MetriCorr ApS

Tørringvej 7, 2610 Rødovre

CVR no. 26 78 47 86

Annual report 2016

Approved at the annual general meeting of shareholders on 24 May 2017

Chairman:

Lars V. L.

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Lars Vendelbo

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 MetriCorr ApS for the financial year 1 January - 31 December 2016.

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 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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.

Rødovre, 24 May 2017
Executive Board:

Lars Vendelbo Nielsen	Knud Odgaard Pedersen

Board of Directors:

Viacheslav Ivanovich Perederiy Chairman	Dmitry Zakharov	Lars Vendelbo Nielsen

Independent auditor's report

To the shareholders of MetriCorr ApS

Opinion

We have audited the financial statements of MetriCorr ApS for the financial year 1 January - 31 December 2016, which comprise an 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 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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.

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 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 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 skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- 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 conclusion is 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 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 our procedures, 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, 24 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mogens Andreasen
State Authorised Public Accountant

Alex Nissov
State Authorised Public Accountant

Management's review

Company details

Name	MetriCorr ApS
Address, Postal code, City	Tørringvej 7, 2610 Rødovre
CVR no.	26 78 47 86
Website	www.metricorr.com
Telephone	+45 92 44 80 80
Board of Directors	Viacheslav Ivanovich Perederiy, Chairman Dmitry Zakharov Lars Vendelbo Nielsen
Executive Board	Lars Vendelbo Nielsen Knud Odgaard Pedersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

Management commentary

Business review

The Company's aim is to develop, market and sell sensors and instruments for the determination of the corrosion state of metals and measurement of the instantaneous corrosion rate.

Financial review

The income statement for 2016 shows a profit of DKK 2,364,239 against a loss of DKK 1,506,828 last year, and the balance sheet at 31 December 2016 shows equity of DKK 5,809,526. In the annual report for 2015, Management expected a profit for 2016. Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016 12 months	2015 6 months
	Gross margin	9,368,462	2,197,350
2	Staff costs	-6,123,299	-3,068,906
	Amortisation and impairment of intangible assets	-644,854	-619,109
	Profit/loss before net financials	2,600,309	-1,490,665
	Financial income	28,908	64,066
3	Financial expenses	-264,978	-80,229
	Profit/loss before tax	2,364,239	-1,506,828
	Tax for the year	0	0
	Profit/loss for the year	2,364,239	-1,506,828

Recommended appropriation of profit/loss		
Proposed dividend recognised under equity	100,000	0
Retained earnings/accumulated loss	2,264,239	-1,506,828
	2,364,239	-1,506,828

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Fixed assets		
4	**Intangible assets**		
	Completed development projects	1,820,300	2,025,551
	Development projects in progress	267,500	679,549
		2,087,800	2,705,100
5	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	412,315	0
		412,315	0
	Investments		
	Deposits, investments	352,954	0
		352,954	0
	Total fixed assets	2,853,069	2,705,100
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	2,077,554	1,859,452
		2,077,554	1,859,452
	Receivables		
	Trade receivables	5,077,984	2,397,330
	Receivables from group entities	78,846	1,327,708
	Other receivables	927,923	318,633
	Prepayments	118,021	46,302
		6,202,774	4,089,973
	Cash	1,054	7,579
	Total non-fixed assets	8,281,382	5,957,004
	TOTAL ASSETS	11,134,451	8,662,104

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	684,065	684,065
	Share premium account	5,387,963	5,387,963
	Retained earnings	-362,502	-2,626,741
	Dividend proposed for the year	100,000	0
	Total equity	5,809,526	3,445,287
	Liabilities		
	Current liabilities		
	Bank debt	3,466,866	3,338,503
	Trade payables	907,009	620,400
	Payables to group entities	18,923	24,292
	Other payables	932,127	1,233,622
		5,324,925	5,216,817
	Total liabilities other than provisions	5,324,925	5,216,817
	TOTAL EQUITY AND LIABILITIES	11,134,451	8,662,104

1 Accounting policies
7 Contractual obligations and contingencies, etc.
8 Collateral
9 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Share premium account	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2016	684,065	5,387,963	-2,626,741	0	3,445,287
Transfer, see "Appropriation of profit"	0	0	2,264,239	100,000	2,364,239
Equity at 31 December 2016	684,065	5,387,963	-362,502	100,000	5,809,526

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of MetriCorr ApS for 2016 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.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Reporting currency

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

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

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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 margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

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

Completed development projects	3-7 years

Projects with estimated useful lives exceeding 5 years relate to strategic product categories with an expected longer market life.

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 amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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:

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

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

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life.

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.

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.

Receivables

Receivables are measured at amortised cost.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash

Cash and cash equivalents comprise cash and bank balances.

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 liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. 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 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Liabilities are subsequently measured at amortised cost, corresponding to the nominal debt. Other payables are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK	2016 12 months	2015 6 months
2	**Staff costs**		
	Wages/salaries	6,017,864	3,032,208
	Other social security costs	59,521	27,404
	Other staff costs	45,914	9,294
		6,123,299	3,068,906
	Average number of full-time employees	9	8
3	**Financial expenses**		
	Interest expenses, group entities	22,236	0
	Other financial expenses	242,742	80,229
		264,978	80,229

4 **Intangible assets**

DKK	Completed development projects	Development projects in progress	Total
Cost at 1 January 2016	11,914,153	679,549	12,593,702
Additions in the year	412,049	0	412,049
Disposals in the year	0	-412,049	-412,049
Cost at 31 December 2016	12,326,202	267,500	12,593,702
Impairment losses and amortisation at 1 January 2016	9,888,602	0	9,888,602
Amortisation in the year	617,300	0	617,300
Impairment losses and amortisation at 31 December 2016	10,505,902	0	10,505,902
Carrying amount at 31 December 2016	1,820,300	267,500	2,087,800

5 **Property, plant and equipment**

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2016	0
Additions in the year	439,869
Cost at 31 December 2016	439,869
Impairment losses and depreciation at 1 January 2016	0
Depreciation in the year	27,554
Impairment losses and depreciation at 31 December 2016	27,554
Carrying amount at 31 December 2016	412,315

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2016	2015
6 Share capital		
Analysis of the share capital:		
684,065 shares of DKK 1.00 nominal value each	684,065	684,065
	684,065	684,065

Analysis of changes in the share capital over the past 5 years:

DKK	2016	2015	30 June 2015	30 June 2014	30 June 2013
Opening balance	684,065	684,065	650,465	386,090	386,090
Capital increase	0	0	33,600	264,375	0
	684,065	684,065	684,065	650,465	386,090

7 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	2016	2015
Rent and lease liabilities	2,882,458	60,363

Rent and lease liabilities comprise a rentobligation totalling DKK 2,882,458 in interminable rent agreements with remaining contract terms of 4 years, of which DKK 705,908 falls due within one year.

8 Collateral

The Company has placed a floating charge on receivables, inventories, other fixtures and fittings, tools and equipment and development projects as security for its credit line in Danske Bank, limited to DKK 2.0 million. The book value of the securities placed amounts to DKK 10.8 million.

There were no further guarantees or contingent liabilities at 31 December 2016.

9 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Pipeline Systems & Technologies JSC	Russia	Moscovskaya str. 77, 141112 Schelkovo Moscow region, Russia