>	<u>652.373</u>
Total current liabilities		<u>1.675.784</u>	<u>1.151.067</u>
Total liabilities		<u>1.903.972</u>	<u>1.470.146</u>
Total equity and liabilities		<u>14.591.238</u>	<u>5.891.972</u>
Contingencies, etc.	9		

Statement of changes in equity

	Share capital	Share premium ac- count	Retained earnings	Total
Equity at 1 January 2018	84.422	4.311.920	-635.431	3.760.911
Capital increase	25.198	17.196.041	0	17.221.239
Capital increase costs	0	0	-1.369.495	-1.369.495
Net profit/loss for the year	0	0	-7.014.789	-7.014.789
Equity at 31 December 2018	109.620	21.507.961	-9.019.715	12.597.866

Notes

	<u>2018</u>	<u>2017</u>
	DKK	DKK
1 Staff costs		
Wages and salaries	5.611.423	3.587.299
Pensions	442.725	307.500
Other social security costs	71.815	48.960
Other staff costs	77.371	1.371.397
	<u>6.203.334</u>	<u>5.315.156</u>
Average number of employees	<u>12</u>	<u>8</u>
2 Tax on profit/loss for the year		
Current tax for the year	<u>-1.869.688</u>	<u>-245.030</u>
	<u>-1.869.688</u>	<u>-245.030</u>
3 Tangible assets		
		<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2018		169.014
Additions for the year		<u>85.000</u>
Cost at 31 December 2018		<u>254.014</u>
Impairment losses and depreciation at 1 January 2018		127.723
Depreciation for the year		<u>93.579</u>
Impairment losses and depreciation at 31 December 2018		<u>221.302</u>
Carrying amount at 31 December 2018		<u>32.712</u>

Notes

	2018 DKK	2017 DKK
4 Investments in subsidiaries		
Cost at 1 January 2018	0	0
Additions for the year	6.430	0
Cost at 31 December 2018	6.430	0
Revaluations at 1 January 2018	0	0
Revaluations at 31 December 2018	0	0
Carrying amount at 31 December 2018	6.430	0

Investments in subsidiaries are specified as follows:

Name	Registered office	Share capital	Ownership interest	Equity	Profit/loss for the year
Norlase Inc.	Delaware (US)	USD 1.000	100%	28.313	27.313

5 Fixed asset investments

	Deposits
Cost at 1 January 2018	26.302
Additions for the year	27.964
Cost at 31 December 2018	54.266
Carrying amount at 31 December 2018	54.266

	2018 DKK	2017 DKK
6 Contract work in progress		
Work in progress, selling price	8.554.730	5.097.176
Work in progress, payments received on account	-8.189.127	-3.948.458
	365.603	1.148.718

Notes

7 Equity

The share capital consists of 109.620 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2018	2017	2016	2015	2014
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January 2018	84.422	84.422	76.433	68.096	50.400
Additions for the year	25.198	0	7.989	8.337	17.696
Share capital	109.620	84.422	84.422	76.433	68.096

8 Long term debt

	Debt at 1 January 2018	Debt at 31 De- cember 2018	Instalment next year	Debt out- standing af- ter 5 years
Subordinate loan capital	449.079	338.188	110.000	0
	449.079	338.188	110.000	0

9 Contingencies, etc.

The company has entered into operating leases at the following amounts. t.DKK 244.