Marorka International A/S

Financial statements for the financial year 1 December - 31 December 2016

EUR

The Annual Report has been presented and approved on the company's ordinary general assembly on

Johannes Lafrentz
Chairman

Marorka International A/S
Fredriksbogade 15, 2 sal
1360 København K
Denmark

Reg. no. 36984171

Contents

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 Marorka International A/S for the financial year 1 January – 31 December 2016.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and the Group's consolidated cash flows for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

Reykjavik 27 June 2017

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Johannes Lafrentz Chairman	Henrik Ramskov	York Dohna
Margit Robertet		

Executive Board:

Jürgen Kudritzki	Fridtjof Rohde	Gudridur Svana Bjarnadottir

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Independent Auditors' Report

To the Board of Directors and Shareholders of Marorka International A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Marorka International A/S for the financial year 1 January - 31 December, comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group 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.

Emphasis of matter regarding matters in the financial statement

We draw attention to note 19 "Uncertainty related to measurement of intangible assets", where Management has explained that there is significant uncertainty related to the measurement of intangible assets. The disclosed matter has not resulted in a modified opinion.

Report on other legal and regulatory matters

The Company's annual report has not been submitted to the Danish Business Authority before the deadline stipulated in the Danish Financial Statements Act. Management may be held liable in this respect.

Management's responsibility for the consolidated financial statements and the parent company financial statements

The Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, the Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and the parent 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group and the Company to cease to continue as a going concern.

• evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

• obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 consolidated financial statements and the parent company 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 27 June 2017

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no.: 25 87 81 98

Joakim Juul Larsen
State Authorised Public Accountant

Management´s review

Company
Marorka International A/S
c/o Regus
Frederiksborggade 15, 2nd floor,
1360 Copenhagen K
Denmark
Tel: (+45) 5364 0000
marorka @marorka.com
CVR-number: 36984171
Financial year: 01.01 – 31.12
Registerd in: Denmark

Board of Directors
Johannes Lafrentz (Chairman)
Margit Robertet (Vice Chairman)
York Dohna (Board member)
Henrik Ramskov (Board member)

Executive Board
Jürgen Kudritzki, CEO
Fridtjof Rohde, CSO
Gudridur Svana Bjarnadottir, COO

Company auditors
KPMG P/S
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

Subsidiaries

Marorka A/S

CVR number	36089261
Address:	c/o Regus, Frederiksborggade 15, 2.
Postal code and city:	1360 København K
Start date:	5.9.2014
Financial year:	01.01 to 31.12
First accounting period:	05.09.2014 to 31.12.2015

Marorka ehf

ID-nr:	6608922309
Address:	Borgartun 26
Postal code and city:	105 Reykjavik
Financial year:	01.01 to 31.12

Marorka Germany GmbH

Address:	Weserstieg 40A
Postal code and city:	21079 Hamburg
Financial year:	01.01 to 31.12

Subsidiaries, contd.:

The subsidiary, Marorka A/S holds 100% ownership in the following company:
Marorka Singapore Pte. Ltd.

Address:	Six Battery Road , Level 42
Postal code and city:	Singapore 049909
Financial year:	01.01 to 31.12

The subsidiary, Marorka ehf. holds 50% joint venture ownership in the following company:

Unique Marorka Support Services FZC

Address:	Plot No. 1D
Postal code and city:	Plot No. E2-127G-19 Hamiriyah Free Zone (UAE)
Financial year:	01.01 to 31.12

Financial highlights 2016

Group (EUR´000)	**2016**	**11.8. - 31.12.2015**
Revenue	3.038	2.867
Gross profit (loss)	1.248	1.567
Ordinary operating loss	(5.010)	(819)
Loss from financial income and expenses	(174)	(43)
Loss for the year	(4.872)	(11.197)
Total assets	5.554	6.340
Investment in property, plant and equipment	2	0
Equity	**1.806**	**2.689**
Gross margin	41%	55%
Operating margin	-159%	-403%
Current ratio	1,19	1,48
Return on equity	-217%	-77%
Solvency ratio	33%	42%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts´ guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

Marorka in general

Marorka is the leading global provider of data-driven fleet performance solutions for the maritime industry. Marorka enables its customers to reduce fuel consumption, cut emissions and increase fleet performance. Marorka´s performance management solutions are installed on ships all around the world.

Marorka International A/S is the parent company in the Marorka Group. Mayfair Beiteiligungsfonds II is the leading shareholder in the Marorka International A/S with 73.9% shares and Klappir I ehf holds 26.1%. Marorka International holds all shares in Marorka Denmark, Marorka Iceland, and Marorka Germany. Marorka Denmark holds all shares in Marorka Singapore. Together Marorka Iceland, Marorka Denmark, Marorka Singapore and Marorka Germany comprise the Marorka Group.

Marorka in general, contd.:
The company's main activities are in Reykjavik, Iceland and it has regional offices in Hamburg and Singapore as well as agents and partners in Norway, Greece, Korea and Dubai. At the end of 2016, the Group employed 35 people in Iceland, 3 in Denmark, 2 in Singapore, 4 in Germany and 2 in Dubai. Nearly all of the company's revenues are generated outside of Iceland.

More information on the Marorka Group is available on its website http://www.marorka.com.

Marorka has implemented a quality management system built on the ISO 9001 standard, certified by DNV GL.

Financial situation
The Group and the company realised a loss for the financial year 2016 of EUR 4,872 thousand. The owners of the company have in 2017 performed a conversion of debt to equity and performed an additional cash contribution, total of EUR 4,230 thousand to ensure sufficient financial resources of the Group and the company for 2017. On this basis the financial statements have been presented on a going concern basis.

Uncertainty related to measurement of intangible assets
Impairment tests of the value of intangible assets at year-end did not result in impairment. The impairment tests are based on updated business plans for the Group for the coming years showing a significant increase in revenue and improvement of the company´s earnings, already during the year 2017. Because of the fact that the impairment tests are based on estimates of future revenues and earnings that might not materialize as expected, there is a risk related to the valuation of intangible assets.

Operating review / budget
Revenues and result for the year of the Marorka Group are expected to increase in 2017 and in the coming years.

Risks
Various macroeconomic, financial and operational related risks can impact Marorka's operations. Following is an overview of the main financial risk factors.

FOREIGN EXCHANGE RISK
The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR/ISK on the cost side. The majority of revenues are in EUR while a significant part of costs is in ISK.

CREDIT RISK
The company minimizes credit risk by requesting prepayments and installment payments for significant projects as well as continuously monitoring credits granted to customers.

INSURANCE POLICIES
The company maintains insurance policies related to its operations. The coverage comprises business interruption, general and product liability, directors and officers liability, employers practice liability, business travel, and accidents. The company believes that its current insurance coverage is adequate.

LIQUIDITY RISK
The company has undertaken significant investments in infrastructure to promote future growth. This has resulted in a loss from operations and negative cash flow in recent financial periods. The company's main shareholders have strongly supported the strategic growth with capital increases. A strong relationship is maintained with the provider of bank financing.

Risks, contd.

INTEREST RATE RISK
Borrowings issued at variable interest rates expose the company to cash-flow interest rate risk.

The company does not use financial instruments for hedging purposes. Risk factors are continuously monitored and considered by the Board of Directors and company management.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Income statement

	Notes	Group 2016	Group 2015*	Parent Company 2016	Parent Company 2015*
Revenue					
Sales		3.037.853	2.867.150	0	0
Cost of sales		(1.789.562)	(1.299.971)	0	0
Gross profit (loss)		1.248.290	1.567.179	0	0
Selling and marketing expenses	2,3	(2.299.076)	(839.630)	0	0
Research and development expenses	2,3	(1.620.718)	(502.488)	0	0
Administrative expenses	2,4	(2.338.200)	(1.044.045)	(771.339)	0
Ordinary operating profit (loss)		(5.009.703)	(818.984)	(771.339)	0
Other operating income		178.927	173.598	0	0
Impairment expense		0	(10.898.831)	0	0
Operating profit (loss)		(4.830.776)	(11.544.217)	(771.339)	0
Income (loss) from group entities	5	0	0	(4.117.540)	(11.207.180)
Other financial income	6	4.418	8.540	94.290	10.709
Other financial expenses	7	(178.205)	(51.544)	(77.171)	(921)
		(173.787)	(43.004)	(4.100.421)	(11.197.392)
Profit/(loss) before tax		(5.004.563)	(11.587.221)	(4.871.761)	(11.197.392)
Tax on profit (loss) for the year	8	132.802	389.829	0	0
Profit (loss) for the year	9	(4.871.761)	(11.197.392)	(4.871.761)	(11.197.392)

* Comparative figures for the year 2015 comprise the period 8 August - 31 December 2015.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Balance sheet

		Group		Parent Company	
		2016	2015	2016	2015
	Notes				
ASSETS					
Non-current assets					
Intangible assets	3				
Customer relations and orderbook		495.470	998.210	0	0
Development projects		2.196.243	2.124.422	0	0
		2.691.713	3.122.632	0	0
Property, plant and equipment	4				
Fixtures and fittings, tools and equipment		10.318	21.958	0	0
Investments					
Investments in group entities	5	0	0	0	1.980.045
Total non-current assets		2.702.031	3.144.590	0	1.980.045
Current assets					
Inventories					
Raw materials and consumables	10	96.204	81.691	0	0
Receivables					
Trade receivables		1.058.794	1.697.151	0	0
Work in progress	11	510.055	822.201	0	0
Other receivables		286.820	362.164	5.378	0
Receivables from group entities		0	0	4.647.393	1.034.559
		1.855.669	2.881.516	4.652.771	1.034.559
Cash at bank and in hand		900.484	232.254	589.591	0
Total current assets		2.852.357	3.195.461	5.242.362	1.034.559
TOTAL ASSETS		5.554.388	6.340.051	5.242.362	3.014.604

Consolidated financial statements and parent company financial statements for the year ended 31 December

Balance sheet

	Notes	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
EQUITY AND LIABILITIES					
Equity					
Share capital	12	346.233	1.388.607	346.233	1.388.607
Retained earnings		1.459.350	1.300.076	1.459.350	1.300.076
Total equity		1.805.583	2.688.683	1.805.583	2.688.683
Provisions					
Provision for deferred tax	13	160.600	293.402	0	0
Other provisions	5	0	0	1.290.527	0
Total provisions		160.600	293.402	1.290.527	0
Non-current liabilities other than provisions					
Mortgage debt	14	1.200.000	1.200.000	0	0
		1.200.000	1.200.000	0	0
Current liabilities other than provisions					
Bank loans		0	801.514	0	0
Trade payables		342.688	460.861	11.507	0
Other payables		444.790	532.286	25.000	25.000
Deferred revenue		138.616	0	0	0
Payables to group entities		1.462.110	363.305	2.109.745	300.921
		2.388.204	2.157.966	2.146.252	325.921
Total liabilities other than provisions		3.588.204	3.357.966	2.146.252	325.921
TOTAL EQUITY AND LIABILITIES		5.554.388	6.340.051	5.242.362	3.014.604

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Consolidated financial statements and parent company financial statements for the year ended 31 December

Statement of Cash flows

	Group	
	2016	2015*
Cash flows from operating activities		
Loss for the year	(4.871.761)	(11.197.391)
Difference between net earnings and cash from operations:		
Depreciation of operating assets	13.749	9.007
Amortisation and impairment of intangible assets	1.184.174	11.129.716
Provision for deferred tax	(132.802)	(389.829)
Other changes	297	0
Working capital used in operating activities	(3.806.343)	(448.497)
Changes in operating assets and liabilities:		
Inventories, work in progress, change	297.636	297.440
Deferred revenue, change	138.616	0
Trade and other receivables, change	713.701	(432.811)
Trade and other payables, change	(205.670)	49.886
Net change in operating assets and liabilities	944.283	(85.485)
Net cash used in operating activities	(2.862.060)	(533.982)
Cash flows to investment activities		
Acquisition of operating assets	(2.109)	0
Capitalised intangible assets	(753.554)	(311.669)
Cash flows used in investment activities	(755.663)	(311.669)
Cash flows from financing activities		
Proceeds from the issue of share capital	3.988.662	723.850
Credit institutions, change	(801.514)	8.641
Payables with related parties, change	1.098.806	230.746
Net cash provided by financing activities	4.285.954	963.237
Change in cash and cash equivalents	668.231	117.586
Cash and cash equivalents at the beginning of the year	232.253	0
Cash received on acquisition of subsidiaries	0	114.667
Cash and cash equivalents at the end of the year	900.484	232.253
Investing and financing activities without cash flow effects		
Acquisition of subsidiaries	0	(13.043.267)
Proceeds from the issue of share capital	0	13.043.267

* Comparative figures for the year 2015 comprise the period 8 August - 31 December 2015.

Statement of changes in equity

For the year 2016

	Group		
	Contributed capital	Retained earnings	Total
Equity at 1 January 2016	1.388.607	1.300.076	2.688.683
Share capital decrease	(1.319.177)	1.319.177	0
Share capital increase	276.803	3.711.858	3.988.661
Transferred over the distribution of loss		(4.871.761)	(4.871.761)
Equity at 31 December 2016	346.233	1.459.350	1.805.583

	Parent		
	Contributed capital	Retained earnings	Total
Equity at 1 January 2016	1.388.607	1.300.076	2.688.683
Share capital decrease	(1.319.177)	1.319.177	0
Share capital increase	276.803	3.711.858	3.988.661
Transferred over the distribution of loss		(4.871.761)	(4.871.761)
Equity at 31 December 2016	346.233	1.459.350	1.805.583

For the year 2015

	Group		
	Contributed capital	Retained earnings	Total
Issued share capital	1.388.607	12.497.468	13.886.075
Transferred over the distribution of loss		(11.197.392)	(11.197.392)
Equity at 31 December 2015	1.388.607	1.300.076	2.688.683

	Parent		
	Contributed capital	Retained earnings	Total
Issued share capital	1.388.607	12.497.468	13.886.075
Transferred over the distribution of loss		(11.197.392)	(11.197.392)
Equity at 31 December 2015	1.388.607	1.300.076	2.688.683

Notes

1. Accounting policies

The annual report of Marorka International A/S for 2016 has been present in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

As from 1 January 2016, the Group has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

— Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

— Going forward, intangible assets will be amortised over the useful life. Previously, the maximum period of amortisation was 20 years.

The changes have no monetary effect on the income statement or the balance sheet for 2016, or for the comparative figures.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Marorka International A/S, and subsidiaries in which Marorka International A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Comparative figures

The group was founded in 2015 and the comparative figures in the income statement and statement of cash flow comprise the period 11.8.2015 - 31.12.2015.

Business combinations

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Provisions are recognised to cover costs arising from planned and announced restructuring processes in the acquired entity as part of the acquisition. The tax effect of revaluations is recognised as deferred tax.

1. Accounting policies, contd.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life, however, not exceeding 20 years. Negative differences (negative goodwill) reflecting projected unfavourable development in the relevant entities are recognised in the balance sheet as deferred income and recognised in the income statement as the unfavourable development materialise.

Negative goodwill up to an amount not exceeding the fair value of non-monetary assets that does not relate to projected unfavourable development is recognised in the balance sheet as deferred income. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets. Any residual negative goodwill is recognised in the income statement at the date of acquisition.

Goodwill and negative goodwill from acquired entities may be adjusted until the end of the year after the year of acquisition.

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up.

Foreign currency

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 the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, 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 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 recognition

Income from the sale of goods, comprising the sale of ship performance management solutions, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expected to be received.

A contract is broken down by individual transactions when the fair value of the individual sales transactions may be reliably measured, and the individual sales transactions are of separate value to the buyer. Sales transactions are deemed to be of a separate value to the buyer when the transaction is individually identifiable and usually sold individually. The contract price is broken down by the individual sales transactions in accordance with the relative current cost approach. The separate sales transactions are recognised as revenue when complying with the criteria applying to the sale of goods and services.

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

For products with a high degree of customisation, revenue is recognised as production takes place, and accordingly, revenue corresponds to the selling price of the work performed for the year (the percentage of completion method). When total income and costs attributable to the contract or the stage of completion at the balance sheet date cannot be estimated reliably, revenue is recognised only at costs incurred and only to the extent that the recovery thereof is likely.

1. Accounting policies, contd.

Cost of sales

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Commercial entities recognise their cost of sales, whereas production entities recognise production costs incurred to generate revenue for the year.

Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Selling and marketing expenses

Selling and marketing expenses comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Research and development expenses

Research and development expenses that do not qualify for capitalisation and amortisation of capitalised development costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Other operating income

Other operating income comprises items secondary to the activities of the entities, including gains on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Parent Company is comprised by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax 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 used the losses to reduce their own taxable profit.

Tax for the year comprises current tax for the year 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

Development projects

Cost incurred on development projects, relating to the design and testing of new or improved products, is recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1. Accounting policies, contd.

Customer relations and orderbook

Customer relations and orderbook are measured at cost less accumulated amortisation and impairment losses. Customer relations are amortised on a straight-line basis over expected remaining life of the customer relations with the maximum amortisation period 10 years, and orderbook is amortised over the contract period, not exceeding 3 years.

Intangible assets and goodwill are amortised as follows:

Development projects	6 - 7 years
Customer relations	10 years
Orderbook	3 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset´s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Tangible assets are amortised as follows:

Equipment	5 years

Leases

Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

Investments

Equity investments in subsidiaries are measured at the proportionate share of the subsidiary's net asset value calculated in accordance with the Group's accounting policies with proportionate deduction or addition of unrealised gains and losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

1. Accounting policies, contd.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Corporation tax and deferred 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 measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

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.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual work. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual work.

When 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 contract work is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise total work in progress where the selling price of the work performed exceeds progress billings. Net liabilities comprise total work in progress where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits with credit institutions.

1. Accounting policies, contd.

Dividends

Proposed dividends are recognised as a liability at the date on which 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.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.
Finance lease obligations are recognised as financial liabilities at amortised cost.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise purchase and sale of treasury shares, payments relating to increases or reductions in capital and related costs as well as payment of dividends to shareholders and raising and repayment of interest-bearing debt.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

1. Accounting policies, contd.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2016".

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

2. Salary and salary-related expenses

Salary and salary-related expenses are specified as follows:

	Group	
	2016	2015*
Salary	3.881.938	2.157.396
Pension	265.268	144.127
Salary-related expenses	271.788	106.400
Total salary and salary-related expenses	4.418.993	2.407.923

Salary and salary-related expenses are recognised in income statement within selling and marketing expenses, research and development expenses, administrative expenses and cost of sales. Average number of employees based on full-time equivalents was 44 during the year 2016 (2015: 49).

The Board of Directors and Executive Management are employed by Marorka ehf., Marorka A/S and Marorka Germany GmbH. Remuneration to the Group's Board of Directors amounted to EUR 189 thousand during the year 2016 and remuneration to the Executive Board amounted to EUR 700 thousand. These amounts include the remuneration of the Group's Board of Directors and Executive Board Members that have now left the company. These remunerations are included in the Group's administrative expenses. Services performed by the Board of Directors and Executive Management to the parent company are part of the management fee charged from group entities.

3. Intangible assets

Intangible assets are specified as follows:

	Group		
	Customer relations and orderbook	Development projects	Total
Cost at 1 January 2016	2.341.000	2.961.662	5.302.662
Additions	0	753.254	753.254
Cost at 31 December 2016	2.341.000	3.714.916	6.055.916
Amortisation and impairment losses at 1 January 2016	1.342.790	837.240	2.180.030
Amortisation	502.740	681.433	1.184.173
Amortisation and impairment losses at 31 December 2016	1.845.530	1.518.673	3.364.203
Carrying amount at 1 January 2016	998.210	2.124.422	3.122.632
Carrying amount at 31 December 2016	495.470	2.196.243	2.691.713

Amortization in the group are distributed as follows in the Group:

	Customer relations and orderbook	Development projects	Total
Selling and marketing expenses	502.740		502.740
Research and development expenses		681.434	681.434
	502.740	681.434	1.184.174

* Comparative figures for the year 2015 comprise the period 8 August - 31 December 2015.

4. Property, plant and equipment

Property, plant and equipment are specified as follows:

	Group Fixtures, tools and equipment
Cost at 1 January 2016	56.219
Additions during the year	3.925
Cost at 31 December 2016	60.144
Depreciation and impairment losses at 1 January 2016	34.261
Depreciation during the year	15.565
Depreciation and impairment losses at 31 December 2016	49.826
Carrying amount at 1 January 2016	21.958
Carrying amount at 31 December 2016	10.318

Depreciation in the group is expensed among administrative expenses.

5. Investments in group entities

	Parent Company Investments in group entities
Cost at 1 January 2016	13.187.225
Cost at 31 December 2016	13.187.225
Revaluations at 1 January 2016	(11.207.180)
Share of profit (loss) for the year	(4.117.540)
Revaluations at 31 December 2016	(15.324.720)
Receivables with related parties, balance sheet write-down	846.968
Transferred to Provisions	1.290.527
Carrying amount at 31 December 2016	0

Investments in group entities	Registered in	Equity interest	Equity	Profit/loss for the year
Marorka Denmark A/S	Copenhagen, Denmark	100%	(957.721)	(1.220.085)
Marorka ehf.	Reykjavik, Iceland	100%	(1.394.284)	(2.617.281)
Marorka Germany GmbH	Hamburg, Germany	100%	(340.233)	(330.780)

6. Financial income

Financial income is specified as follows:

	Group		Parent Company	
	2016	2015*	2016	2015*
Interest income	4.418	562	0	0
Interest income from group entities	0	0	94.290	10.709
Foreign exchange gains	0	7.977	0	0
Total financial income and expenses	4.418	8.540	94.290	10.709

* Comparative figures for the year 2015 comprise the period 8 August - 31 December 2015.

7. Financial expenses

Financial expenses are specified as follows:

	Group		Parent Company	
	2016	2015*	2016	2015*
Interest expense	103.534	50.622	0	0
Interest expenses to group entities	74.118	921	74.118	921
Foreign exchange losses	553	0	3.053	0
Total financial income and expenses	178.205	51.544	77.171	921

8. Tax on profit/loss for the year

	Group		Parent Company	
	2016	2015*	2016	2015*
Deferred tax adjustment for the year	132.802	389.829	0	0
	132.802	389.829	0	0

9. Proposed distribution of loss

	Group		Parent Company	
	2016	2015*	2016	2015*
Retained earnings	(4.871.761)	(11.197.392)	(4.871.761)	(11.197.392)
	(4.871.761)	(11.197.392)	(4.871.761)	(11.197.392)

10. Inventories

Recognised cost, raw materials and consumables	96.204

11. Contract work in progress

	2016	2015*
Selling price of work performed	1.994.242	1.558.730
Progress billings	(1.484.187)	(736.529)
	510.055	822.201

12. Share capital

Changes in share capital are specified as follows:

Share capital at 1 January 2016	1.388.607
Share capital decrease	(1.319.177)
Cash capital increase	276.803
	346.233

The share capital consists of 346,233 shares of nominal EUR 1 each. All shares rank equally.

13. Deferred tax

	Group
	2016
Deferred tax at 1 January 2016	293.402
Deferred tax adjustment for the year	(132.802)
	160.600

Provision for deferred tax relate to	
Intangible assets	160.600

* Comparative figures for the year 2015 comprise the period 8 August - 31 December 2015.

14. Total long term Interest-bearing loans

Long term interest-bearing loans are specified as follows:

	Group
	2016
Loans in EUR, repayments in 2017	1.200.000

On the final due date of the loan, 1 December 2017, the subsidiary, Marorka ehf. Iceland, is entitled to extend the remainder of the loan to three years subject to certain conditions according to the agreement with the bank. With reference to budgets and firm orders, these conditions will be fulfilled and thus the loan is categorized as non-current liability.

15. Operating lease obligations

Rermaining operating lease obligations at the balance sheet date of EUR 376 thousand fall due within two years.

16. Mortgages

The subsidiary Marorka ehf. has pledged all of its trade receivables amounting to EUR 1.1 million as security for loans amounting to EUR 1.2 million at year-end 2016.

17. Related party disclosures

Marorka International A/S´ related parties comprise the following:

Control

Marorka ehf., Iceland
Marorka A/S, Denmark
Marorka GmbH, Germany
Marorka Pte. Ltd., Singapore
Unique Marorka Support Services FZC, UAE

Largest and smallest group:

The company is included in the consolidated financial statements of Mayfair Vermögensverwaltungs SE (the ultimate owner). Mayfair Vermögensverwaltungs SE publishes its consolidated group accounts according to IFRS in the "elektronischer Bundesanzeiger" in Germany.

The Parent Company's administrative expenses include expenses amounting to EUR 690 thousand for services rendered by the subsidiaries.

18. Contingent liabilities

The Group´s Danish entities are jointly and severally liable for tax on the Group´s jointly taxed income and for certain witholding taxes such as dividend tax and royalty tax.
The parent Company has issued a letter of financial support to Marorka ehf., Marorka A/S, Marorka Germany GmbH and Marorka Singapore Pte. Ltd.

19. Uncertainty related to measurement of intangible assets

Impairment tests of the value of intangible assets at year-end did not result in impairment. The impairment tests are based on updated business plans for the Group for the coming years showing a significant increase in revenue and improvement of the company´s earnings, already during the year 2017. Because of the fact that the impairment tests are based on estimates of future revenues and earnings that might not materialize as expected, there is a risk related to the valuation of intangible assets.