

SHUTE Sensing Solutions ApS

Diplomvej 381
2800 Kgs. Lyngby

Annual report
1 January 2017 - 31 December 2017

**The annual report has been presented and
approved on the company's general meeting the**

11/05/2018

Jens Rysgaard
Chairman of general meeting

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Company information

Reporting company SHUTE Sensing Solutions ApS
Diplomvej 381
2800 Kgs. Lyngby

CVR-nr: 36537221
Reporting period: 01/01/2017 - 31/12/2017

Auditor KPMG P/S
Dampfærgevej 28
2100 København Ø
DK Denmark

CVR-nr: 25578198
P-number: 1018974173

Statement by Management

The Management has today discussed and approved the annual report for the financial year 01. January 2017 – 31 December 2017 of SHUTE SENSING SOLUTIONS ApS. The annual report has been presented in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations for the financial year 01. January 2017 – 31 December 2017.

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

Copenhagen, the 11/05/2018

Management

Bjørn Henrik Stenbock Andersen

Kristian Nielsen

Board of directors

Bjørn Henrik Stenbock Andersen

Kristian Nielsen

Monika Luniewska Jensen

Ole Bang

The independent auditor's report on financial statements

To the shareholders of SHUTE Sensing Solutions ApS

Opinion

We have audited the financial statements of SHUTE Sensing Solutions ApS for the financial year 1 January – 31 December 2017, comprising income statement, balance sheet 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 Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 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 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management 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 that 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 responsibility

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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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

— identify and assess the risks of material misstatement of the company 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 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.

Copenhagen, 11/05/2018

Morten Høgh-Petersen , mne34283
State Authorised Public Accountant
KPMG P/S
CVR: 25578198

Management's Review

Main activities

SHUTE Sensing Solutions is a spin out from the Technical University of Denmark with the aim of commercializing polymer optical fiber sensor technology developed at the department of photonics.

The sensing technology that SHUTE Sensing Solutions is developing offers superior performance in regards to strain, pressure and humidity sensing. The low profile of the optical fibers enables access to previously unreachable locations and the polymer host material offers superior mechanical compatibility to composite structures.

SHUTE is both partnering with other companies to improve their products and production methods, and developing novel humidity sensors for the construction industry.

Development in the year

The company has made great development to reduce cost of interrogators and hereby enabling more applications for the technology. The company has realized new customers in wind turbine industry and medical industry. The company initiated activities towards finding an external investor and a strong management resource (CEO). Dialog with a suitable candidate was initiated during December 2017.

Expectations for the coming year

The company expect to hire a CEO which can drive the sales process and develop a solid sales funnel. The company expect that a significant number of potential customers will test SHUTE technology and that at least 30% of these customers will adapt the technology in their applications.

The company expect to secure investments for further growing development and production capabilities.

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B.

Income statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Income from the sale of services is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place, the income may be reliably measured and is expected to be received. Revenue is measured at fair value of the agreed remuneration excluding VAT and taxes charged on behalf of third parties. All forms of discounts granted are deducted from revenue.

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees excluding refunds from public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial items comprise interest income and interest expense.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Receivables

Receivables are measured at amortised cost, which corresponds to nominal value. The value is reduced by write-down for bad debts.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of

their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement and in equity.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, equivalent to proceeds received less transaction costs paid. Other liabilities are measured at net realisable value.

Income statement 1 Jan 2017 - 31 Dec 2017

	Disclosure	2017 kr.	2016 kr.
Gross Result		92,991	316,071
Employee expense	1	-63,619	-308,721
Profit (loss) from ordinary operating activities		29,372	7,350
Other finance expenses		-7,747	0
Profit (loss) from ordinary activities before tax		21,625	7,350
Tax expense		-4,757	-1,617
Profit (loss)		16,868	5,733
Proposed distribution of results			
Retained earnings		16,868	5,733
Proposed distribution of profit (loss)		16,868	5,733

Balance sheet 31 December 2017

Assets

	Disclosure	2017 kr.	2016 kr.
Deposits		4,413	0
Investments		4,413	0
Total non-current assets		4,413	0
Other receivables		6,288	0
Deferred income assets		3,124	0
Receivables		9,412	0
Cash and cash equivalents		55,340	36,545
Current assets		64,752	36,545
Total assets		69,165	36,545

Balance sheet 31 December 2017

Liabilities and equity

	Disclosure	2017	2016
		kr.	kr.
Contributed capital		3,449	3,449
Retained earnings		22,601	5,733
Total equity		26,050	9,182
Trade payables		9,100	0
Tax payables		4,757	1,617
Other payables, including tax payables, liabilities other than provisions		29,258	25,746
Short-term liabilities other than provisions, gross		43,115	27,363
Liabilities other than provisions, gross		43,115	27,363
Liabilities and equity, gross		69,165	36,545

Disclosures

1. Employee expense

	2017	2016
	kr.	kr.
Wages and salaries	60.500	305.313
Post employment benefit expense	0	0
Social security contributions	3.119	3.408
	63.619	308.721
Average number of employees	0	1