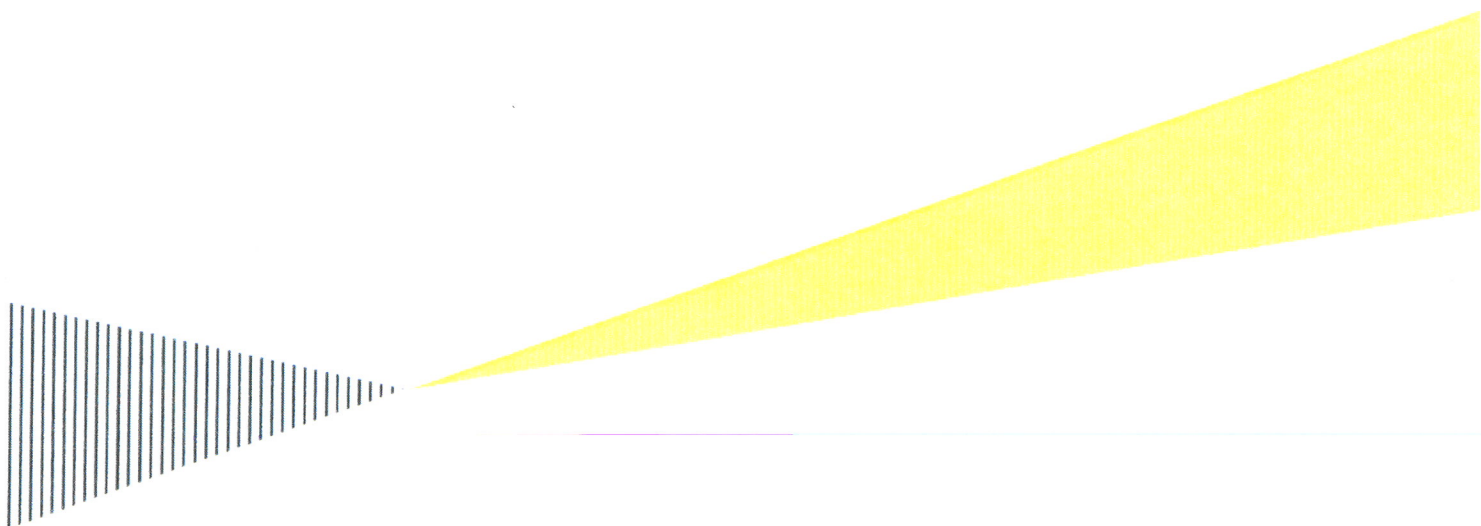


# MetriCorr ApS

Produktionsvej 2, 2600 Glostrup

CVR no. 26 78 47 86



## Annual report

for the period 1 July - 31 December 2015

Approved at the annual general meeting of shareholders on 25 May 2016

Chairman:

.....  
Lars Vendelbo Nielsen



Building a better  
working world



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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of MetriCorr ApS for the financial year 1 July - 31 December 2015.

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 2015 and of the results of the Company's operations for the financial year 1 July - 31 December 2015.

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

Glostrup, 25 May 2016  
Executive Board:

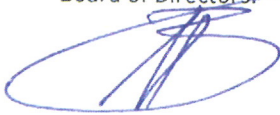


Lars Vendelbo Nielsen

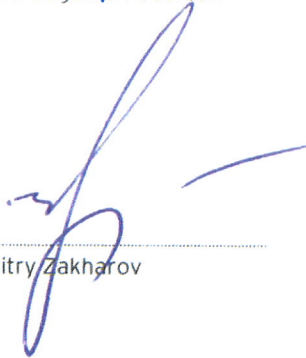


Knud Odgaard Pedersen

Board of Directors:



Ilya Zenkin  
Chairman



Dmitry Zakharov



Lars Vendelbo Nielsen

## Independent auditors' report on the financial statements

To the shareholders of MetriCorr ApS

We have audited the financial statements of MetriCorr ApS for the financial year 1 July - 31 December 2015, which comprise an 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.

### *Management's responsibility 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.

### *Auditors' responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 July - 31 December 2015 in accordance with the Danish Financial Statements Act.

Copenhagen, 25 May 2016  
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

Name	MetriCorr ApS
Address, Postal code, City	Produktionsvej 2, 2600 Glostrup
CVR No.	26 78 47 86
Website	<a href="http://www.metricorr.com">www.metricorr.com</a>
Telephone	+45 72 17 74 10
Telefax	+45 72 17 72 16
Board of Directors	Ilya Zenkin, 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



## Financial statements for the period 1 July - 31 December

### Income statement

Note	DKK	2015 6 months	2014/15 12 months
	Gross profit	2,197,350	6,819,181
3	Staff costs	-3,068,906	-5,208,834
	Amortisation and impairment of intangible assets	-619,109	-1,186,375
	<b>Operating profit/loss</b>	<b>-1,490,665</b>	<b>423,972</b>
	Financial income	69,293	354,488
4	Financial expenses	-85,456	-160,482
	<b>Profit/loss before tax</b>	<b>-1,506,828</b>	<b>617,978</b>
	Tax for the year	0	0
	<b>Profit/loss for the year</b>	<b>-1,506,828</b>	<b>617,978</b>
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	-1,506,828	617,978
		<u>-1,506,828</u>	<u>617,978</u>



## Financial statements for the period 1 July - 31 December

### Balance sheet

Note	DKK	<u>31 Dec 2015</u>	<u>30 June 2015</u>
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
5	<b>Intangible assets</b>		
	Completed development projects	2,025,551	2,644,660
	Development projects in progress	<u>679,549</u>	<u>679,549</u>
		<u>2,705,100</u>	<u>3,324,209</u>
	<b>Total non-current assets</b>	<u>2,705,100</u>	<u>3,324,209</u>
	<b>Current assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	<u>1,859,452</u>	<u>1,770,355</u>
		<u>1,859,452</u>	<u>1,770,355</u>
	<b>Receivables</b>		
	Trade receivables	2,397,330	1,716,221
	Receivables from group entities	1,327,708	1,704,552
	Other receivables	318,633	248,406
	Prepayments	<u>46,302</u>	<u>65,643</u>
		<u>4,089,973</u>	<u>3,734,822</u>
	<b>Cash</b>	<u>7,579</u>	<u>2,278</u>
	<b>Total current assets</b>	<u>5,957,004</u>	<u>5,507,455</u>
	<b>TOTAL ASSETS</b>	<u>8,662,104</u>	<u>8,831,664</u>





## Financial statements for the period 1 July - 31 December

### Balance sheet

Note	DKK	31 Dec 2015	30 June 2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
6	Share capital	684,065	684,065
	Share premium account	5,387,963	5,387,963
	Retained earnings	-2,626,741	-1,119,913
	<b>Total equity</b>	<b>3,445,287</b>	<b>4,952,115</b>
	<b>Liabilities other than provisions</b>		
	<b>Current liabilities other than provisions</b>		
	Bank debt	3,338,503	1,544,913
	Trade payables	620,400	1,414,372
	Payables to group entities	24,292	0
	Other payables	1,233,622	920,264
		<b>5,216,817</b>	<b>3,879,549</b>
	<b>Total liabilities other than provisions</b>	<b>5,216,817</b>	<b>3,879,549</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,662,104</b>	<b>8,831,664</b>

- 1 Accounting policies
- 2 The Company's principal activities
- 7 Collateral
- 8 Contractual obligations and contingencies, etc.
- 9 Related parties





## Financial statements for the period 1 July - 31 December

### Statement of changes in equity

DKK	Share capital	Share premium account	Retained earnings	Total
Equity at 1 July 2015	684,065	5,387,963	-1,119,913	4,952,115
Profit/loss for the year	0	0	-1,506,828	-1,506,828
Equity at 31 December 2015	684,065	5,387,963	-2,626,741	3,445,287

## Financial statements for the period 1 July - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of MetriCorr ApS for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

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

#### Reporting currency

The financial statements are presented in Danish kroner.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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.

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

#### Income statement

##### Revenue

Income from the sale of goods held for sale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

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

##### Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

##### Cost of sales

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

##### Other external expenses

Other external expenses include the year's expenses relating to the entity'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 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.



## Financial statements for the period 1 July - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Amortisation and impairment of intangible assets

The item comprises amortisation and impairment of intangible assets.

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 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.

##### 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.

### 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 are evidenced, 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.

#### 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 costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

## Financial statements for the period 1 July - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Receivables

Receivables are measured at amortised cost.

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

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs 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.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

##### Equity

##### Corporation tax

Current tax payable and receivable is recognised in 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. 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Other payables

Other liabilities are subsequently measured at amortised cost, corresponding to the nominal debt.



## Financial statements for the period 1 July - 31 December

### Notes to the financial statements

#### 2 The Company's principal activities

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.

DKK	2015	2014/15
<b>3 Staff costs</b>		
Wages/salaries	3,032,208	5,109,303
Other social security costs	27,404	50,109
Other staff costs	9,294	49,422
	<u>3,068,906</u>	<u>5,208,834</u>
<b>4 Financial expenses</b>		
Interest expenses, group entities	0	21,525
Other financial expenses	85,456	138,957
	<u>85,456</u>	<u>160,482</u>

#### 5 Intangible assets

DKK	Completed development projects	Development projects in progress	Total
Cost at 1 July 2015	<u>11,914,153</u>	<u>679,549</u>	<u>12,593,702</u>
Cost at 31 December 2015	<u>11,914,153</u>	<u>679,549</u>	<u>12,593,702</u>
Impairment losses and amortisation at 1 July 2015	9,269,493	0	9,269,493
Impairment losses in the year	296,257	0	296,257
Amortisation in the year	322,852	0	322,852
Impairment losses and amortisation at	<u>9,888,602</u>	<u>0</u>	<u>9,888,602</u>
Carrying amount at 31 December 2015	<u>2,025,551</u>	<u>679,549</u>	<u>2,705,100</u>

## Financial statements for the period 1 July - 31 December

### Notes to the financial statements

DKK	<u>31 Dec 2015</u>	<u>30 June 2015</u>
<b>6 Share capital</b>		
The share capital consists of the following:		
684,065 shares of DKK 1.00 each	<u>684,065</u>	<u>684,065</u>
	<u>684,065</u>	<u>684,065</u>

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

DKK	<u>31 Dec 2015</u>	<u>30 June 2015</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>
Opening balance	684,065	650,465	650,465	386,090	386,090
Capital increase	0	33,600	0	264,375	0
	<u>684,065</u>	<u>684,065</u>	<u>650,465</u>	<u>650,465</u>	<u>386,090</u>

### 7 Collateral

The Company has placed a floating charge on receivables, inventories and development projects as security for its credit line in Danske Bank, limited to DKK 2,0 million.

There were no further guarantees or contingent liabilities at 31 December 2015.

### 8 Contractual obligations and contingencies, etc.

#### Other financial obligations

Other rent and lease liabilities:

DKK	<u>31 Dec 2015</u>	<u>30 June 2015</u>
Rent and lease liabilities	<u>60,363</u>	<u>90,545</u>

The Company's rental agreement has a four-month notice period.

### 9 Related parties

MetriCorr ApS' related parties comprise the following:

#### Information about consolidated financial statements

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