



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer:	917 327 122
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	NAVICO GROUP AS
Forretningsadresse:	Elganeveien 1 4373 EGRSUND

### Regnskapsår

Årsregnskapets periode:	01.01.2017 - 31.12.2017
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### Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

### Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Hugo Lund Maurstad
Dato for fastsettelse av årsregnskapet:	14.06.2018

### Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert  
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 03.11.2020



## Resultatregnskap

<b>Beløp i: USD</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Annen driftskostnad		54 000	12 496 000
<b>Sum kostnader</b>		<b>54 000</b>	<b>12 496 000</b>
<b>Driftsresultat</b>		<b>-54 000</b>	<b>-12 496 000</b>
<b>Netto finans</b>			
Annen finanskostnad		437 000	25 000
<b>Sum finanskostnader</b>		<b>437 000</b>	<b>25 000</b>
<b>Netto finans</b>		<b>-437 000</b>	<b>-25 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-491 000</b>	<b>-12 521 000</b>
<b>Ordinært resultat etter skattekostnad</b>		<b>-491 000</b>	<b>-12 521 000</b>
<b>Årsresultat</b>		<b>-491 000</b>	<b>-12 521 000</b>



## Balanse

Beløp i: USD	Note	2017	2016
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	1	246 080 000	242 580 000
<b>Sum finansielle anleggsmidler</b>		<b>246 080 000</b>	<b>242 580 000</b>
<b>Sum anleggsmidler</b>		<b>246 080 000</b>	<b>242 580 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Kundefordringer		15 300 000	3 500 000
<b>Sum fordringer</b>		<b>15 300 000</b>	<b>3 500 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende			559 000
<b>Sum bankinnskudd, kontanter og lignende</b>			<b>559 000</b>
<b>Sum omløpsmidler</b>		<b>15 300 000</b>	<b>4 059 000</b>
<b>SUM EIENDELER</b>		<b>261 380 000</b>	<b>246 639 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital		595 000	296 000
Overkurs		258 383 000	255 182 000
<b>Sum innskutt egenkapital</b>		<b>258 978 000</b>	<b>255 478 000</b>
<b>Opptjent egenkapital</b>			
Udekket tap		12 990 000	12 499 000



## Balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Sum opptjent egenkapital</b>		<b>-12 990 000</b>	<b>-12 499 000</b>
<b>Sum egenkapital</b>	2	<b>245 988 000</b>	<b>242 979 000</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Gjeld til kredittinstitusjoner			3 500 000
Leverandørgjeld		31 000	160 000
Annen kortsiktig gjeld		15 361 000	
<b>Sum kortsiktig gjeld</b>		<b>15 392 000</b>	<b>3 660 000</b>
<b>Sum gjeld</b>		<b>15 392 000</b>	<b>3 660 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>261 380 000</b>	<b>246 639 000</b>



## Konsernets resultatregnskap

Beløp i: USD	Note	2017	2016
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt		327 196 000	74 744 000
<b>Sum inntekter</b>		<b>327 196 000</b>	<b>74 744 000</b>
<b>Kostnader</b>			
Varekostnad		166 207 000	39 937 000
Lønnskostnad	8	62 085 000	14 069 000
Avskrivning	9	40 790 000	9 739 000
Annen driftskostnad	7,10	36 258 000	19 912 000
<b>Sum kostnader</b>		<b>305 340 000</b>	<b>83 657 000</b>
<b>Driftsresultat</b>		<b>21 856 000</b>	<b>-8 913 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen finansinntekt	11	1 765 000	3 697 000
<b>Sum finansinntekter</b>		<b>1 765 000</b>	<b>3 697 000</b>
Annen finanskostnad	11	29 747 000	6 031 000
<b>Sum finanskostnader</b>		<b>29 747 000</b>	<b>6 031 000</b>
<b>Netto finans</b>		<b>-27 982 000</b>	<b>-2 334 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-6 126 000</b>	<b>-11 247 000</b>
Skattekostnad på ordinært resultat		-19 166 000	-1 188 000
<b>Ordinært resultat etter skattekostnad</b>		<b>13 040 000</b>	<b>-10 059 000</b>
<b>Årsresultat</b>		<b>13 040 000</b>	<b>-10 059 000</b>
<b>Overføringer og disponeringer</b>			
Udekket tap		-13 040 000	10 059 000
<b>Sum overføringer og disponeringer</b>		<b>-13 040 000</b>	<b>10 059 000</b>



## Konsernets balanse

Beløp i: USD	Note	2017	2016
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Forskning og utvikling	12	212 315 000	218 818 000
Utsatt skattefordel		1 616 000	13 284 000
Goodwill	12	201 712 000	193 137 000
<b>Sum immaterielle eiendeler</b>		<b>415 643 000</b>	<b>425 239 000</b>
<b>Varige driftsmidler</b>			
Maskiner og anlegg	14	40 526 000	40 263 000
Driftsløsøre, inventar, verktøy, kontormaskiner	16	8 499 000	4 000
<b>Sum varige driftsmidler</b>		<b>49 025 000</b>	<b>40 267 000</b>
<b>Sum anleggsmidler</b>		<b>464 668 000</b>	<b>465 506 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Varer	17	78 307 000	59 402 000
<b>Sum varer</b>		<b>78 307 000</b>	<b>59 402 000</b>
<b>Fordringer</b>			
Kundefordringer	18	64 935 000	61 010 000
<b>Sum fordringer</b>		<b>64 935 000</b>	<b>61 010 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende		8 162 000	7 333 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>8 162 000</b>	<b>7 333 000</b>
<b>Sum omløpsmidler</b>		<b>151 404 000</b>	<b>127 745 000</b>
<b>SUM EIENDELER</b>		<b>616 072 000</b>	<b>593 251 000</b>

## BALANSE - EGENKAPITAL OG GJELD

### Egenkapital



### Konsernets balanse

Beløp i: USD	Note	2017	2016
<b>Innskutt egenkapital</b>			
Aksjekapital		595 000	296 000
Overkurs		258 383 000	255 182 000
<b>Sum innskutt egenkapital</b>		<b>258 978 000</b>	<b>255 478 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		4 167 000	
Udekket tap			10 638 000
<b>Sum opptjent egenkapital</b>		<b>4 167 000</b>	<b>-10 638 000</b>
Minoritetsinteresser		1 248 000	
<b>Sum egenkapital</b>		<b>264 393 000</b>	<b>244 840 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt		29 948 000	63 231 000
<b>Sum avsetninger for forpliktelser</b>		<b>29 948 000</b>	<b>63 231 000</b>
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	21	234 732 000	226 868 000
Øvrig langsiktig gjeld		4 984 000	
<b>Sum annen langsiktig gjeld</b>		<b>239 716 000</b>	<b>226 868 000</b>
<b>Sum langsiktig gjeld</b>		<b>269 664 000</b>	<b>290 099 000</b>
<b>Kortsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	21	19 037 000	7 526 000
Leverandørgjeld	23	54 611 000	43 170 000
Annen kortsiktig gjeld	24	8 367 000	7 616 000
<b>Sum kortsiktig gjeld</b>		<b>82 015 000</b>	<b>58 312 000</b>
<b>Sum gjeld</b>		<b>351 679 000</b>	<b>348 411 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>616 072 000</b>	<b>593 251 000</b>



Statsautoriserte revisorer  
Ernst & Young AS

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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Navico Group AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Navico Group AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2017, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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## Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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, 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism 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.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ 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.



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## Report on other legal and regulatory requirements

### Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

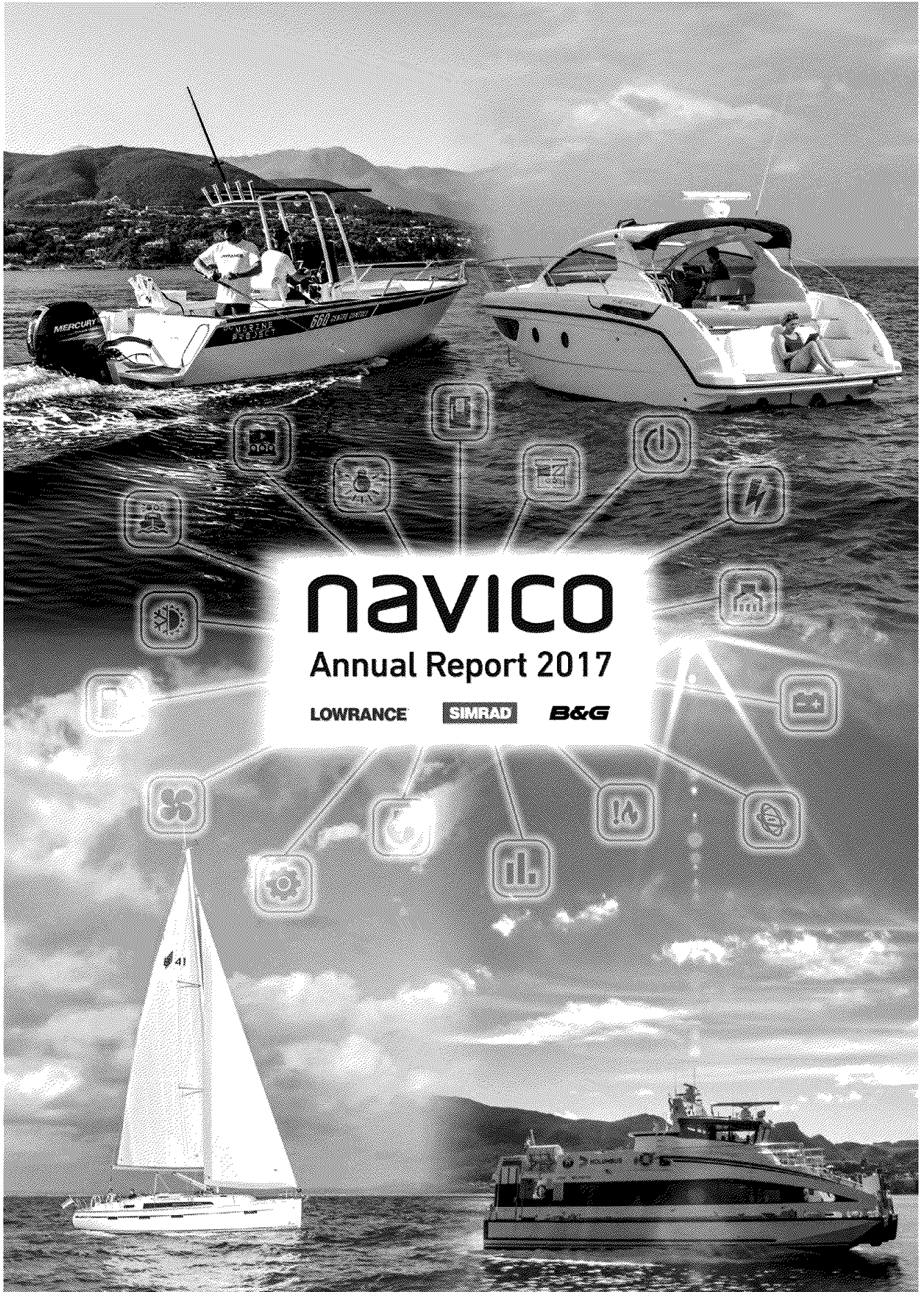
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Stavanger, 30 April 2018  
ERNST & YOUNG AS

Erik Søren  
State Authorised Public Accountant (Norway)





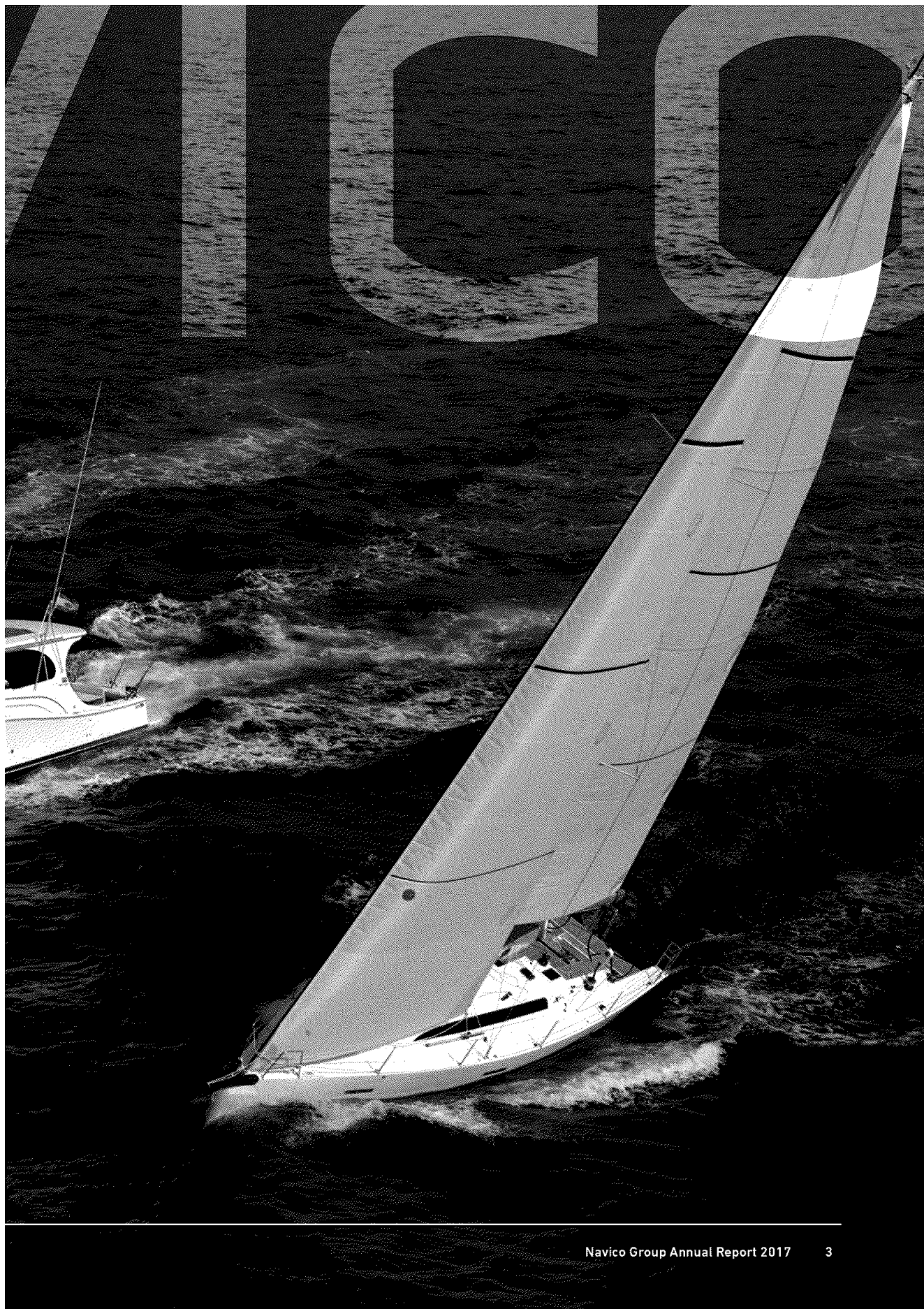
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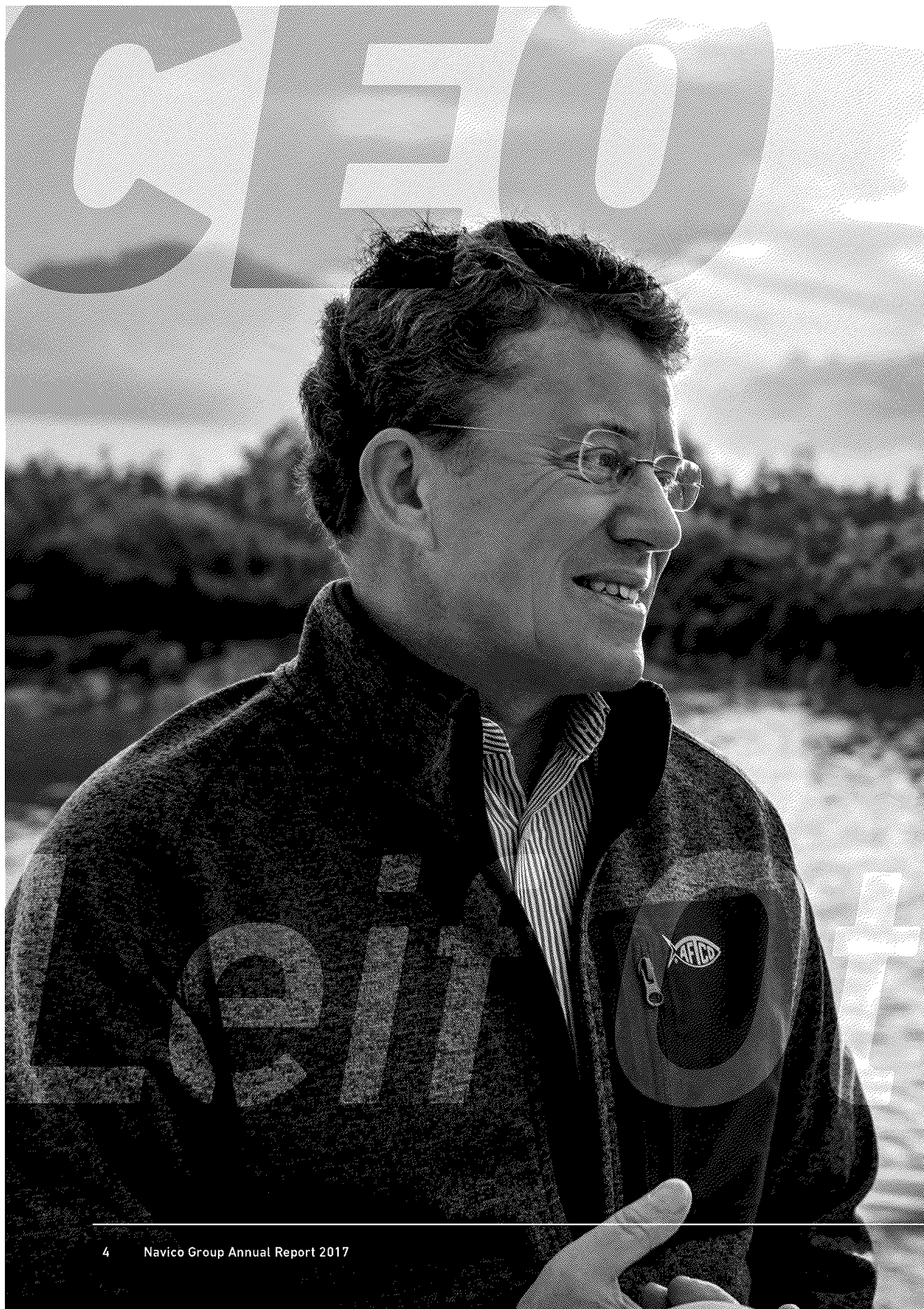
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**LOWRANCE**

**SIMRAD**

**B&G**







## A Message from the CEO

**2017 has been another successful year for Navico, with the first full year of a new ownership structure, renewed focus on our core products, and the 9th consecutive year of sales growth.**

In addition to growing our core sales by 3% in 2017, the management team has worked closely with the new owners and board to bring increased focus on our future vision for continued global leadership in the recreational marine electronics market. As a result, we have increased investment in innovation and established new key initiatives with the objective of accelerating our delivery of integrated and connected solutions, that will greatly enhance the experience of owning and using boats. To drive these efforts forward we have established a new digital services team, which will deliver digital experiences seamlessly across multiple platforms, such as on-board screens, mobile devices and tablets, so that end-users can enjoy fully integrated services both on and off the water. In addition to this, and to further enhance our consumer-focus, we have set-up a new global marketing team, based alongside digital services, that will focus on building truly global brands as we continue our growth journey.

Last year, we announced that we were looking towards opportunities to grow through strategic partnerships and acquisitions, and in line with that strategy we have recently acquired Yacht Defined and invested in HOC Yachts. Like Navico, these two innovative companies share a vision of integrated and connected marine systems and have made significant strides towards achieving this in a short space of time. It was clear that the strategies and goals of our companies were extremely well aligned, and we are now pooling our resources and talent, and working together to accelerate and achieve our joint objective to create the world's biggest marine ecosystem.

Meanwhile our core business continues to perform strongly despite competitive pressure. Recreational sales grew by 3%, with Simrad performing strongly across both the salt water and fresh water recreational market and across the product range and particularly the entry-level Go series, as well as the NSS Evo3 which raises the bar for built-in functionality for boaters.

Simrad will continue to drive this area of innovation forward with cutting-edge solutions for vessel control and digital switching. In 2017, the brand also further consolidated its reputation with the introduction of the S5100 deep water CHIRP sonar and NSO EVO3 Multifunction Display, putting Simrad in an excellent position for continued growth in 2018.

Lowrance continues to be the largest brand in the Navico portfolio and faced tough competitive pressure in 2017, however the launch of the new entry-level offering, Hook2, has received excellent reviews and has started to show extremely strong sales behind its promise to deliver a fast, easy to use solution for anglers. We're proud to say that, once again, Lowrance has won in the extremely prestigious and widely respected champions event, the Bassmaster Classic for the seventh year in a row, reinforcing Lowrance as the equipment of choice for professional competition anglers.

B&G continues to grow and perform as one of the world's most renowned sailing brands. September 2017 saw the start of another Volvo Ocean Race and we are very proud to, once again, be chosen as the official supplier, providing race support and full equipment on board every yacht. In 2017 we launched numerous innovations amongst which were the new Zeus3 Glasshelm for blue water sailing, multihulls and superyachts, and upgraded screens for the Vulcan series. B&G remains committed to the needs of family cruisers, club racers and the high performance grand-prix racing circuit.

Navico will continue to drive forward with investment in R&D and front-end innovation. With continually increasing focus on our consumers and customers, and our vision to lead marine electronics with outstanding solutions for performance, safety and enjoyment on the water, we believe we are in a position of strength to deliver further growth into 2018.

**Leif Ottosson**  
President & CEO



## Division Strategy

**Navico is a specialist electronics company; its brands deliver technology in mapping, sonar, radar and value added applications for the marine industry.**

The company is made up of two distinct business divisions: Recreational Marine is B2C-focused and aimed at the boat-builder and consumer market for new boats, refits, and general purchase of marine electronics. Commercial Marine is B2B-focused and targets the commercial shipping industry.

### Recreational Marine Division

Navico's Recreational Marine Division is one of the world's largest providers of recreational marine electronics products. The business' key strength is its focus on three segmented brands that meet specific consumer needs: Lowrance is aimed at Fishing, particularly in freshwater and near coastal areas, Simrad is focused on Powerboat owners for cruising and sportfishing and B&G serves the Sailing market.

This focus on specific consumer groups per brand enables Navico to develop products with meaningful and practical features that provide a real benefit to the user. The approach drives an ambitious R&D programme, which includes a rigorous approach to development and production costs, ensuring Navico products are both of outstanding quality and competitively priced.

Most recently, the company has established a distinct Digital Services centre of excellence which has been created to address consumers rising expectations for on-board services, information, content and apps but also to ensure a seamlessly experience across all consumer platforms including web, tablets and mobile devices. This will ensure that Navico will cater to consumers' increasing demand for more personalized experiences. This dedicated team of experts will also enable a Digital Services Provider (DSP), an eco-system for third party developers to access the market place on all platforms to deliver an expansive range of services to our consumers.

### Commercial Marine Division

Navico's Commercial Marine Division is exclusively focused on the estimated \$2.5 billion commercial marine electronics market. Its global team addresses the needs of fleet owners by offering a comprehensive portfolio of navigation solutions under the Simrad brand that covers auto-steering, radar, ECDIS, positioning, and fishing equipment to digital charts and voyage optimization services. These solutions are supported 24/7 by a global network of Navico technicians and 150 certified partner dealers spanning across over 40 countries. The division has a strong position in the light marine segment. It continues to strengthen its position in this segment and also expand its offering into the high seas segment, by introducing new solutions.



## Brand Strategy

2017 saw the evolution of the brands into a more digital arena, focusing the brands on the consumer experience, and improving it via activity related features, connectivity and integration.

Lowrance is the world leader in marine electronics for fishing, developing original technology for anglers. From the beginning, Lowrance has used innovative design and leading sonar technologies to help anglers find and catch more fish – a tradition of making it easier for anglers to recapture the enjoyment of their first catch, over and over again.

Simrad specialises in powerboats and sportfishing, bringing its trademark professional-level products to the everyday boater and power enthusiast for essential peace of mind and reliability. Simrad products lead the way in integration and are incorporated seamlessly on a wide range of boats, from RIBs and racers to luxury motor yachts.

B&G is the world's most renowned and trusted sailing brand. It is the only marine electronics manufacturer to create products specifically for sailing and blends innovation with a rich heritage to support and inspire every type of sailor.

Simrad Commercial's vision is to supply unique navigation solutions for commercial marine that are dependable, adaptable and smart. With a focus on radar and autosteering, it covers the needs and regulations of tugs, patrol vessels, commercial fishing vessels, ferries, cruise ships, megayachts and merchant ships.

With the introduction of digital services, the brand focus has to develop and improve experiences of our consumers, further endorsing the brands' roles and ambitions in their respective arenas.

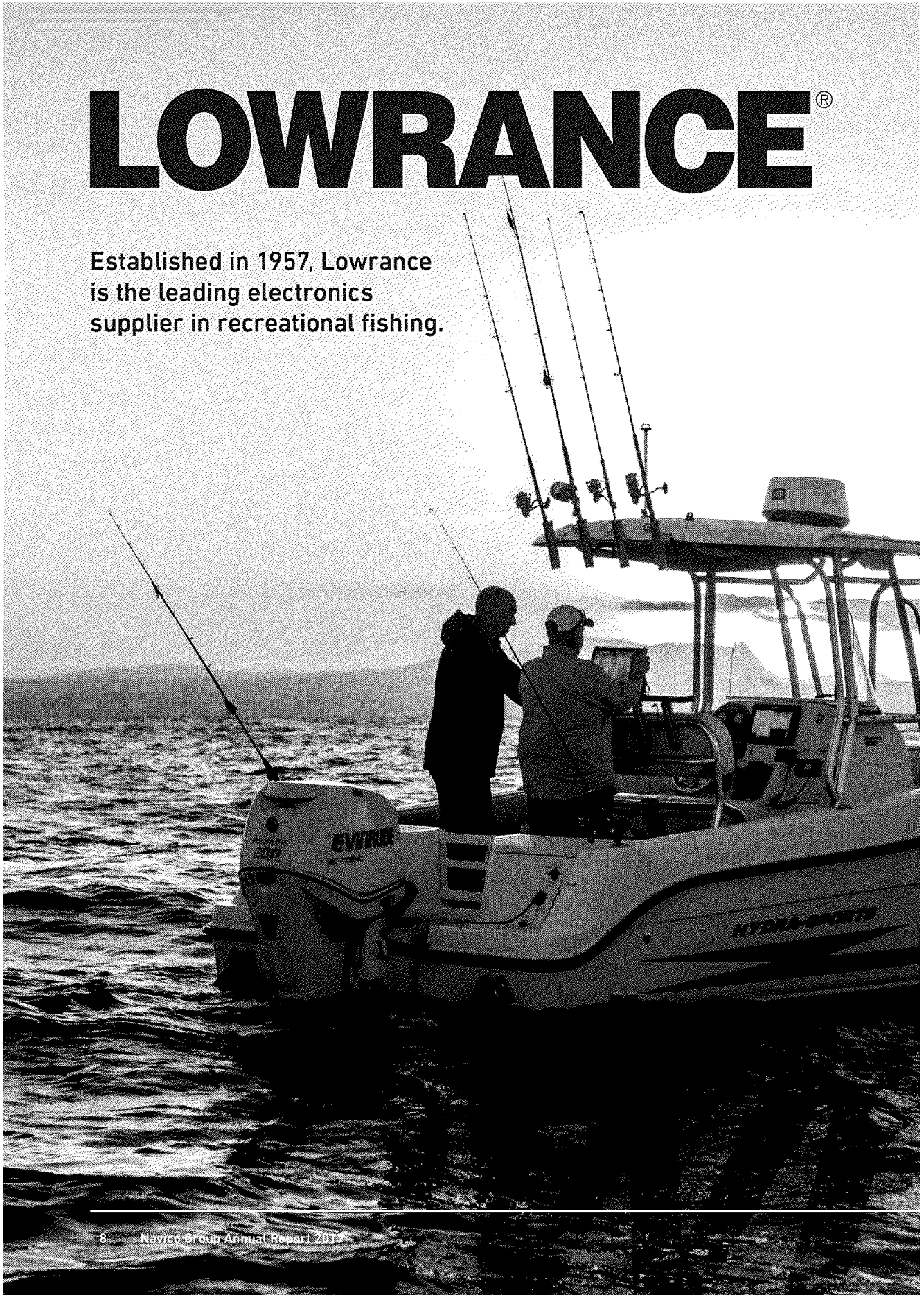
Although they are underpinned by Navico expertise, there is no 'one size fits all' product or technology across these markets. Now, whether chasing the next big catch, heading out on a powerboat adventure or in a global sailing race, customers can be sure they have the expertise and tailored solutions to keep them safe and on track to realise any boating ambition.

	LOWRANCE	B&G	SIMRAD	SIMRAD
PREMIUM				
MID-RANGE				
VALUE				
	FISH	SAIL	SPORTFISHING /POWER	COMMERCIAL



# LOWRANCE®

Established in 1957, Lowrance is the leading electronics supplier in recreational fishing.





With a reputation for innovation and a loyal customer base, the products are a staple in fishing arsenals for all freshwater and coastal anglers. Equally at home on the bank as it is on kayaks and trailer boats, Lowrance is the leading player with weekend warriors, avid tournament professionals and search and recovery agencies.

The Lowrance customer audience comprises mainly inland/freshwater and in-shore / saltwater anglers. 2017 has been another landmark year for Lowrance, continuing the pursuit of an ambitious product launch schedule and a targeted marketing message to reinforce its interest in its core customer base – fishermen. Testament to the success of its fishing products, Lowrance dominated the 2017 Bassmaster Classic with another Jordan Lee win marking the seventh consecutive championship for Lowrance as the marine electronics leader.

Find. Navigate. Dominate continued to be the dramatic advertising slogan that sets the premise and tone for the Lowrance brand. The year presented the launch of the Lowrance FishHunter PRO and FishHunter 3D wireless, castable transducers. These offerings expand the benefits of fish finding sonar to a large group of underserved anglers that fish from a stationary location.

Near the end of 2017, Navico made a dramatic resurgence taking its rightful place as the #1 fishing electronics brand in the world. Meet the HOOK2 series perfectly matched with Lowrance heritage, appealing to the masses and including innovation rarely provided to the volume segment - The World's Easiest Fishfinder. Superior, high performing sonar with double the coverage of most fish finders, simple controls and automated sonar tuning, we captured the spirit of the Lowrance customer who values enhanced sonar and imaging at an extremely competitive price.

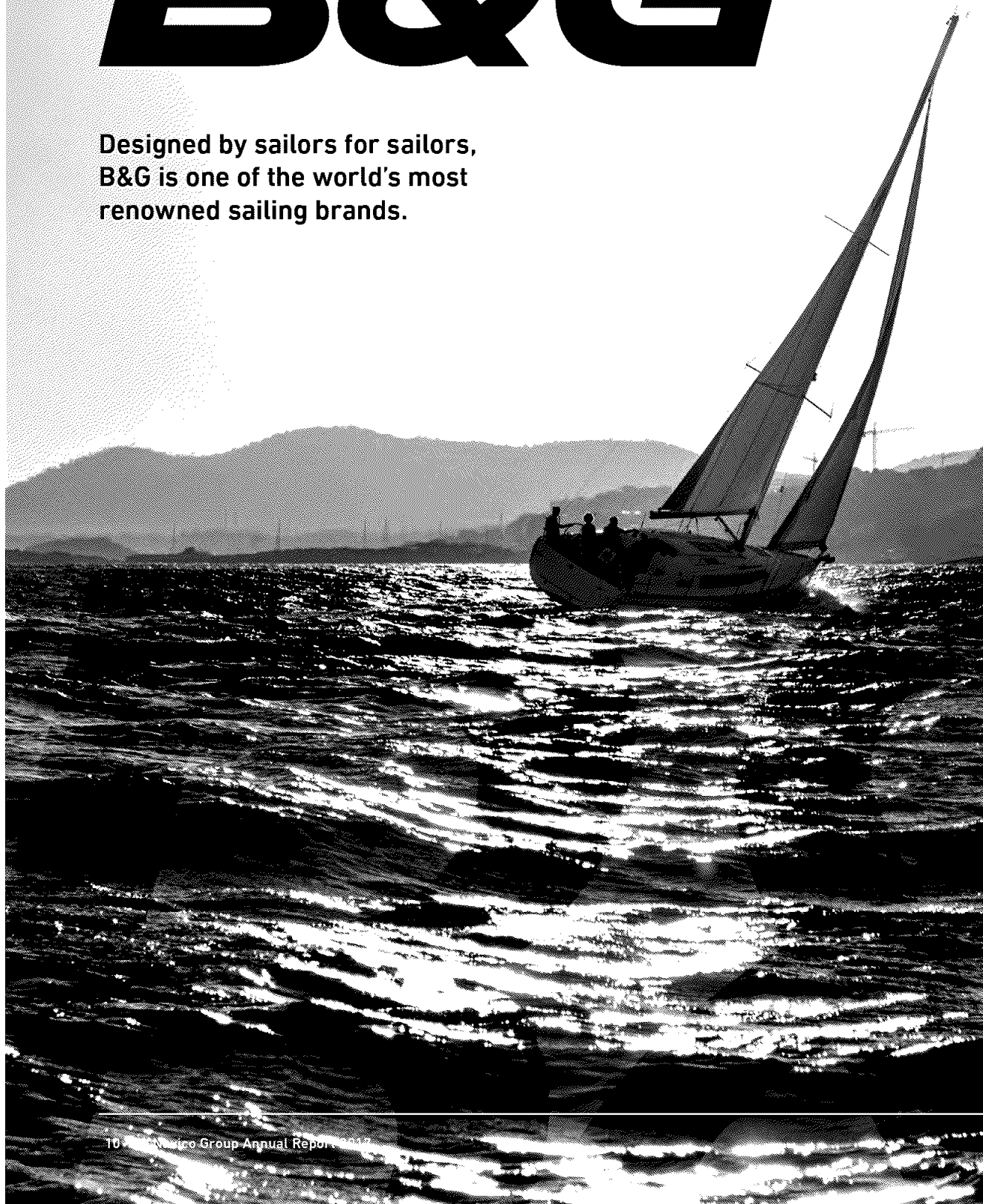
Combined with the aggressive promotional programs schedule like Ultimate Upgrade and Free Chart campaigns, several editor's choice awards and planned product innovations, Lowrance is positioned very well for the battleground ahead and for a milestone new year.





# B&G

Designed by sailors for sailors,  
B&G is one of the world's most  
renowned sailing brands.



10 | B&G Group Annual Report 2017



B&G has been at the cutting edge of sailing innovation for over 60 years. Understanding the need for reliable and relevant information whether the sailing is simply for relaxation on the water or the adrenalin of the race circuit; B&G combines precision marine electronics with extensive sailing knowledge to ensure trusted and dependable products.

Proud that its technology helped Sir Francis Chichester single-handedly circumnavigate the globe, B&G has a unique history of contributing to many sailing accolades and Grand Prix race winners. On board all Volvo Ocean Race competitors, the stunning J-Class fleet and 2016 Vendee Globe victor, B&G takes Grand Prix technology and develops and adapts it to benefit all sailors. From day sailors to blue water cruisers, round the can racers to round the world contenders, B&G offers a full suite of electronics to suit every user. In testament to this, in September 2017 another Volvo Ocean Race started, with B&G once again selected as the Official Race Supplier, with all yachts fully equipped with B&G Electronics. Not only are B&G the chosen supplier of many performance race boats, we continue to be the supplier of choice for many recreational boat builders, including; Beneteau, Lagoon, Hanse and most recently Bavaria Yachts, who also chose to bring B&G on board as supplier during 2017.

Continuous innovation and development at B&G guarantees consumers can access the equipment that best meets their requirements. From the complex and sophisticated WTP3 system, to the Vulcan 7 Chartplotter, B&G's industry-leading, dedicated sailing software enables navigators at all levels to meticulously plan their route. Combining marine electronic technology including radar, VHF, and sensors makes sure yachtsmen can see the whole picture, no matter what.

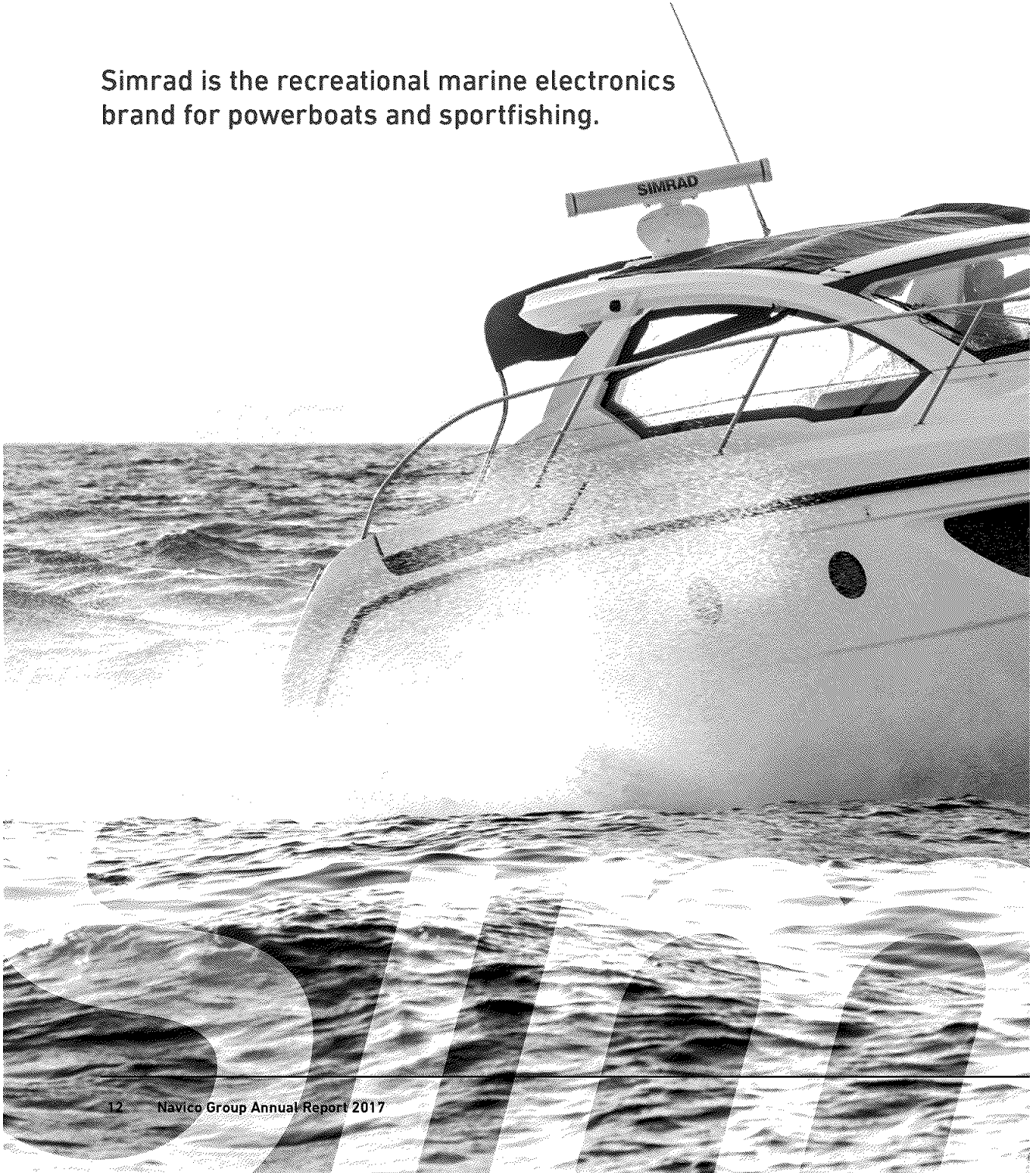
In 2017 B&G expanded the product offering with a new 12" screen for the Vulcan series, along with an upgrade to the 7" model, offering Radar capability to complete the full Vulcan range of chartplotters. At the other end of the category, in late 2017 the new Zeus3 Glasshelm designed specifically for blue water sailing, multihulls and superyachts was also launched. The Glasshelm is a premium, super-fast, large-screen, multifunction display, which sits at the heart of any fully integrated navigation system and provides easy-to-use touchscreen and remote control options. B&G's unique sailing features including SailSteer and RacePanel all combine in this system with Radar, charting, sonar and much more. 2017 also included a number of improved software feature releases, as well as the launch of the versatile V20 VHF for the family cruising or club racing market.

In 2018 B&G will continue to push innovation and strive to build products that sailors will rely on and trust. As we look ahead to the next 12 months developing solutions that focus on integration and connectivity, will be key in creating an improved user-friendly experience across all on board and mobile devices. B&G continues to aim to help sailors stay safe while going faster, making navigation easier to increase on-water enjoyment with an easily selectable range of dedicated sailing products, features and integrations.



# SIMRAD®

Simrad is the recreational marine electronics brand for powerboats and sportfishing.





The Simrad product range covers recreational vessels of all sizes, from small runabouts and sportfishing vessels up to luxury cruisers and superyachts, but they all have one thing in common – the need to go out on the water with confidence, whether cruising on a lake or heading out to open seas.

Simrad brand values focus around ease-of-use, quality and value for money and the brand continues to build on its range of solutions across both sportfishing and powerboating.

In 2017 the Simrad brand continued to grow at a significant rate. This growth came from across the product range, with particular success for the Go Series – a more affordable entry level product, and the NSS Evo3 - offering boaters an unprecedented level of built-in functionality, ultra-wide viewing angles, and precise control.

The Simrad Halo™ Pulse Compression Radar range, the world's first high-performance recreational solidstate, open-array radar system with pulse compression technology

was launched in 2015 and with the launch of VelocityTrack in 2017 it gives even greater situational awareness by colour coding moving target, allowing us to bring even greater value to this award winning technology.

As part of a more integrated boat strategy Simrad has developed an easy-to-use, compelling solution to digital switching and vessel control. The solution has been widely exhibited at boat shows and shared with key boat building customers, and has received a very strong positive response.

With the focus on improved innovations and developments with integration and connectivity, combined with the addition in 2017 of the new deep water S5100 high-performance CHIRP sonar and the new NSO Evo3 Range, offering full connectivity, ultimate Clarity, with unbeatable speed and performance, Simrad has a very strong portfolio to drive further growth in 2018.





# SIMRAD®

Simrad Commercial - built on 60  
years of engineering experience





The Simrad brand is a leader in electronics technology for commercial vessels. Over the past sixty years we have developed our systems for the benefit of commercial vessels.

Today we offer a range of sophisticated auto steering, navigation and safety products for vessels of all sizes, from small vessels on inland waterways to larger coastal commercial and passenger craft.

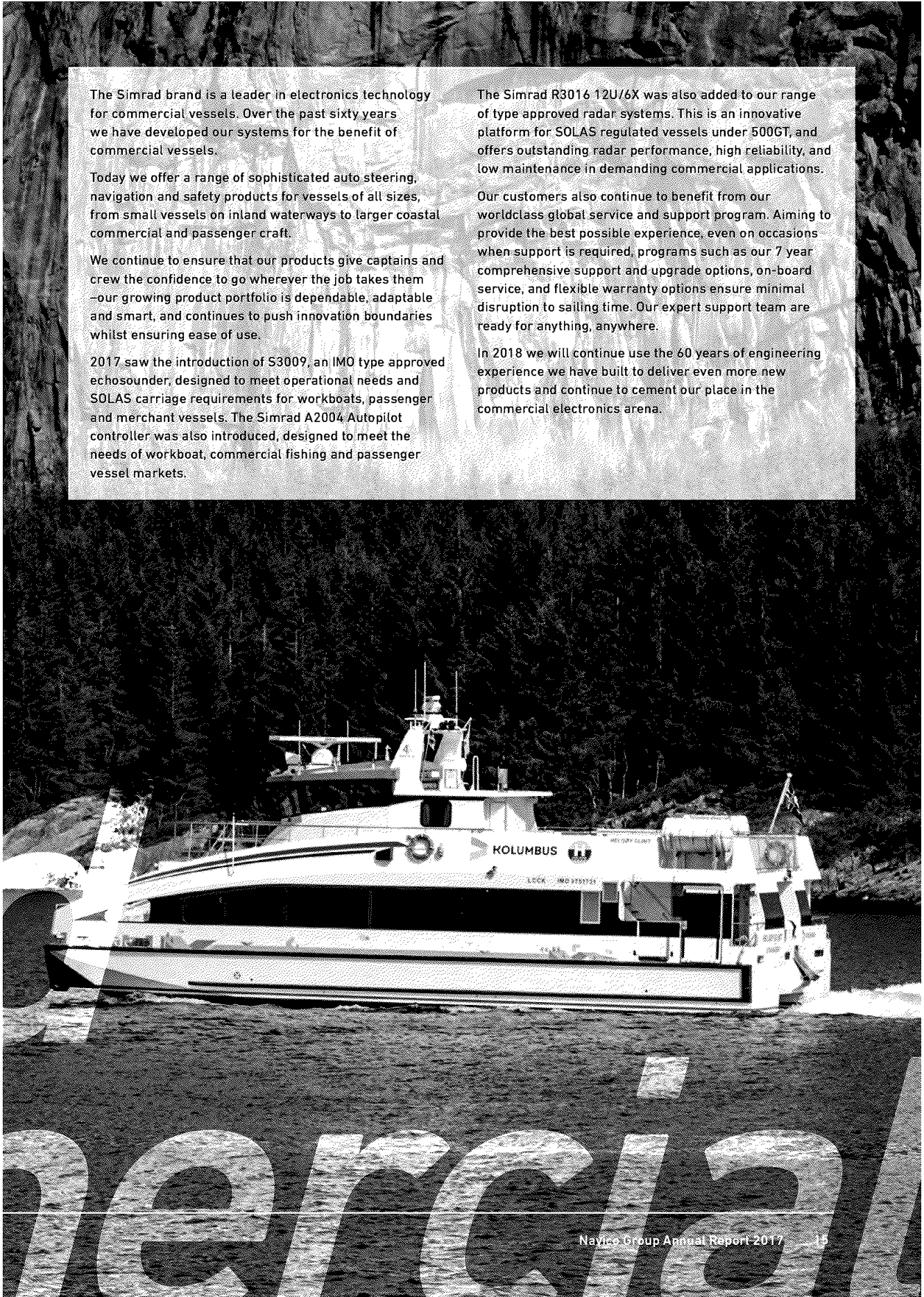
We continue to ensure that our products give captains and crew the confidence to go wherever the job takes them – our growing product portfolio is dependable, adaptable and smart, and continues to push innovation boundaries whilst ensuring ease of use.

2017 saw the introduction of S3009, an IMO type approved echosounder, designed to meet operational needs and SOLAS carriage requirements for workboats, passenger and merchant vessels. The Simrad A2004 Autopilot controller was also introduced, designed to meet the needs of workboat, commercial fishing and passenger vessel markets.

The Simrad R3016 12U/6X was also added to our range of type approved radar systems. This is an innovative platform for SOLAS regulated vessels under 500GT, and offers outstanding radar performance, high reliability, and low maintenance in demanding commercial applications.

Our customers also continue to benefit from our worldclass global service and support program. Aiming to provide the best possible experience, even on occasions when support is required, programs such as our 7 year comprehensive support and upgrade options, on-board service, and flexible warranty options ensure minimal disruption to sailing time. Our expert support team are ready for anything, anywhere.

In 2018 we will continue use the 60 years of engineering experience we have built to deliver even more new products and continue to cement our place in the commercial electronics arena.





## Awards

Navico continues to lead and innovate in marine electronics and following several high profile awards in the last few years, the recognition continued in 2017 with a number of awards and special mentions, including:

NSS EVO3 & Connected Boat Final Nomination for **Dame Awards**

Track and Vessel won **Sail Magazine's 2017 Freeman K. Pittman Award**

Simrad G09 won **Best Product of the Year by West Marine**

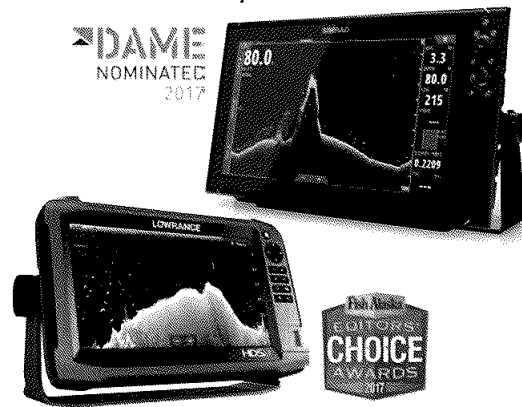
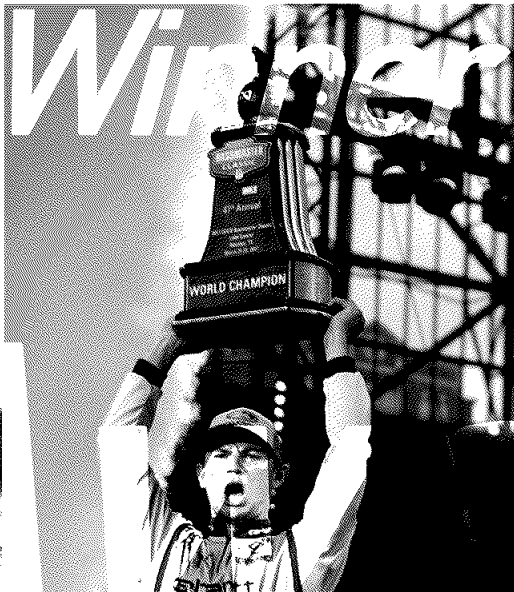
Lowrance HDS Gen3 & Hook 4 won **Fish Alaska 2017 Editor's Choice Award**

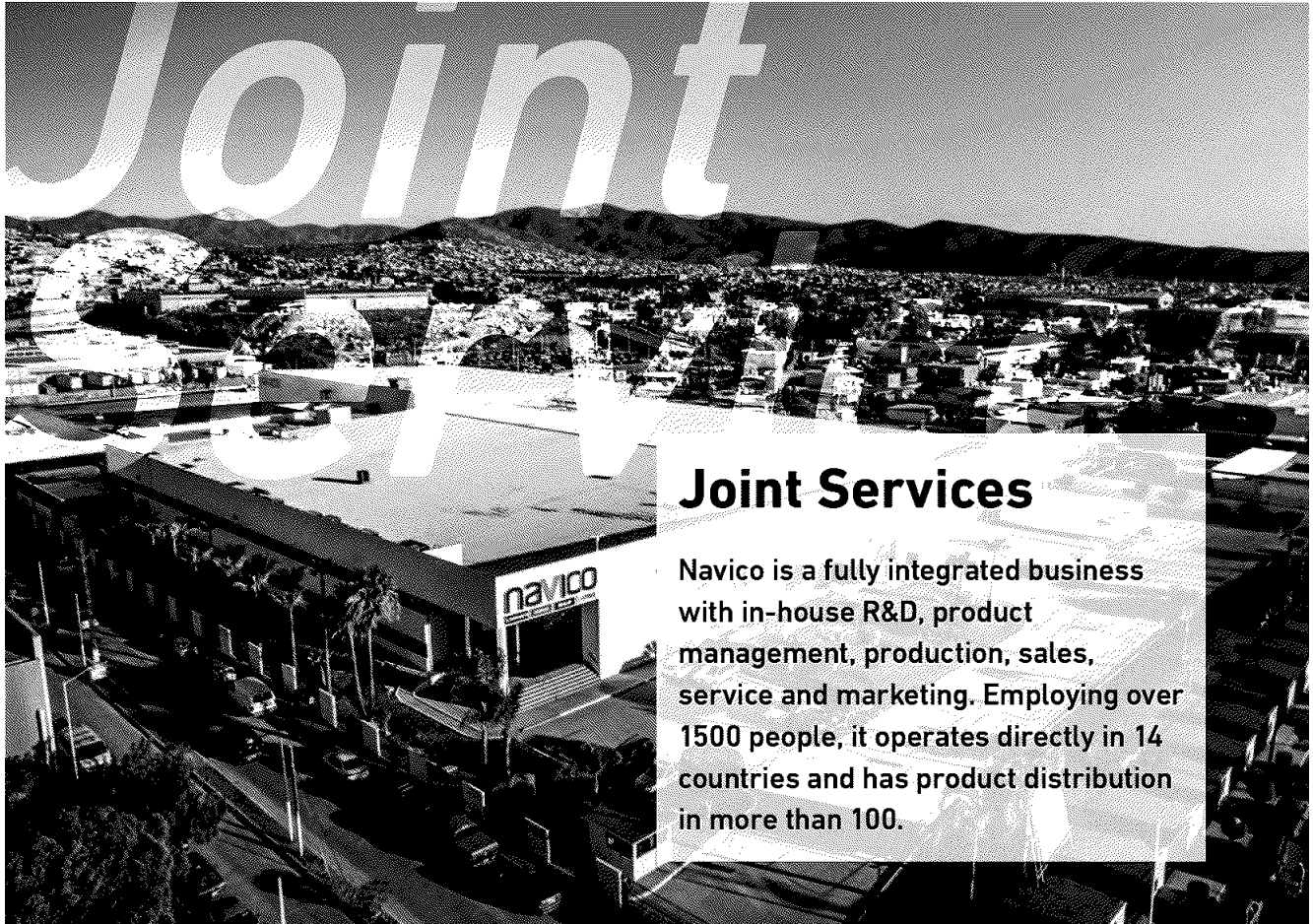
Lowrance HDS16 Carbon won **BEST IN SHOW - Marine Electronics Section at the AFTA awards 2017 (Australia)**

Vulcan 9 Final Nomination for **Yachts & Yachting 2017 Gear of The Year**

Simrad Go Video Campaign won the **2017 Neptune Award**

Lowrance Pro Jordan Lee won the **2017 and 2018 Bassmaster Classic champions**

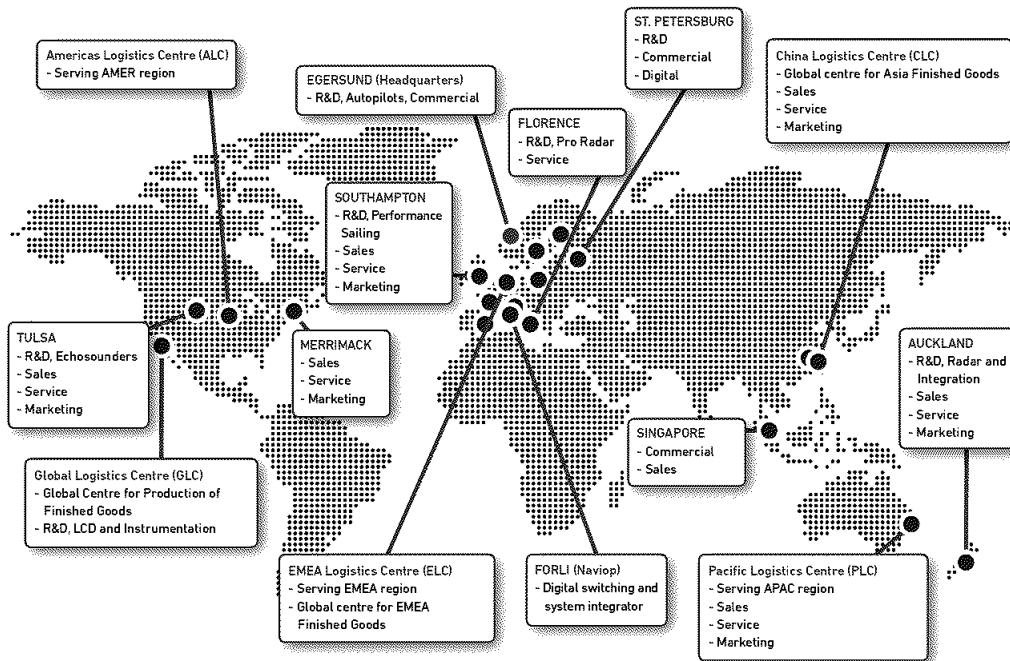




## Joint Services

Navico is a fully integrated business with in-house R&D, product management, production, sales, service and marketing. Employing over 1500 people, it operates directly in 14 countries and has product distribution in more than 100.

### Navico Global Presence





## Financial Summary

(USD millions)	2013*	2014*	2015*	2016*	2017
<b>Income statement</b>					
Net sales	273.1	294.7	308.8	317.7	327.2
Gross profit	131.5	138.3	149.4	151.9	161.0
Adjusted EBITDA**	50.5	44.1	61.7	67.2	74.1
Adjusted EBIT***	29.1	18.8	34.9	42.2	48.8
<b>Balance sheet</b>					
Inventories	64.0	63.8	61.4	59.4	78.3
Trade and other receivables	42.3	51.8	52.3	61.0	64.9
Total assets	263.0	281.2	279.0	593.3	616.1
Equity	(96.2)	(96.8)	(97.4)	244.8	264.4
<b>Cash flow and investments</b>					
Cash flow from operating activities	28.6	38.2	43.7	35.7	52.0
Net investments	27.8	32.1	28.2	23.5	48.2
<b>Performance ratios (%)</b>					
Gross margin	48.1%	46.9%	48.4%	47.8%	49.2%
Underlying EBITDA margin	18.5%	15.0%	20.0%	21.1%	22.6%
<b>Adjusted EBITDA reconciliation</b>					
Operating result as per annual report	27.9	18.8	27.5	16.8	21.9
Special items	1.3	-	7.3	21.6	11.4
Amortization, Depreciation and Impairment (PPA)	-	-	-	3.8	15.6
<b>Adjusted EBIT</b>	<b>29.1</b>	<b>18.8</b>	<b>34.9</b>	<b>42.2</b>	<b>48.8</b>
Amortization, Depreciation and Impairment (regular)	21.3	25.3	26.8	25.1	25.2
<b>Adjusted EBITDA</b>	<b>50.5</b>	<b>44.1</b>	<b>61.7</b>	<b>67.2</b>	<b>74.1</b>

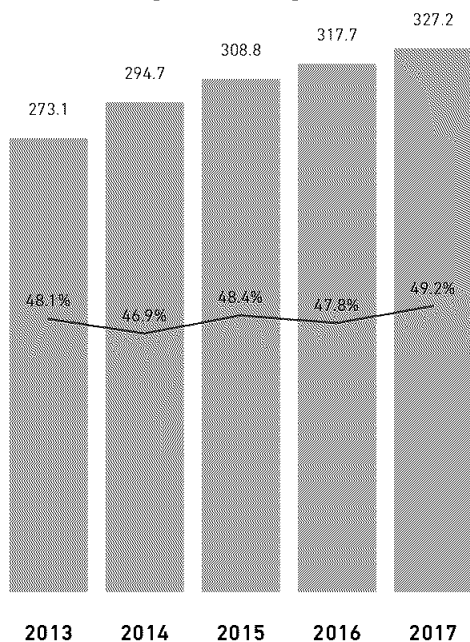
\* Pro-forma numbers to reflect actual Navico activities. The years up to and including 2015 relate to consolidated financial statements of Navico Holding AS.

\*\* Before special items which have a non-recurring character.

\*\*\* Before special items and before PPA depreciation and amortization.

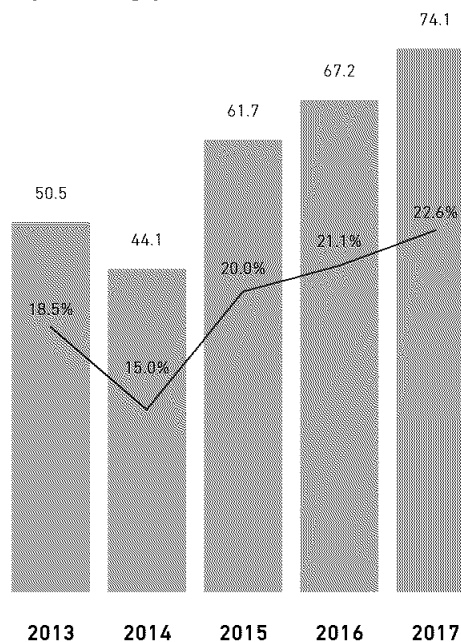


Sales and gross margin



■ Net sales (MUSD) — Gross margin %

Operating profit



■ Operating profit (EBITDA)\*\* — Operating margin (EBITDA)\*\*



## President & CEO



**Leif Ottosson**  
President & Chief Executive Officer

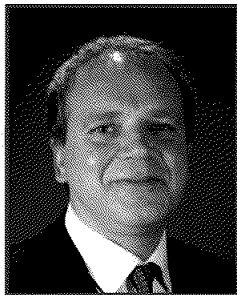
Leif holds a BSc (magna cum laude) in Finance and Mathematics from Northern Arizona University and an MBA from Harvard University. Prior to Navico he successfully built three companies within manufacturing, software and consulting. Before that, Leif was a board member and the CFO of a large UK-based metals-and-minerals company and the Head of Finance of Skanska, a major global construction company.

## Management Team



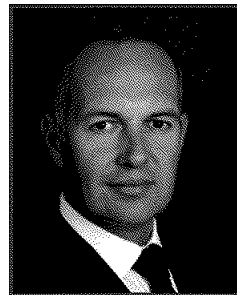
**Lucinda Abood**  
EVP, Head of Service & IT

Based in Sydney, Australia, Lucinda Abood joined Navico from Navman Australia as the CFO and Logistics Centre Director for Asia Pacific. Having established Navico Australia when the businesses merged, Lucinda is now responsible for global IT, quality, customer service and support.



**Jim Brailey**  
EVP, Head of SCM

Based in Ensenada, Mexico, Jim Brailey has been with Navico since his employer Simrad® joined the fold. Responsible for all manufacturing operations, planning, distribution, logistics and sourcing, he previously worked in EMEA logistics and offshore, marine and military industries.



**Edwin Hirdes**  
EVP, Chief Commercial Officer, Sales

Edwin is a recognized global sales executive, responsible for all sales and commercial operations in Navico. He has 20+ years of experience in successfully driving profitable growth and transforming commercial organizations. Prior to Navico, he held a variety of sales and marketing leadership roles at both Philips and Hewlett-Packard, delivering above market growth in markets under technology transition.



**Jonathan Cathey**  
EVP, Marketing

Jonathan joined Navico in January 2018, having previously been Senior Director at LEGO responsible for Licensed Entertainment, Innovation and LEGO Star Wars. Before that he held several marketing appointments at Procter & Gamble, managing leading brands such as Ariel, Fairy, Lacoste and Gillette, and was previously a Captain in the British Army where he undertook tours of Bosnia, Kosovo and Sierra Leone. Jonathan holds a BA (Hons) in English and History of Art and an MSc in Communication & Psychology from the London School of Economics.



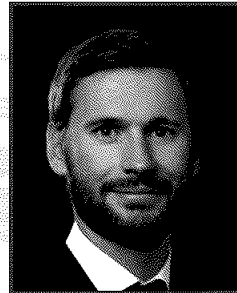
**David Pagliari**  
EVP, Digital Services

David Pagliari is a product marketer with 20 years' experience in launching new business models and value propositions and optimizing sales channels across online/retail. David has experience across multiple industries, including financial services, telecommunications, consultancy and gaming, both in US and Europe. Most recently at Microsoft, David led the growth of the Xbox subscriptions business, expansion of the direct to consumer e-commerce sales channel, launch of a new cloud gaming business as well as sales of Xbox devices in Microsoft stores.



**Jeroen van de Polder**  
Global Head of Finance

Based in Dordrecht NL, Jeroen van de Polder joined Navico in 2012. He is responsible for all Finance and related activities within the group. He previously held a variety of roles at EY in the international audit practice. He is a licenced public auditor in The Netherlands.



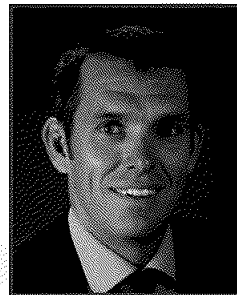
**Nicolas Queru**  
EVP, Managing  
Director Commercial  
Marine Division

Joining Navico in 2013 in the Project Management Office department, Nicolas Queru is responsible for managing and developing Navico's business toward the commercial marine sector. Previously a senior Manager with management consultancy Bain & Company, Nicolas has worked across Financial Services, Telecommunications, and Oil & Gas Services sectors in strategy, M&A and sales excellence.



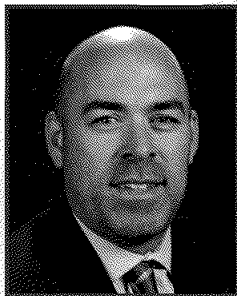
**Tom Edvardsen**  
EVP, Head of R&D

Tom Edvardsen joined Navico at its inception in 2005. Based in the Norwegian office, Tom is responsible for all Research and Development activities. Previously a Naval engineer in the Norwegian Navy, Tom is also a Cand scient graduate of Physics from Bergen University.



**John Scott**  
EVP, Head of  
Product Management

Based in New Zealand, John Scott leads global product management and marketing activities. He previously worked in a variety of engineering, sales, operations and management roles for Brunswick, Navman and Volex/ Ericsson and ran his own company.



**Jeff Shoemaker**  
SVP, General Counsel

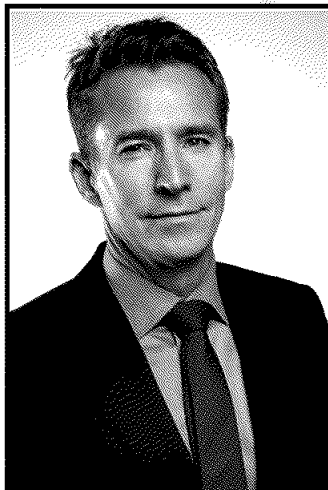
Based in Tulsa, Oklahoma, Jeff Shoemaker joined Navico in 2017 after serving as in-house counsel for U.S. based outdoor retailer Cabela's Incorporated. Prior to his in-house career, Jeff was in private practice providing corporate and transactional services to clients. As General Counsel, Jeff is responsible for directing and maintaining the global legal functions and other related activities of Navico.



**Matt Vranich**  
EVP, OEM  
Integration Group

Matt joined Navico in 2013 as Director of OEM sales, in addition to leading recreational sales efforts in Latin America. Prior to that, he spent several years with Brunswick Corporation in various leadership roles in sales, marketing and business development in Europe and the Americas. Matt also has experience in telecommunications and banking, where he held sales, general management and consulting positions in Brazil and India. Matt holds an MBA in Finance and Marketing from the University of Chicago.

## Board of Directors



### Hugo Maurstad (Chairman)

A partner at Altor Equity Partners, the investment advisor for the Altor funds, Hugo's career has seen him work across a variety of strategic and operational projects, mainly with Nordic and Swiss clients including a 13-year career at McKinsey & Company.

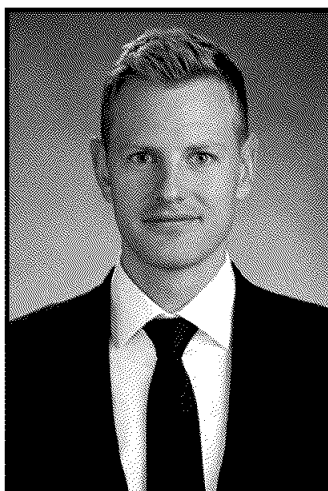
Hugo is the Chairman of the Board of Rossignol Group and Health and Fitness Nordic, and he serves on the boards of Nova Austral, Skandiabanken and Norsk Gjenvinning. A Norwegian national, Hugo has a Masters in General Economics and sits on the boards of several multinational companies.

### Malou Aamund

Malou is the Country Director for Google Denmark. She has previously held international leadership positions at Microsoft and IBM in Europe, EMEA and Americas.

She currently serves on the board of DeIC (Danish e-Infrastructure Cooperation) under the Ministry of Science, Innovation and Higher Education.

In January 2018, she was appointed Chairman of the Board of the Environmental Technology Development and Demonstration Program (MUDP) in Denmark. Malou was a Member of Parliament for four years and acted as a spokesperson on science, technology and innovation. She holds a M.Sc. in Economics and Business (1995).

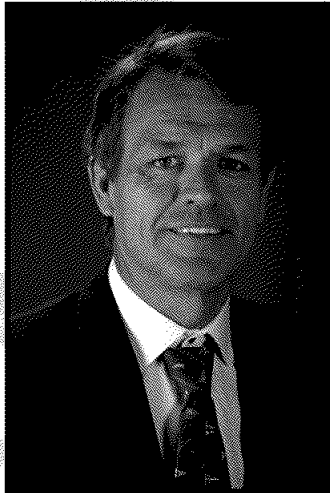


### Michael Bruun

Michael is a managing director in the Merchant Banking Division (MBD) in London, responsible for corporate European healthcare and nutrition investing and corporate investing in Scandinavia. He is a member of the MBD Corporate Investment Committee. Michael has been with MBD since 2010 and has worked in London and New York. Previously, he was an associate in the Nordic Mergers & Acquisitions team in the Investment Banking Division (IBD). He joined Goldman Sachs in 2004 as an analyst in the Fixed Income, Currency and Commodities Division and transferred to IBD in 2005. He became a vice president in 2010 and was named managing director in 2013 and partner in 2016.

Michael serves on the boards of C-MAP, Hamlet Protein, HRA Pharma, Navico AS, New Energy Investment s.á r.l. and Trackunit.

Michael earned a BA in Economics from the University of Copenhagen in 2002 and an MSc in Economics from University of Copenhagen and Cornell University in 2004.

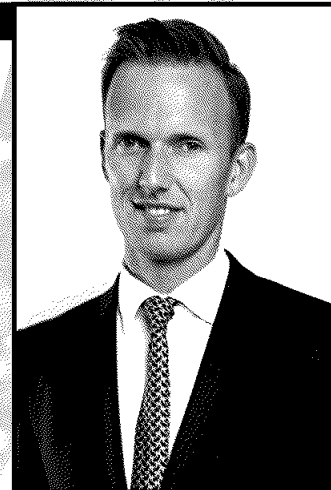


**Knut Frostad**

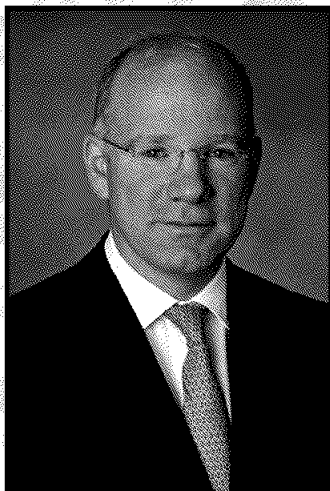
Knut was the CEO of Volvo Ocean Race for six years, and has held a variety of director and advisor positions with numerous international companies. While today he is a recognised motivational speaker, business teambuilding and training provider, he was previously a professional sportsman and sailor, competing in the Volvo Ocean Race four times, twice as skipper, and in the Olympic Games.

**David Hess**

A director at Altor Equity Partners, the investment advisor for the Altor funds, David previously worked for global investment bank Morgan Stanley focusing on M&A, primarily for clients within energy-related industries. David also serves as a board member of C-MAP Group AS. A Danish national, David has an MSc from the Copenhagen Business School.



**Martin Hintze**



Martin is a managing director in the Merchant Banking Division and co-heads the corporate equity investing business in Europe. He is a member of the MBD Corporate Investment Committee. Martin joined Goldman Sachs in 1999 in the Investment Banking Division in Frankfurt and joined the Principal Investment Area in the London office in 2000. He was named managing director in 2005 and partner in 2008.

Martin serves on the boards of Continental Bakeries, Flint Group, Navico and Xella International.

Martin earned a BA from European Business School in 1992 and an MS and a PhD from Technical University Berlin in 1994 and 1998, respectively. He is a CFA charterholder.

# Report of the Board of Directors and Chief Executive Officer

(All figures between brackets are related to the comparative 2016 figures)

## 1. General Information

The market for maritime electronics used in recreational boats has proven to be relatively stable over the last few years. Navico has achieved 3% growth in sales on a pro forma full year basis, which is considered to be in line with the market growth. The global heritage that comes from the merger of three companies from three different parts of the world is now working to our advantage. Extensive investments into developing new technology and new products have resulted in a high pace of new product introductions has been highly appreciated by the market. The three brand strategy is also working well and provides focused solutions for each boating segment. B&G is the marine electronics brand dedicated to sailing, while Lowrance continues to be a leader in the fishing market and Simrad Yachting is focused on 'open water' segments including offshore and sport fishing, power cruising and luxury motor yachting, as well as its heritage – professional workboat markets.

The Group achieved an operational result of USD 22 million (USD 17 million) for the year. Net Sales for the Group in 2017 increased to USD 327 million from USD 318 million in the previous year due to continuing product development and extended product portfolio.

R&D resources were increased to be able to support the ambitious programs for new product introductions. This continued strong focus on research and development resulted in new products, which represented innovation and technological development, better functionality, more cost efficient design, and hence higher margins. Throughout the last couple of years, Navico has received a large number of awards for Innovation. The awards were received for a wide number of different products showing the strength of the Group's product portfolio.

Navico's liquidity situation has continued to improve in 2017. The improved liquidity situation is due to solid Operating Results combined with tight control on CAPEX and Working Capital.

As per March 31st, 2017 Navico's bank financing is re-financed by means of a new finance structure, with lesser financial covenants. Navico has met all its covenants and the Board is of the opinion that this will be the case for 2018 as well.

According to section 3-3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements have been prepared based on the going concern assumption and that it is appropriate to use this assumption. After making enquiries, and in the light of the group's liquidity situation, the group budget for 2018 and the medium term plans, the impairment tests that have been presented, the directors have an expectation that the group has adequate resources to continue operations for the foreseeable future.

On June 6th, 2016 Navico Group AS was established as a "shelf company". Navico Group AS was later acquired to be used as an acquisition company to acquire the Navico-group activities. Navico Group AS was formerly known as Nanna Bidco AS and before that as Athomstart Invest 90 AS. The acquisition of the Navico group activities was done by establishing Nanna Merger Sub AS. On September 30th, 2016 Navico Holding AS, which was the top company of the Navico group, was merged into Nanna Merger Sub AS with Nanna Merger Sub AS as surviving entity. Subsequently Nanna Merger Sub AS was renamed Navico Holding AS and the shares issued as merger consideration to the shareholders of original Navico Holding AS were re-purchased by new Navico Holding AS. Effectively Navico Group AS has control over the Navico-group activities as of September 30th, 2016 and hence the comparative numbers in the consolidated annual report 2017 will only include the financial information for the period as from September 30th, 2016 till December 31st, 2016. For informational purposes we have added pro-forma comparative numbers on a full year basis where possible and indicated this as such (also see note 30).

## 2. Financials

### Results, Cash Flow, Investments, Financing, and Liquidity

The revenue for the Group over 2017 was USD 327 million (USD 318 million on a pro-forma basis). Earnings after taxes were USD 13 million positive (USD 8.6 million negative on a pro-forma basis). The 2017 EBITDA is USD 74.1 million (USD 67.2 million on a pro-forma basis), when excluding special items. Parent company's earnings after taxes were USD 0.5 million negative.

The investments during 2017 in property, plant and equipment in the Group were USD 7 million (USD 8 million on a pro-forma basis) and mainly related to equipment, machinery and tools. In addition the Group added USD 19 million on intangible assets (USD 15.4 million), which mainly related to capitalized development cost.

The Group's liquidity and unused credit facilities as of 31 December 2017 were USD 10 million.

The Group's total assets at the end of the year amounted to USD 616 million. Paid in equity in the Group as of 31 December 2017 was USD 259 million. After transfer of the current year's results, the Group stands with a positive equity of USD 264 million. The parent company's equity is positive at USD 246 million. The Board considers the equity to be adequate to operate the company going forward.

### Acquisitions

As per June 16th, 2017 Navico acquired 100% of the shares and voting rights in Naviop Srl a marine electronics system integrator. The Group acquired Naviop because it enlarges the product portfolio and the offering to the boatbuilders.

On July 6th the Group acquired the Fishhunter business activities from Appetite Lab Inc. and Fishhunter Inc. This acquisition provides Navico with an extension of its product portfolio.



On December 29th, the Group acquired Yacht Defined AB a Swedish company which delivers integrated electronics and electrical solutions. On December 29th, the Group also acquired a 49% interest in Hoc Yachts AB a Swedish producer of boats. As the Group has a controlling interest (through a convertible loan which would bring the Group's investment to 70%) the balance sheet is fully consolidated into the 2017 numbers.

#### Financing

As per March 31st, 2017 the group entered into a First Lien Credit Agreement with Glas USA LLC as the Administrative agent and GLAS Americas LLC as the Collateral agent with respect to a bond-financing. This finance agreement contains limited financial covenants, which were all met as per year-end 2017. The finance agreement has a maturity date as per March 31st, 2023.

#### Financial risk

##### Foreign Exchange risk

The company is exposed to fluctuations in the exchange rates, as revenue in Europe is mainly in Euro and revenue in Australia is in AUD, while only a minor part of the Group's administrative expenses are in Euro, AUD, and other non-USD currencies. The main part of the Group's expenses are in USD. The company entered into forward contracts in 2017 to limit the currency risks versus Euro and AUD.

##### Credit risk

The risk of counterparties not having the economic ability to fulfil their obligations has proven quite low over the last few years. Nevertheless, the Group has hedged against this risk through a credit insurance program. The risk is also limited because the Group's total amount of receivables is distributed across many customers. At the same time there is a continued focus in the Group on collecting receivables in order to reduce the exposure further and improve liquidity.

##### Liquidity risk

The company's liquidity was strengthened by the enhanced business performance, and improved controls over working capital. Furthermore the group's liquidity position has strengthened as a result of the new financing structure as described above in the Financing section.

#### Annual results and allocations

The board recommends that the statutory Navico Group AS negative annual result of USD 491 thousand is deducted from the retained earnings.

### 3. People

At the end of 2017, the group had 1,655 full-time equivalent (FTE) employees (1,599 FTE), of whom zero FTE were employed in Navico Group AS (Norway).

No serious occupational injuries or accidents that resulted in material damage or personal injury were reported during the year. Sick leave is limited and monitored on a regional basis.

#### Equality and Anti-Discrimination Act

The Group aspires to provide a workplace in which full equality exists between men and women. The Group has introduced conditions to its policies so as to assure no discrimination occurs based on gender in areas such as salaries, promotions, or recruitment.

The purpose of the Anti-Discrimination Act is to promote equality, ensure equal possibilities and rights and to prevent discrimination due to ethnicity, country of origin, skin color, language, religion and outlook on life. The Group works actively, persistently and systematically to promote the purpose of the Act within our operations. The activities include among other things recruiting, salary and working conditions, promotions, possibility to develop and protection against harassment.

### 4. Outlook 2018 and onwards

The Group strategy has been further defined within the Board of Directors and the Corporate Executive Committee, and after a change in ownership during 2016 the group will also strongly focus on further developing and capitalizing on its strong installed base to drive revenues from digital business models. To accomplish this the company is also working on specific strategic initiatives in order to enhance the strength of the organization. The Board of Directors underline that all forward looking statements are connected with uncertainty.

### 5. Governance and risk management

#### Legal and tax structure

Navico Group AS ("Navico" or "the Company") is a holding company for businesses which develop, manufacture and sell electronics for recreational boats and commercial vessels, together with its subsidiaries, referred to as "the Group". Navico has its' statutory seat in Egersund, Norway.

#### Corporate governance

Navico is a private limited company with shares held by Nanna Midco II AS with a Board of Directors and with a Corporate Executive Committee. The Board of Directors meets 6 times per year and performs its duties in accordance with the governance structure, formal legal requirements, authorization levels and matters that must be decided by the Board as set out in the shareholders' agreement.

The Corporate Executive Committee is responsible for executing the company's strategy, its portfolio policy, the deployment of human and capital resources, the company's risk management system and the company's financial performance and performance in the area of sustainability. The Board supervises the policy pursued by the Corporate Executive Committee, the Corporate Executive Committee's performance of its managerial duties and the company's general course of affairs, taking into account the interests of all the company's stakeholders.

In 2016 after the change in ownership the company established an audit committee to improve its governance and to oversee the annual audit process.

#### General meetings

The Group shall in each year hold an annual general meeting in addition to any other meetings in that year. No more than 15 months shall elapse between the date of the annual General meeting of the Group and that of the next. The meeting shall be held at such time and place as the Directors shall designate.

#### External auditor

The Annual General Meeting has appointed Erik Søreng (EY) as the Group's external auditor.

#### Risk management

The Corporate Executive Committee is responsible for risk management in the company and, supported by the Deeds of Authorities ("DoA"), has designed and implemented a risk management system and a risk management organization.

## 6. Events after balance sheet date

In February 2018 the Group ended their legal dispute with a competitor relating to sonar and auto guidance patents. The agreement includes a broad cross licensing of patents and other intellectual property, which will bring new innovations to the market faster and benefit all marine customers.

Egersund, 30 April 2018

Board of Directors

Mr. Hugo Maurstad - Chairman

Mrs. Malou Aamund

Mr. Michael Bruun

Mr. Knut Frostad

Mr. David Hess

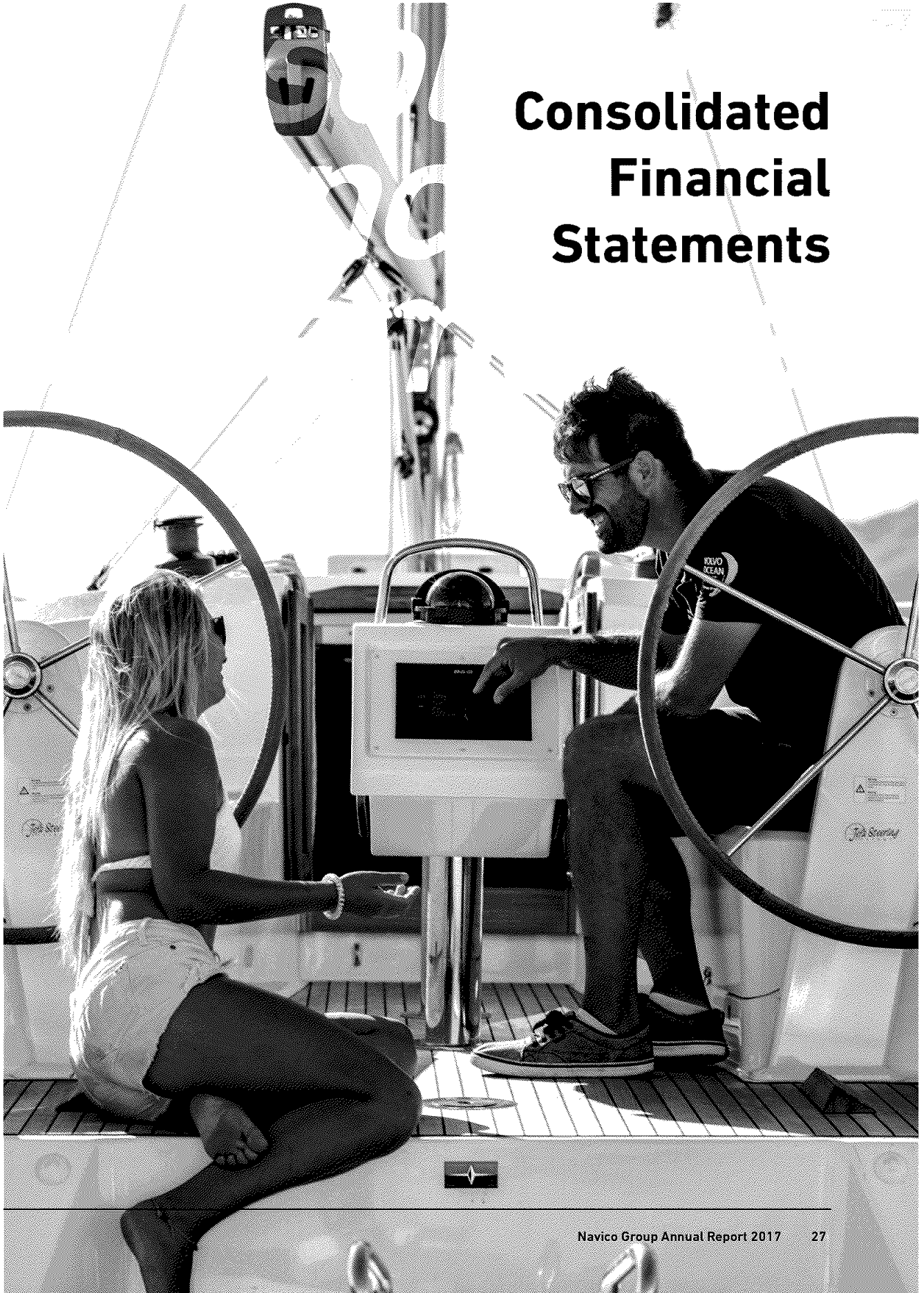
Mr. Martin Hintze

President & CEO

Mr. Leif Ottosson



# Consolidated Financial Statements





## Consolidated Statement of Income

<b>Continuing operations</b>		<b>6 June - 31</b>	
<i>USD (thousands)</i>	<b>Notes</b>	<b>2017</b>	<b>December 2016</b>
<b>Revenue</b>		<b>327,196</b>	<b>74,744</b>
Cost of sales		(166,207)	(39,937)
<b>Gross profit</b>		<b>160,989</b>	<b>34,807</b>
Other external expenses	7	(24,840)	(4,522)
Employee benefit expenses	8	(62,085)	(14,069)
Depreciation, amortization and impairment	9	(40,790)	(9,739)
Special Items	10	(11,418)	(15,390)
<b>Results from operating activities</b>		<b>21,856</b>	<b>(8,913)</b>
Finance income	11	1,765	3,697
Finance expense	11	(29,747)	(6,031)
<b>Net finance costs</b>		<b>(27,982)</b>	<b>(2,334)</b>
Share of profit / (loss) of equity-accounted investees, net of tax		-	-
<b>Profit / (loss) before tax</b>		<b>(6,126)</b>	<b>(11,247)</b>
Income tax credit / (expense)		19,166	1,188
<b>Profit / (loss) for the year</b>		<b>13,040</b>	<b>(10,059)</b>
<b>Profit / (loss) attributable to:</b>			
Equity holders of the parent		13,040	(10,059)
Non-controlling interests		-	-
<b>Profit / (loss) for the year</b>		<b>13,040</b>	<b>(10,059)</b>

## Consolidated Statement of Comprehensive Income

<i>USD (thousands)</i>	<b>2017</b>	<b>6 June - 31 December 2016</b>
<b>Profit / (loss) for the year</b>	<b>13,040</b>	<b>(10,059)</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	1,765	(601)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>1,765</b>	<b>(601)</b>
<b>Net other comprehensive income not being reclassified to profit or loss in subsequent periods</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income / (loss)</b>	<b>1,765</b>	<b>(601)</b>
<b>Total comprehensive income / (loss) for the year</b>	<b>14,805</b>	<b>(10,660)</b>
<b>Total comprehensive income / (loss) attributable to:</b>		
Equity holders of the parent	14,805	(10,660)
Non-controlling interests	-	-
	<b>14,805</b>	<b>(10,660)</b>



## Consolidated Balance Sheet

<i>USD (thousands)</i>		31 December	31 December
	Notes	2017	2016
<b>Assets</b>			
Intangible assets	12	414,027	411,955
Property, plant and equipment	14	40,526	40,263
Other non-current assets	16	8,499	4
Deferred tax assets		1,616	13,284
<b>Total non-current assets</b>		<b>464,668</b>	<b>465,506</b>
Inventories	17	78,307	59,402
Trade and other receivables	18	64,935	61,010
Cash and cash equivalents		8,162	7,333
<b>Total current assets</b>		<b>151,404</b>	<b>127,745</b>
<b>Total assets</b>		<b>616,072</b>	<b>593,251</b>
Total equity attributable to owners of the Company		263,145	244,840
Non-controlling interests		1,248	-
<b>Total equity</b>		<b>264,393</b>	<b>244,840</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	21	234,732	226,868
Other non-current liabilities		4,984	-
Deferred income tax liabilities		29,948	63,231
<b>Total non-current liabilities</b>		<b>269,664</b>	<b>290,099</b>
Interest-bearing loans and borrowings	21	19,037	7,526
Trade and other payables	23	54,611	43,170
Provisions	24	7,468	6,790
Current income tax liabilities		899	826
<b>Total current liabilities</b>		<b>82,015</b>	<b>58,312</b>
<b>Total liabilities</b>		<b>351,679</b>	<b>348,411</b>
<b>Total equity and liabilities</b>		<b>616,072</b>	<b>593,251</b>



### Consolidated Statement of Changes in Equity

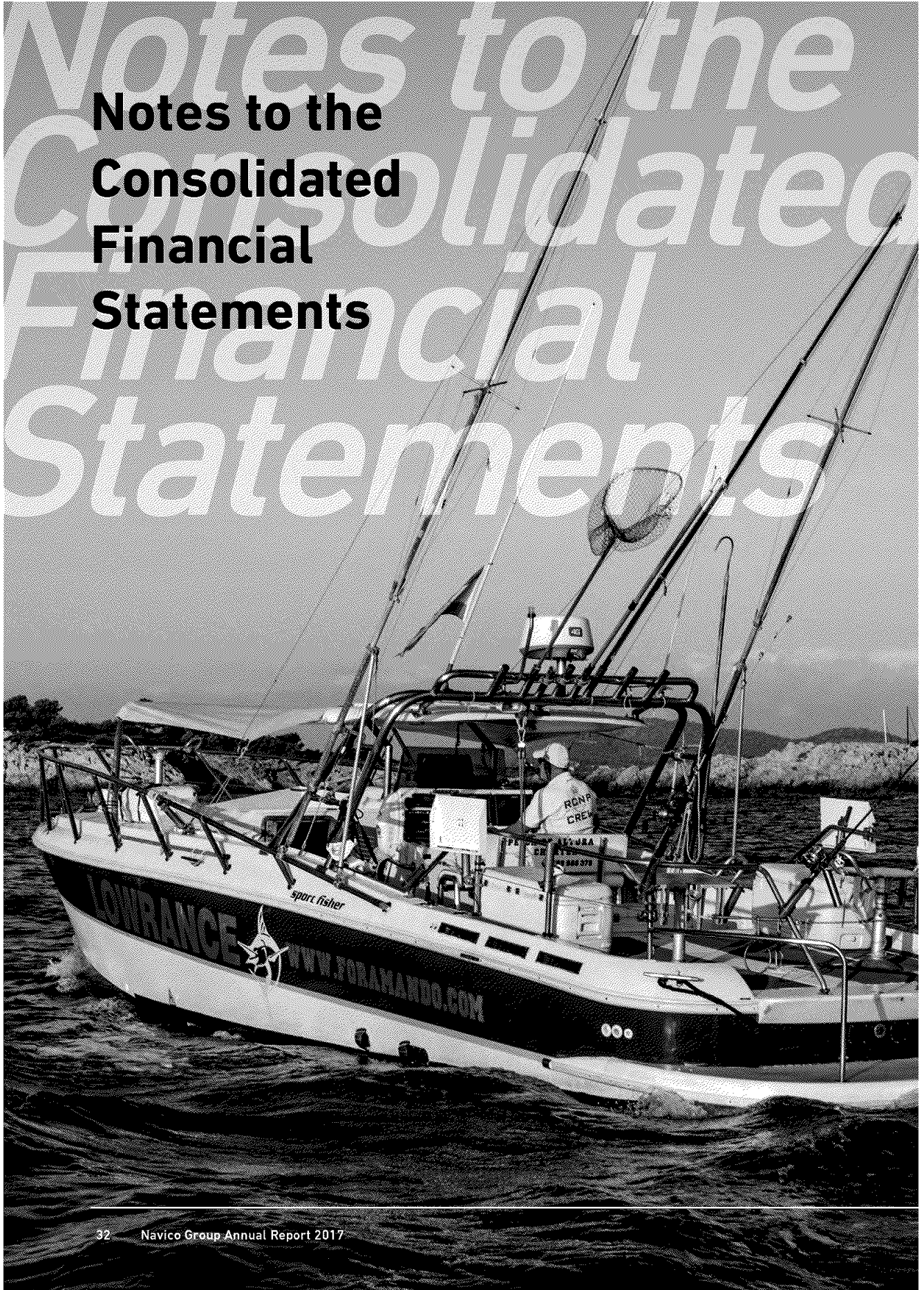
USD (thousands)	Attributable to owners of the parent					Non-controlling interest	Total equity
	Issued capital	Share premium	Retained Earnings	Translation reserve	Total		
<b>Balance at 1 January 2017</b>	296	255,182	(10,037)	(601)	244,840	-	244,840
<b>Capital contribution from shareholders</b>	299	3,201			3,500	-	3,500
<b>Total comprehensive income for the year</b>							
Profit / (loss) for the year			13,040		13,040	-	13,040
<b>Other comprehensive income</b>							
Exchange differences on translation of foreign operations				1,765	1,765		1,765
<b>Other comprehensive income for the year</b>	-	-	-	1,765	1,765	-	1,765
<b>Total comprehensive income for the year</b>	-	-	13,040	1,765	14,805	-	14,805
<b>Changes in ownership interests in subsidiaries</b>							
Movement in non-controlling interest						1,248	1,248
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	1,248	1,248
<b>Balance at 31 December 2017</b>	595	258,383	3,003	1,164	263,145	1,248	264,393

USD (thousands)	Notes	Attributable to owners of the parent				Total equity
		Issued capital	Share premium	Retained Earnings	Translation reserve	
<b>Balance at 6 June 2016</b>		-	-	-	-	-
<b>Capital contribution from shareholders</b>		318	255,182	-	-	255,500
<b>Total comprehensive income for the year</b>						
Profit / (loss) for the year				(10,059)		(10,059)
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations					(601)	(601)
Translation difference on issued capital		(22)		22		-
Acquisition of a subsidiary						-
- Related income tax credit / (expense)						-
<b>Other comprehensive income for the year</b>		(22)		22	(601)	(601)
<b>Total comprehensive income for the year</b>		(22)		(10,037)	(601)	(10,660)
<b>Balance at 31 December 2016</b>		296	255,182	(10,037)	(601)	244,840



## Consolidated Cash Flow Statement

USD (thousands)	2017	6 June - 31 December 2016
<b>Cash flows from operating activities</b>		
Profit / (loss) for the year before tax	(6,126)	(11,247)
<b>Non cash adjustment to reconcile profit before tax to net cash flow</b>		
Depreciation / amortisation and impairment of assets	40,790	9,739
Finance income	(1,765)	(3,697)
Finance expense	29,747	6,031
Change in provisions	678	688
Other non-cash items (forex translation related)	684	(600)
	<b>64,008</b>	<b>914</b>
Foreign currency (gains) / losses	686	(1,602)
Income tax (paid) / received	(3,843)	(1,709)
	<b>(3,157)</b>	<b>(3,311)</b>
Decrease / (increase) in inventories	(16,097)	2,382
Decrease / (increase) in trade and other receivables	(3,185)	(11,002)
(Decrease) / increase in payables	10,472	2,852
Changes in working capital:	(8,810)	(5,768)
<b>Net cash from (used in) operating activities</b>	<b>52,061</b>	<b>(8,165)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,593)	(2,655)
Proceeds from sale of property, plant and equipment		
Purchase of intangible assets	(18,892)	(4,295)
Decrease / (increase) in other non current assets	(8,494)	-
Acquisition of a subsidiary, net of cash acquired	(14,192)	
<b>Net cash used in investing activities</b>	<b>(48,171)</b>	<b>(6,950)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	3,500	255,500
Interest paid	(18,626)	(3,627)
(Decrease) / increase in other non current liabilities	1,787	-
(Decrease) / increase bank overdraft	12,703	(9,824)
New non-current liabilities	260,000	243,500
Repayment of debt	(248,375)	(288,052)
Bank fees	(14,030)	(8,712)
Repayment of loans from related parties	-	(20,628)
Repurchase of shares	-	(145,709)
<b>Net cash from financing activities</b>	<b>(3,041)</b>	<b>22,448</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>829</b>	<b>7,333</b>
Cash and cash equivalents at 1 January	7,333	-
<b>Cash and cash equivalents at 31 December</b>	<b>8,162</b>	<b>7,333</b>





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## 1. Corporate information

Navico Group AS ("Navico" or "the Company") is a holding company for businesses which develop, manufacture and sell electronics for recreational boats and commercial vessels, together with its subsidiaries, referred to as "the Group". Navico has its statutory seat in Egersund, Norway. The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the board on 30 April 2018. The address of the registered office is Nyåskaiveien 2 in Egersund (Norway).

## 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the Norwegian Accounting Act for the company only financial statements. The financial statements have been prepared based on the standards and interpretations that were effective at 31 December 2017.

The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in USD, all values are rounded to the nearest thousands, except when otherwise indicated.

Navico is in full compliance with its finance agreement as per 31 December 2017, and the Board is confident this will be the case for 2018 as well.

With respect to its subsidiary Navico UK Limited (registered number 00565631), whose results for the year ended 31 December 2017 are included in these consolidated financial statements, Navico Group AS has given a guarantee in the form prescribed by the United Kingdom Companies Act 2006, which enables Navico UK Limited to obtain exemption from audit requirements under section 479A of the United Kingdom Companies Act 2006 for the year ended 31 December 2017.

With respect to Navico Logistics Europe BV also a guarantee has been issued by Navico Group AS.

## 3. Basis of consolidation

### Subsidiaries

As at 31 December 2017, the Group had direct or indirect interests in the following subsidiaries, the particulars of which are set out below:

Company <i>(amounts in thousands)</i>	Place of operation	Country of incorporation	Currency	Nominal value of issued share capital		Percentage of equity attributable to the company	
				2017	2016	2017	2016
Navico SA, France	Treillieres, France	France	EUR	59		100%	100%
Navico UK Ltd	Romsey, England	United Kingdom	GBP	1,227		100%	100%
Navico Logistics Europe BV	Dordrecht, Netherlands	Netherlands	EUR	18		100%	100%
Navico GmbH	Schleswig, Germany	Germany	EUR	100		100%	100%
Navico Italia SRL	Milano, Italy	Italy	EUR	15		100%	100%
Navico Marine Electronics S.L	Alicante, Spain	Spain	EUR	159		100%	100%
Navico Inc.	Tulsa, Oklahoma, USA	USA	USD	78,363		100%	100%
Electronica Lowrance de Mexico, S.A. de C.V.	Ensenada, Mexico	Mexico	MXN	60,000		100%	100%
Navico Auckland Ltd	Auckland, New Zealand	New Zealand	NZD	35,000		100%	100%
Navico Shanghai Trading Company LTD	Shanghai, China	China	CNY	4,057		100%	100%
Navico Australia PTY Ltd	Sydney, Australia	Australia	AUD	4,081		100%	100%
Navico (Suzhou) Trading Company LTD	Suzhou, China	China	CNY	12,906		100%	100%
Navico Sweden AB	Goteborg, Sweden	Sweden	SEK	500		100%	100%
Navico RBU Italia SRL	Milano, Italy	Italy	EUR	10		100%	100%
Nav Marine Electronics Oy	Finland	Finland	EUR	3		100%	100%
Contour Innovations LLP	Minneapolis, USA	USA	USD	-		100%	100%
Navico Marine Singapore Pte. Ltd.	Singapore	Singapore	SGD	101		100%	100%
Maritime Information Systems AS	Tonsberg, Norway	Norway	NOK	1,536		100%	100%
Navico Rus Ltd.	St. Petersburg, Russia	Russia	RUB	10		100%	100%
Nanna U.S. BidCo, LLC	Tulsa, Oklahoma, USA	USA	USD	-		100%	100%
Navico Holding AS	Egersund, Norway	Norway	NOK	203,608		100%	100%
Naviopt SRL	Forli, Italy	Italy	EUR	100		100%	-
Yacht Defined AB	Stockholm, Sweden	Sweden	SEK	50		100%	-
Navico Sweden II AB	Goteborg, Sweden	Sweden	SEK	200		49%	-
HDC Yachts AB	Stockholm, Sweden	Sweden	SEK	50		49%	-



## Subsidiaries

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

## Intra-group transactions

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination.

## Change in the ownership

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

## 4. Summary of significant accounting policies

The following are the significant accounting policies applied by the group in preparing its consolidated financial statements:

### 4.1 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, at fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 in profit or loss.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 4.2 Foreign currency translation

The presentation currency of the Group is US Dollar. Each entity of the Group records transactions and items in the statement of financial position in its functional currency. Transactions denominated in currency other than the functional currency are recorded at the spot exchange rates prevailing at the date of the transactions. The functional currency of the parent is similar to the Group in USD.

Monetary assets and liabilities denominated in a currency other than the functional currency of the entity are translated at the closing rates.

Exchange differences resulting from the settlement of these transactions and from the translation of monetary items are recognised in the income statement.

Non-monetary assets denominated in a currency other than the functional currency continue to be translated against the rate at initial recognition and will not result in exchange differences. On combination, the statement of financial position of subsidiaries whose functional currency are not in US dollar are translated into US dollar at the closing rate. The consolidated statements of comprehensive income of these entities are translated into US dollar at the average rates for the relevant period.

Exchange differences arising from the translation of the net investment in entities with a functional currency other than US dollar are recorded through other comprehensive income in the translation reserve.

The same applies to exchange differences arising from borrowings and other financial instruments in so far as they hedge the currency risk related to the net investment. On disposal of an entity with a functional currency other than the US dollar, the cumulative exchange differences relating to the translation of the net investment are recognized in the income statement.

## 4.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

### Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

### Rendering of services

Revenue from services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

### Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction the revenue recognised is the net amount of commission earned by the Group.

### Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

### Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

### Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

## 4.4 Distinction between current and non-current

An asset (liability) is classified as current when it is expected to be realised (settled) within 12 months after the end of the reporting period.

## 4.5 Intangible assets

Following initial recognition acquired licenses, patents and application software are carried at historic cost less accumulated amortization and any impairment losses. The expected useful lives vary from 3 to 20 years. Costs of software maintenance are expensed when incurred. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

The useful lives of the Group's intangible assets can be indefinite as well as definite. Intangible assets with definite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a definite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with definite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. The initially assumed expected useful lives are in principle as follows:

Category	Years
Development projects	3 - 5
Goodwill	-
Brand name	Indefinite
Customer relations	15
Software	3 - 5

## 4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation calculated on a straight-line basis and less any impairment losses. Expenditures relating to major scheduled overhauls are capitalised and depreciated over the period up to the next overhaul. Property, plant and equipment are systematically depreciated over their estimated useful lives.

The estimated remaining lives of assets are reviewed every year, taking into account of commercial and technological obsolescence as well as normal wear and tear. The initially assumed expected useful lives are in principle as follows:

Category	Years
Land (freehold)	-
Buildings	10 - 50
Plant and machinery	5 - 20
Other equipment	3 - 15

Freehold land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use or the sale of the asset. Any gain or loss arising on derecognition of the asset is recorded in the income statement.

## 4.7 Leases

### Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

## 4.8 Financial Instruments

### 4.8.1 Financial assets

#### Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

#### Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In such case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

### Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

## 4.8.2 Financial liabilities

### Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

### Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognised in the income statement. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

#### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 25.

## 4.8.3 Derivative financial instruments

### Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

## 4.9 Inventories

Inventories are valued at the lower of cost and net realisable value, including costs incurred in bringing each product to its present location and condition. Inventories are accounted for as follows:

Raw materials:

- Purchase cost on a first in, first out basis

Finished goods and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Initial cost of raw materials includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

## 4.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

### Goodwill

Goodwill is tested for impairment annually as at December 31st and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

## 4.11 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

## 4.12 Provisions

Provisions are recognised when all of the following conditions are met:

- There is a present legal or constructive obligation as a result of past events;
- It is probable that a transfer of economic benefits will settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The probable amount required to settle long-term obligations is discounted if the effect of discounting is material. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest costs.

Provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data, and a weighting of all possible outcomes against their associated probabilities. The initial estimate of warranty-related costs is revised annually.

## 4.13 Long term employee benefits

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

The Group's pension plans qualify as defined contribution plans. Payments to these plans are charged as an expense as they fall due.

### Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

## 4.14 Income taxes

### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale. This presumption is consistent with the management's business model for the Group's investment properties.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

#### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 4.15 Related parties

A party is considered to be related to the Group if the party is a person or a close member of that person's family and that person, has control or joint control over the Group, has significant influence over the Group or is a member of the key management personnel of the Group or of a parent of the Group.

Or the party is an entity where any of the following conditions applies:

- the entity and the Group are members of the same Group;
- one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- the entity and the Group are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- the entity is controlled or jointly controlled by a person with a significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### 4.16 Cash flow statement

The cash flow statement has been drawn up using the indirect method. The cash and cash equivalents in the cash flow statement consist of cash at bank and in hand.

Cash flows denominated in foreign currencies are translated at estimated average exchange rates. Cash exchange differences are included separately in the cash flow statement.

Interest paid are included in cash flow from financing activities.

Dividend distributions are included under cash flow from financing activities as well as capital contributions.

Transactions for which no cash or cash equivalents are exchanged, including finance leases are not included in the cash flow statement. Lease payments under finance lease contracts are considered to be cash outflows from financing activities to the extent that they relate to repayment instalments and as cash outflows from operating activities to the extent that they relate to interest payments. Income from sale and financial leaseback transactions is presented as cash inflow from financing activities.

## 4.17 Changes in accounting policies and disclosures

To the extent relevant, all IFRS standards and interpretations including amendments that were in issue and effective from 1 January 2017, have been adopted by the Group from 1 January 2017. These standards and interpretations had no material impact for the group.

### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's current status regarding the assessment of the impact of these new standards and interpretations is set out below.

#### IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has done an assessment of the classification and measurement of financial assets, the financial assets appear to satisfy the conditions for classification at amortised cost. There is no impact expected on the Group's accounting for financial liabilities. Moreover, it is expected that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships. The Group intends to make a further, detailed quantitative assessment of the new impairment model concerning the doubtful debtors in the upcoming reporting period.

The European Commission endorsed IFRS 9 Financial Instruments Standard in 2016 and the new standard must be applied for financial years commencing on or after 1 January 2018.

#### IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group recognises revenue from the following major sources:

- Shipment of goods and
- Providing service activities

The Group's assessment is that IFRS 15 will not materially impact the Group's revenue recognition. The transition approach is full retrospective, with the cumulative effect recognised on 1 January 2017, however the impact is nil.

IFRS 15 was endorsed by the EU on 22 September 2016 and is mandatory for financial years commencing on or after 1 January 2018.

#### IFRS 16 Leasing

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group expects the impact of IFRS 16 to be significant and is in the process of gathering the data and assessing the full impact of the application of IFRS 16 on the Group's financial statements. Until the Group completes the detailed review, it is not practicable to provide a reasonable estimate, but the standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of USD 13.2 million (undiscounted). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Group will recognise a right of use asset and a corresponding liability in respect of these leases. Some of the commitments may be covered by the exception for short-term and low-value leases. EBITDA is expected to increase due to lease payments from operating leases, previously being recognised in operating profit being replaced by depreciation and interest expenses which are excluded from EBITDA. It is also expected that the change will have a less significant impact on Earnings before tax. The above preliminary assessment is subject to change following completion of the detailed review. Based on the process of data gathering and the related outcome, the proposed transition approach is also not yet decided and could be the full retrospective approach or the modified retrospective approach which are both allowed under IFRS 16.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019 (subject to EU endorsement) and the Group will apply IFRS 16 as of 1 January 2018 or 1 January 2019. The Group will further assess certain available transition reliefs.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### 5.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

#### Deferred tax assets

Deferred tax assets related to compensating tax losses not set-off are formed in so far as it is probable that profit for tax purposes will be available against which this can be set-off. In order to determine the value of the deferred tax assets arising from tax losses compensating, a considerable degree of management assessment is required regarding the probable timing and level of the future taxable profits, combined with future fiscal planning strategies.

### 5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### Impairment

Plant, machinery and other equipment are recorded at cost, and depreciation is recorded on a straight-line basis over the useful lives of the assets. Management use their experience to estimate the remaining useful life and residual value of an asset.

When there are indications that the carrying amount of a non-current asset (an intangible asset or an item of property, plant and equipment) may exceed the estimated recoverable amount (the higher of its value in use and fair value less costs to sell), the possible existence of an impairment loss is investigated. Reference is given to notes 4.5 and 4.11 for detailed further information on impairment policy.

All financial assets are reviewed for impairment. If there is objective evidence of impairment as a result of one or more events after initial recognition, an impairment loss is recognised in the income statement.

The annual impairment tests are performed at year end as per 31 December 2016. The recoverable amount of the cash generating units concerned is based on a value-in-use calculation. The model is based on a five year forecast of discounted cash flows, plus a terminal value. The net discounted cash flows are calculated before tax.

Cash flow projections beyond the five year forecast period are based on a growth rate of 3% formed by a long term inflation average estimate. The key assumptions in the cash flow projections relate to the market growth for the cash generating units and the related revenue projections. The growth assumptions for these cash generating units are based on the growth of the global and regional nautical markets, and the production capacity of the production facilities and are set at the average market growth rate by management.

The terminal value for the period after ten years is determined with the assumption of no growth except for investments which are included based on an assessment of useful life and on-going maintenance investments.

#### Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

## 6. Business combinations and acquisition of non-controlling interests

### Acquisitions 2017

#### Acquisition of Naviop Srl.

As per June 16th, 2017 Navico Group AS acquired 100% of the shares and voting rights in Naviop Srl a marine electronics system integrator. The Group acquired Naviop because it enlarges the product portfolio and the offering to the boatbuilders.

The fair values of the identifiable assets and liabilities of Naviop Srl. as at the date of acquisition were:

<i>USD (thousands)</i>	Fair value recognised on acquisition
Property, plant and equipment	101
Intangible assets	4,513
Inventories	795
Trade and other receivables	723
Cash and cash equivalents	(1,574)
Deferred tax liabilities	(1,292)
Loans and borrowings	(300)
Trade and other payables	(1,247)
<b>Total net identifiable assets at fair value</b>	<b>1,719</b>
Non-controlling interest of acquiree's net assets	-
Goodwill arising on acquisition	6,376
<b>Purchase consideration</b>	<b>8,095</b>
Paid in cash	6,165
Contingent consideration liability	1,930
<b>Purchase consideration</b>	<b>8,095</b>

The goodwill of USD 6.4 million comprises the value of expected synergies arising from the acquisition. A liability at fair value of USD 1.9 million was recognized which relates to the remaining payments of the purchase consideration in the next two years.

From the date of acquisition, Naviop Srl. contributed USD 2.7 million of revenue and a negative USD 0.1 million to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been USD 330 million and profit before tax from continuing operations for the Group would have remained the same at a negative USD 6.1 million.

#### Other business combinations

The other business combinations relate to the acquisitions of the business activities from Fishhunter, Yacht Defined AB and Hoc Yachts AB.

<i>USD (thousands)</i>	Fair value recognised on acquisition
Property, plant and equipment	740
Intangible assets	3,219
Inventories	2,013
Other accruals	17
Cash and cash equivalents	104
Deferred tax liabilities	(205)
Loans and borrowings	(121)
Trade and other payables	308
<b>Total net identifiable assets at fair value</b>	<b>6,075</b>
Non-controlling interest of acquiree's net assets	(1,248)
Goodwill arising on acquisition	1,610
<b>Purchase consideration</b>	<b>6,437</b>
Paid in cash	5,078
Contingent consideration liability	394
<b>Purchase consideration</b>	<b>5,472</b>



On July 6th the Group acquired the Fishhunter business activities from Appetite Lab Inc. and Fishhunter Inc. This acquisition provides Navico with an extension of its product portfolio. From the date of the acquisition Fishhunter contributed minimal to the revenues.

On December 29th, the Group acquired Yacht Defined AB a Swedish company which deliver integrated electronics and electrical solutions. As the acquisition was done at the end of the year this acquisition didn't generate revenues to the 2017 result.

On December 29th, the Group acquired a 49% interest in Hoc Yachts AB a Swedish producer of boats. As the Group has a controlling interest (through a convertible loan which would bring the Group's investment to 70%) the balance sheet is fully consolidated into the 2017 numbers.

## 7. Other external expenses

USD (thousands)	6 June - 31	
	2017	December 2016
Total marketing expense	(15,751)	(2,750)
Total office costs	(14,418)	(3,370)
Total purchased services	(7,198)	(1,684)
Total travel and entertainment	(6,388)	(1,367)
Other costs	18,915	4,649
<b>Total</b>	<b>(17,301)</b>	<b>(4,522)</b>

The purchased services consist of audit fees (see below), legal fees and other professional fees. Other costs mainly contain capitalization of development cost. Research costs recognised as an expense in the income statement during the period amounted to USD 3,141 thousand (2016 pro-forma full year: USD 3,321 thousand). For the capitalized development costs on projects we refer to note 12.

The table below on the group audit fees has been prepared on a full-year basis for the comparative figures, as this provides more appropriate information to the users.

Group audit fees (EY) excluding VAT		
USD (thousands)	2017	2016
Statutory audit of financial statements	(324)	(388)
Other assurance services	-	-
Tax advisory services	(288)	(147)
Other non-audit services	(205)	(1,031)
<b>Total</b>	<b>(817)</b>	<b>(1,566)</b>

## 8. Employee benefit expenses

USD (thousands)	6 June - 31	
	2017	December 2016
Wages and salaries	(51,216)	(11,740)
Social security costs	(6,550)	(1,402)
Pension charges	(2,182)	(411)
Other costs	(2,137)	(516)
<b>Total</b>	<b>(62,085)</b>	<b>(14,069)</b>

The pension charges are based on the premiums paid for the defined contribution plans. The Company has a defined contribution pension scheme for Norwegian employees that complies with the Norwegian occupational pension legislation.



## 9. Depreciation and amortization

<i>USD (thousands)</i>	2017	6 June - 31 December 2016
Depreciation	(5,503)	(1,425)
Depreciation (PPA)	(1,415)	(354)
<b>Total Depreciation</b>	<b>(6,918)</b>	<b>(1,779)</b>
Amortization	(19,725)	(4,504)
Amortization (PPA)	(14,147)	(3,456)
<b>Total Amortization</b>	<b>(33,872)</b>	<b>(7,960)</b>
<b>Total Depreciation and Amortization</b>	<b>(40,790)</b>	<b>(9,739)</b>

The amortization in the period mainly relates development-cost, however also includes amortizations of technology and customer from the acquisition as described in section 6.

## 10. Special Items

<i>USD (thousands)</i>	2017	6 June - 31 December 2016
Strategic consulting	3,300	1,681
Result on sale digital assets	(2,388)	-
Transaction related expenses	3,052	12,622
Restructuring	1,037	-
One-off legal expenses	6,417	1,087
<b>Total Special Items</b>	<b>11,418</b>	<b>15,390</b>

## 11. Financial income and expense

<i>USD (thousands)</i>	2017	6 June - 31 December 2016
<b>Finance costs</b>		
Interest on bank loans and overdrafts	(17,612)	(3,713)
Net foreign exchange expenses	-	(1,602)
Net change in fair value of derivatives	-	-
Other finance expenses	(12,135)	(716)
<b>Total finance costs</b>	<b>(29,747)</b>	<b>(6,031)</b>
<b>Finance income</b>		
Interest income on loans and receivables	81	-
Net change in fair value of derivatives	547	3,673
Net foreign exchange income	686	-
Other finance income	451	24
<b>Total finance income</b>	<b>1,765</b>	<b>3,697</b>
<b>Net finance income/(cost) in profit and loss</b>	<b>(27,982)</b>	<b>(2,334)</b>
<b>Other financial income and expense</b>		
Exchange differences on translation of foreign operations	1,765	(601)
<b>Finance income / (costs) in other comprehensive income</b>	<b>1,765</b>	<b>(601)</b>



## 12. Intangible assets

<i>USD (thousands)</i>	Development projects	Goodwill	Brand Name	Customer relations	Purchase of software	Other	Total
<b>Balance at 1 January 2017</b>							
Purchase Price	66,733	193,137	64,722	86,110	1,012	8,141	419,855
Accumulated amortisation and impairment	(5,440)	-	-	(1,546)	(134)	(780)	(7,900)
<b>Carrying amount</b>	<b>61,293</b>	<b>193,137</b>	<b>64,722</b>	<b>84,564</b>	<b>878</b>	<b>7,361</b>	<b>411,955</b>

Acquisition of a subsidiary	3,717	7,986	-	3,014	81	920	15,718
Investments	16,698	-	-	-	2,132	62	18,892
Transfers	-	-	-	-	71	195	266
Disposals	-	-	-	-	(144)	(174)	(318)
Translation Differences (CTA)	46	589	-	190	38	206	1,069
Amortisation Disposals	-	-	-	-	146	171	317
Amortisation	(23,841)	-	-	(6,202)	(887)	(2,942)	(33,872)
Impairment	-	-	-	-	-	-	-
Reversal impairment	-	-	-	-	-	-	-
<b>Balance period</b>	<b>(3,380)</b>	<b>8,575</b>	<b>-</b>	<b>(2,998)</b>	<b>1,437</b>	<b>(1,562)</b>	<b>2,072</b>

<b>Balance at 31 December 2017</b>							
Purchase Price	87,148	201,123	64,722	89,124	3,152	9,144	454,413
Accumulated amortisation and impairment	(29,235)	589	-	(7,558)	(837)	(3,345)	(40,386)
<b>Carrying amount</b>	<b>57,913</b>	<b>201,712</b>	<b>64,722</b>	<b>81,566</b>	<b>2,315</b>	<b>5,799</b>	<b>414,027</b>

<i>USD (thousands)</i>	Development projects	Goodwill	Brand Name	Customer relations	Purchase of software	Other	Total
<b>Balance at 6 June 2016</b>							
Purchase Price	-	-	-	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Acquisition of a subsidiary	62,621	193,137	64,722	86,110	1,171	7,970	415,731
Investments	4,112	-	-	-	12	171	4,295
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	(171)	-	(171)
Translation Differences (CTA)	-	-	-	(29)	(78)	(3)	(110)
Amortisation Disposals	-	-	-	-	170	-	170
Amortisation	(5,440)	-	-	(1,517)	(226)	(777)	(7,960)
Impairment	-	-	-	-	-	-	-
Reversal impairment	-	-	-	-	-	-	-
<b>Balance period</b>	<b>61,293</b>	<b>193,137</b>	<b>64,722</b>	<b>84,564</b>	<b>878</b>	<b>7,361</b>	<b>411,955</b>

<b>Balance at 31 December 2016</b>							
Purchase Price	66,733	193,137	64,722	86,110	1,012	8,141	419,855
Accumulated amortisation and impairment	(5,440)	-	-	(1,546)	(134)	(780)	(7,900)
<b>Carrying amount</b>	<b>61,293</b>	<b>193,137</b>	<b>64,722</b>	<b>84,564</b>	<b>878</b>	<b>7,361</b>	<b>411,955</b>

### 13. Impairment

The group has performed an impairment test on the carrying values of the intangible assets (including goodwill), tangible non-current assets, investments in shares and changes in net working capital in accordance with the requirements of IAS 36 Impairment of assets. Value in use (VIU) was recognised as recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by CGU (cash generating unit). The three geographical areas, Americas, EMEA and APAC, were identified as the respective CGUs for the Group accounts. The goodwill for these respective CGU's amounts to USD 144 million for Americas, USD 34 million for EMEA and USD 24 million for APAC.

The impairment test did not give any impairment in neither the group accounts, nor the parent company accounts. On all CGU's there was considerable headroom in the evaluations.

The model is based on a five year forecast of discounted cash flows, plus a terminal value. The net discounted cash flows are calculated before tax.

A business case was used for each CGU as the basis for the cash flow estimates which covered the period 2018 to 2023. The business cases were based on the group's strategic five year plan, and adjusted to reflect recent changes in internal rolling forecasts, and in relevant market data. Both the five year plan and the rolling forecasts are "bottom-up-models" where all input data is produced by entities in the Group.

The input data in the business case is based on data from renewed external sources such as Credit Suisse Global Investments Returns Sourcebook 2011, Reuters, HIS Global Insight, in addition to all relevant internal information such as changes in orders, customer portfolio, fitment rate for products, geographical development, market shares etc. The compounded annual growth rate (CAGR) per CGU is: 8.0 %, for the period 2018 to 2023. The annual growth rate in the terminal value is 2.0 % for each of the CGUs.

#### WACC model for Navico:

The required rate of return was calculated by using the WACC model. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to be 11.8% (2016: 11.8%) pre-tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the three CGUs are not considered to be significantly different.

#### Sensitivity analysis:

The cash flow model was tested for sensitivity of input data to discover whether or not changes in relevant parameters would influence our conclusion on the parent company level. A sensitivity-analysis was performed to reveal what changes needed in the EBITDA margins, per company or region for each year in the five year business plan (including the terminal value), to result in impairment. All sensitivity analysis performed by management would not lead to an impairment.



## 14. Property, plant and equipment

USD (thousands)	Land and Buildings	Machinery and Plant	Office Equipment	Construction in progress	Total
<b>Balance at 1 January 2017</b>					
Purchase Price	14,717	8,750	12,790	5,449	41,706
Accumulated depreciation and impairment	(210)	(321)	(912)	-	(1,443)
<b>Carrying amount</b>	<b>14,507</b>	<b>8,429</b>	<b>11,878</b>	<b>5,449</b>	<b>40,263</b>

Acquisition of a subsidiary	-	23	818	-	841
Investments	21	427	2,504	3,641	6,593
Transfers	619	946	2,021	(3,852)	(266)
Disposals	-	(362)	(405)	-	(767)
Translation Differences	17	(3)	30	-	44
Disposals depreciation	-	356	380	-	736
Depreciation	(938)	(1,651)	(4,329)	-	(6,918)
<b>Balance period</b>	<b>(281)</b>	<b>(264)</b>	<b>1,019</b>	<b>(211)</b>	<b>263</b>

<b>Balance at 31 December 2017</b>					
Purchase Price	15,357	9,784	17,728	5,238	48,151
Accumulated depreciation and impairment	(1,131)	(1,619)	(4,831)	-	(7,625)
<b>Carrying amount</b>	<b>14,226</b>	<b>8,165</b>	<b>12,897</b>	<b>5,238</b>	<b>40,526</b>

USD (thousands)	Land and Buildings	Machinery and Plant	Office Equipment	Construction in progress	Total
<b>Balance at 6 June 2016</b>					
Purchase Price	-	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-	-
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Acquisition of a subsidiary	14,591	8,376	12,531	3,941	39,439
Investments	38	27	357	2,233	2,655
Transfers	127	391	207	(725)	-
Disposals	(39)	(43)	(305)	-	(387)
Translation Differences	(20)	(1)	(31)	-	(52)
Disposals depreciation	39	43	305	-	387
Depreciation	(229)	(364)	(1,186)	-	(1,779)
<b>Balance period</b>	<b>14,507</b>	<b>8,429</b>	<b>11,878</b>	<b>5,449</b>	<b>40,263</b>

<b>Balance at 31 December 2016</b>					
Purchase Price	14,717	8,750	12,790	5,449	41,706
Accumulated depreciation and impairment	(210)	(321)	(912)	-	(1,443)
<b>Carrying amount</b>	<b>14,507</b>	<b>8,429</b>	<b>11,878</b>	<b>5,449</b>	<b>40,263</b>

The fair values of the Property, plant and equipment does not materially differ from their respective carrying amounts.



## 15. Income taxes

The income tax on 2017 result was USD 19,166 thousand positive, which represents an effective income tax rate of 312.9% negative, and can be broken down as follows:

<i>USD (thousands)</i>	<b>2017</b>	<b>6 June - 31 December 2016</b>
<b>Current tax (expense) / credit</b>		
Current year	(4,540)	(727)
Prior-year adjustments	631	(78)
	<b>(3,909)</b>	<b>(805)</b>
<b>Deferred tax (expense) / credit</b>		
Current year	22,869	2,080
Prior-year	206	(87)
	<b>23,075</b>	<b>1,993</b>
<b>Total income tax (expense) / credit</b>	<b>19,166</b>	<b>1,188</b>

The relationship between the income tax rate in Norway and the effective tax rate on the result is as follows:

<i>USD (thousands)</i>	<b>2017</b>	<b>6 June - 31 December 2016</b>
<b>Result before tax</b>	<b>(6,126)</b>	<b>(11,247)</b>
Income tax 24% (2016: 25%)	1,470	2,812
<b>Corrected for tax adjustments of:</b>		
Prior-year	484	-
Change in tax rate (Norwegian / foreign)	(798)	230
Change in US tax-rate	19,870	-
Change in non-recognition of deferred tax assets	(75)	(3,101)
Deferred tax current year	(3,961)	1,144
Permanent differences / IFA depreciation at Group	10	(421)
Other	2,166	524
<b>Total income tax (expense) / credit</b>	<b>19,166</b>	<b>1,188</b>

<i>USD (thousands)</i>	<b>2017</b>	<b>6 June - 31 December 2016</b>
Domestic income tax rate	-24.0%	-25.0%
Deviating rates and other effects	-288.9%	14.4%
<b>Total effective tax rate</b>	<b>-312.9%</b>	<b>-10.6%</b>

The positive effective tax rate is mainly caused by a change in the US tax rate, which was endorsed at the end of 2017.



The balance of deferred tax assets and deferred tax liabilities is presented in the table below:

<i>USD (thousands)</i>	<b>31 December 2017</b>	<b>6 June - 31 December 2016</b>
<b>At 1 January</b>		
Deferred tax assets	13,284	-
Deferred tax liabilities	(63,231)	-
<b>Total</b>	<b>(49,947)</b>	<b>-</b>
<b>Changes deferred tax :</b>		
Opening balance of deferred tax	-	4,982
Income tax expense in Income statement	23,075	1,144
Recognition of a deferred tax liability due to PPA	(1,467)	(57,500)
Other effects	7	1,427
<b>Total</b>	<b>21,615</b>	<b>(49,947)</b>
<b>At 31 December</b>		
Deferred tax assets	1,616	13,284
Deferred tax liabilities	(29,948)	(63,231)
<b>Total</b>	<b>(28,332)</b>	<b>(49,947)</b>

The deferred tax assets and liabilities relate to the following balance sheet items:

<i>Deferred tax assets/(liabilities) USD (thousands)</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
Intangible assets	(37,711)	(59,461)
Property, plant and equipment	(1,989)	(4,047)
Inventories	1,170	1,048
Receivables	264	284
Current provisions	1,372	2,057
Other current liabilities	726	1,239
<b>Total</b>	<b>(36,166)</b>	<b>(58,880)</b>
Tax loss carry forward	42,275	49,139
Not recognised	(34,439)	(40,206)
<b>Net deferred tax assets and (liabilities)</b>	<b>(28,332)</b>	<b>(49,947)</b>

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

In the USA the full amount of Net Operating Losses has been valued by means of a deferred tax asset as the outlook for the US activities is very positive. The total net operating losses available for carry forward compensation amount to approximately USD 37 million (USD 24 million of Earnings Stripping's and USD 13 million other available tax-credits) and will expire in the years 2026-2031. Before this time the temporary differences will be off-set against the incorporated deferred tax asset.

The valuation of deferred tax assets depends on the probability of the reversal of temporary differences and the utilization of tax loss carry forwards. The non-recognized tax losses carry forward mainly relate to tax losses in Norway which are not expected to be compensated by fiscal profits in the near future.

In the event that actual future results differ from estimates, and depending on tax strategies that Navico may be able to implement, changes to the measurement of deferred taxes could be required, which could impact on the Group's financial position and result.



## 16. Other non-current assets

<i>USD (thousands)</i>	31 December 2017	31 December 2016
Long term loans affiliated parties	8,388	-
Other long term receivables	111	4
<b>Total</b>	<b>8,499</b>	<b>4</b>

Long term loan is granted to Digital Marine Solutions Holding AS and the reported balance includes accumulated interest.

## 17. Inventories

<i>USD (thousands)</i>	31 December 2017	31 December 2016
Raw materials and consumables	26,573	19,918
Intermediates and finished goods	43,865	34,828
Work in progress	7,869	4,656
<b>Total</b>	<b>78,307</b>	<b>59,402</b>

During the year an amount of USD 1,696 thousand (2016 proforma full year: USD 761 thousand) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of sales and mainly relate to raw materials which are not being used anymore.

## 18. Trade and other receivables

<i>USD (thousands)</i>	31 December 2017	31 December 2016
Trade receivables	58,279	53,776
Less: Allowance for doubtful debts	(1,802)	(1,515)
Prepaid expenses	4,411	4,779
Receivables from related parties	1,128	291
Other debtors	1,854	1,500
Other Accruals	1,065	2,179
<b>Total Current Trade and other receivables</b>	<b>64,935</b>	<b>61,010</b>

Below the aging overview on trade receivables is given.

<i>USD (thousands)</i>	not past due	1-30 days	31-60 days	61-90 days	91-180 days	180+ days	Total
Trade receivables - 2017	43,468	7,512	1,758	1,680	1,452	2,409	58,279
Allowance for doubtful debts - 2017	(123)	(55)	(42)	(103)	(173)	(1,305)	(1,802)
<b>Net trade receivables - 2017</b>	<b>43,344</b>	<b>7,457</b>	<b>1,717</b>	<b>1,576</b>	<b>1,278</b>	<b>1,104</b>	<b>56,477</b>

<i>USD (thousands)</i>	not past due	1-30 days	31-60 days	61-120 days	121-180 days	180+ days	Total
Trade receivables - 2016	41,608	5,899	1,406	1,039	2,305	1,519	53,776
Allowance for doubtful debts - 2016	(134)	(51)	(24)	(59)	(392)	(855)	(1,515)
<b>Net trade receivables - 2016</b>	<b>41,474</b>	<b>5,848</b>	<b>1,382</b>	<b>980</b>	<b>1,913</b>	<b>664</b>	<b>52,261</b>

The movement of the allowance for doubtful debts during 2017 was not material.

See note 26.3 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

## 19. Cash at bank and in hand

<i>USD (thousands)</i>	31 December 2017	31 December 2016
<b>Total balance at 31 December</b>	<b>8,162</b>	<b>7,333</b>

### Limitation

Cash and cash equivalents are stated at nominal value.

The Group as pledged an amount of USD 2,317 thousand to fulfill collateral requirements and is therefore not freely available.

## 20. Shareholders' equity and non-controlling interests

<i>USD (thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Balance at 1 January</b>	<b>244,840</b>	
Capital contribution from shareholders	3,500	255,500
Net profit / (loss)	13,040	(10,059)
Exchange differences on translation of foreign operations	1,765	(601)
<b>Balance at 31 December attributable to owners of the Company</b>	<b>263,145</b>	<b>244,840</b>
Movement in non-controlling interest	1,248	-
<b>Total equity at 31 December</b>	<b>264,393</b>	<b>244,840</b>

### Issued share capital

The authorized capital of the Group amounts to NOK 5,110 thousand (USD 617 thousand) and comprises 255,500 thousand ordinary shares of NOK 0.02 each. Each share gives one vote in the general assembly.

### Other changes/translation differences

Translation difference amounts USD 1,765 thousand due to conversion rate differences at year end.

### Dividend

The group has no restrictions for dividend distributions to the shareholders, subject to for the availability of distributable reserves and bank approval.

## 21. Interest bearing loans and borrowings

### Non-current loans and borrowings

<i>USD (thousands)</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
Loan TLA	-	47,000
Loan TLB	248,625	190,000
Non-current portion of capitalised finance cost	(9,176)	(6,529)
Currency swaps/Forward contracts	(4,717)	(3,603)
<b>Total</b>	<b>234,732</b>	<b>226,868</b>

Navico Group AS' outstanding loans as per December 31st, 2016 have been replaced by a new loan as per March 31st 2017 which also has a long term nature (5 years). The increase of the non-current loans and borrowings of USD 7.8 million largely relates to the re-financing as per March 31st, 2017. At this date the TLA and TLB loans were repaid in full and the Group obtained a new financing of which USD 248.6 million is classified as non-current. The USD 6.5 million capitalized refinance costs as per December 31st, 2016 were taken to the income statement and the costs related to the new finance agreement were capitalized and are amortized over the term of the finance agreement. The increase of the currency swaps/forward contracts from USD 3.6 million to USD 4.7 million mainly relates to the increase in fair value of the Interest Rate Swap which has increased due to an increase in the LIBOR.

### Current loans and borrowings

<i>USD (thousands)</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
Loan TLA	-	3,000
Loan TLB	6,500	
RCF	15,361	3,500
Bank overdraft	-	2,658
Current portion of capitalised finance cost	(2,824)	(1,632)
<b>Total</b>	<b>19,037</b>	<b>7,526</b>

In the refinancing as per March 31st 2017 the multicurrency revolving credit facility of USD 25 million (RCF) remained in place where the undrawn part is USD 10 million.

The interest rate swap amounting USD 4.7 million receivable relates to the instrument executed after the refinancing period in 2016 in which this instrument converts the variable interest rate on the new loans to a fixed interest rate.

## 22. Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

Terms and conditions schedule of outstanding non current loans :					Carrying amount	
USD (thousands)	Currency	Nominal interest rate	Year of maturity	Fair value		
				31 December 2017	31 December 2017	
Loan TLB	USD	LIBOR + 5.75%	2023	(248,625)	(248,625)	
Interest rate swap	USD		2020	4,717	4,717	
<b>Total</b>				<b>(243,908)</b>	<b>(243,908)</b>	

Terms and conditions schedule of outstanding current loans :					Carrying amount	
USD (thousands)	Currency	Nominal interest rate	Year of maturity	Fair value		
				31 December 2017	31 December 2017	
Loan TLB	USD	LIBOR + 5.75%	2018	(6,500)	(6,500)	
RCF	USD	LIBOR + 5%	on demand	(15,361)	(15,361)	
<b>Total</b>				<b>(21,861)</b>	<b>(21,861)</b>	

Terms and conditions schedule of outstanding non current loans :					Carrying amount	
USD (thousands)	Currency	Nominal interest rate	Year of maturity	Fair value		
				31 December 2016	31 December 2016	
Loan TLA	USD	LIBOR + 4%	2022	(47,000)	(47,000)	
Loan TLB	USD	LIBOR + 5%	2022	(190,000)	(190,000)	
Interest rate swap	USD		2022	3,603	3,603	
<b>Total</b>				<b>(233,397)</b>	<b>(233,397)</b>	

Terms and conditions schedule of outstanding non current loans :					Carrying amount	
USD (thousands)	Currency	Nominal interest rate	Year of maturity	Fair value		
				31 December 2016	31 December 2016	
Loan TLA	USD	LIBOR + 4%	2017	(3,000)	(3,000)	
RCF	USD	LIBOR + 5%	on demand	(3,500)	(3,500)	
Bank overdraft	USD	LIBOR + 5%	on demand	(2,658)	(2,658)	
<b>Total</b>				<b>(9,158)</b>	<b>(9,158)</b>	

The fair values of the financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2017, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

## Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2017 the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets and liabilities measured at fair value				
USD (thousands)	Level 1	Level 2	Level 3	Total
<b>31 December 2017</b>				
Interest rate swap - non hedged	-	4,717	-	4,717
<b>Total assets</b>	<b>-</b>	<b>4,717</b>	<b>-</b>	<b>4,717</b>

During the reporting period ending 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements. The level 2 forward contracts are valued by means of confirmations by the bank, combined with the development of interest-rates and currency rates.

## 23. Trade and other payables

USD (thousands)	31 December 2017	31 December 2016
Accounts payable to suppliers and trade creditors	33,571	23,483
Payables to related parties	389	159
Personnel related liabilities	6,102	5,277
Other liabilities and accruals	13,718	13,566
VAT payable	831	685
<b>Total</b>	<b>54,611</b>	<b>43,170</b>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms
- Other liabilities and accruals are non-interest bearing and have an average term of six months

## 24. Provisions

The provisions of USD 7.5 million fully relates to the warranty provision (2016: USD 6.8 million). This provision for warranties relates to liabilities that arise as a result of sold products not complying with contract quality conditions. The provision is based on estimates derived from historical warranty data associated with similar products and services. It is expected that these costs will be incurred in the next financial year.

Warranties		
USD (thousands)	2017	2016
<b>At 1 January</b>	<b>6,790</b>	-
Acquisition of a subsidiary	-	6,102
Provisions made during the period	10,213	3,291
Provisions used during the period	(9,535)	(2,603)
<b>At 31 December</b>	<b>7,468</b>	<b>6,790</b>
<b>Analysis of provisions:</b>		
Non-current	-	-
Current	7,468	6,790
<b>At 31 December</b>	<b>7,468</b>	<b>6,790</b>

## 25. Commitments and contingencies

### 25.1 Legal claim

The Group has a process in place to monitor legal claims periodically and systematically. The Group is involved in legal proceedings. These proceedings are mainly related to patents and license disputes. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized in the financial statements.

### 25.2 Future commitments

future commitments	IT Service		Vehicles		Office Rentals		Other	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
USD (thousands)								
Within one year	76	101	284	223	3,047	3,053	1	8
Between two and five years	109	11	593	184	8,436	5,798	-	1
More than five years	-	-	-	-	1,741	841	-	-
<b>Total</b>	<b>185</b>	<b>112</b>	<b>878</b>	<b>407</b>	<b>13,225</b>	<b>9,692</b>	<b>1</b>	<b>9</b>

The operating activities mainly comprise of IT service commitments, vehicles and office rental commitments. The Office rental commitments mainly concern US, The Netherlands, Australia, New Zealand, and Norway. The total operating lease expenses in the income statement for 2017 amount to USD 3,483 thousand (2016: USD 3,522 thousand).

### 25.3 Guarantees

One Letter of Credit for USD 41 thousand has been issued to a supplier for deliveries. Furthermore, a bank guarantee has been issued towards another bank for an amount of USD 530 thousand.

## 26. Financial risk management objective and policies

### 26.1 Financial risk management

The main financial risks faced by the Group relate to market risk (comprising interest rate risk, currency risk, price risk and credit risk) and liquidity risk. The Group's financial policy is aimed at minimizing the effects of fluctuations in currency-exchange and interest rates on its results in the short term and following market rates in the long term. The Group uses financial derivatives to manage financial risks relating to business operations and does not enter into speculative derivative positions. The Group aims to maintain a stable and preferable rising financial position.

### 26.2 Market risk

#### 26.2.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

It is the Group's policy to (partly) hedge the currency risks resulting from sales and purchases at the moment of recognition of the trade receivables and trade payables. In addition, operating companies may – under strict conditions – opt for hedging currency risks from firm commitments and forecasted transactions. The currencies giving rise to these risks are primarily the Euro, Australian dollar, the New Zealand dollar and the Mexican peso. The risks arising from currency exposures are regularly reviewed and hedged when appropriate. The Group uses flexible forward contracts to hedge the exposure to fluctuations in foreign exchange rates. At year-end the group didn't have any open positions, but hedged the expected 2017 cash flows in foreign currencies early 2017.

#### 26.2.2 Foreign currency risk sensitivity

The following analysis of the sensitivity the underlying cash flows to the Euro, Australian Dollar, New Zealand dollar and Mexican peso against the US dollar assumes a 10% change in all foreign currency rates from the average rate over 2016, with all other variables held constant. A +10% change indicates a strengthening of the foreign currencies against US dollar. A -10% change represents a weakening of the foreign currencies against US dollar.

December 31, 2017 USD (thousands)	Change in USD exchange rate	Effect on profit and loss	Effect on equity
Euro	+10%	4,948	-
	-10%	(4,948)	-
Australian dollar	+10%	1,375	-
	-10%	(1,375)	-
New Zealand dollar	+10%	(710)	-
	-10%	710	-
Mexican Peso	+10%	(1,200)	-
	-10%	1,200	-

December 31, 2016 USD (thousands)	Change in USD exchange rate	Effect on profit and loss	Effect on equity
Euro	+10%	5,972	-
	-10%	(5,972)	-
Australian dollar	+10%	1,116	-
	-10%	(1,116)	-
New Zealand dollar	+10%	(1,109)	-
	-10%	1,109	-
Mexican Peso	+10%	(1,200)	-
	-10%	1,200	-

Navico's exposure to foreign currency changes for all other currencies is not material except for the currencies as indicated above.

### 26.2.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk policy is aimed at minimizing the interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. This policy translates into a certain desired profile of fixed-interest and floating-interest positions, including cash and cash equivalents. During 2016 the Group entered into an Interest Rate Swap to hedge approximately 75% from a variable interest rate into a fixed interest rate.

### 26.2.4 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's result before tax is affected through the impact on floating rate as follows:

2017 USD (thousands)	Increase/decrease in Basis points	Effect on profit and loss
US dollar	+50 bps	(126)
	-50 bps	126

2016 USD (thousands)	Increase/decrease in Basis points	Effect on profit and loss
US dollar	+50 bps	(250)
	-50 bps	250

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a higher volatility as in prior years.

### 26.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

### Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. At 31 December 2017, the Group had large amount of different customers with a broad regional spread. There were six main customers with a total balance around USD 16,224 thousand accounting for 29% of the total amounts receivable.

### 26.4 Liquidity risk

The Group operates several legal entities in several countries. To address the risk of liquidity, the Group applies cash pooling in most of the countries as far as foreign currency exchange policies of countries allow this. The Group also monitors with high frequency its cash-balances and cash forecasts. When required, additional debt or equity based money transfers between the Group's entities are implemented.

Floating-rate and fixed-rate borrowings and short-term monetary liabilities analyzed by maturity are summarized in the following table. The Group manages financial liabilities and related derivative contracts on the basis of the remaining contractual maturities of these instruments. Therefore the remaining maturities presented in the following table provide an appropriate understanding of the timing of the cash flows related to these instruments, and amounts are not expected to differ from those reported. Financial assets are not linked to financial liabilities in order to meet cash outflows on these liabilities.

31 December 2017					
USD (thousands)	On Demand	1 Year	2 - 5 Years	> 5 Years	Total
Interest bearing loans and borrowings	15,361	6,500	26,000	222,625	270,486
Interest Rate Swap (IRS)	-	-	(4,717)	-	(4,717)
Trade and other payables	54,611	-	-	-	54,611
<b>Total</b>	<b>69,972</b>	<b>6,500</b>	<b>21,283</b>	<b>222,625</b>	<b>320,380</b>

31 December 2016					
USD (thousands)	On Demand	1 Year	2 - 5 Years	> 5 Years	Total
Interest bearing loans and borrowings	6,158	3,000	35,000	202,000	246,158
Interest Rate Swap (IRS)	-	-	(3,603)	-	(3,603)
Trade and other payables	43,169	-	-	-	43,169
<b>Total</b>	<b>49,327</b>	<b>3,000</b>	<b>31,397</b>	<b>202,000</b>	<b>285,724</b>

The groups interest bearing loans and borrowing expire December 31st, 2022. For the applicable interest rate please refer to note 22.

### 26.5 Derivatives - not used in hedge accounting

To hedge interest rate risk on the loans, the Group uses an Interest Rate Swap to convert approximately 75% of the open loan from a variable interest rate to a fixed interest The fair values of this contracts is as follows:

Carrying amount, December 31st, 2017			
USD (thousands)	Asset	Liabilities	Net
Interest Rate Swap (IRS)	4,717	-	4,717

### 26.6 Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the limited financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group primarily monitors capital using a leverage ratio, which is net debt to EBITDA. The Group's policy is to decrease the leverage ratio considerably, by improving the operating result and decreasing the net debt.



## 27. Workforce

The total number of employees at year end of the Group, converted into full time equivalents, amounted to 1,655 employees (2016: 1,599 employees).

## 28. Remuneration of key management

The remuneration, including pension charges and other benefits, of the directors of the company are detailed as follows:

USD (thousands)	General Manager		Board	
	2017	2016	2017	2016
Salary	539	132	-	-
Other	536	4	-	-
<b>Total</b>	<b>1,075</b>	<b>136</b>	<b>-</b>	<b>-</b>

The general manager is eligible to an annual bonus up to 50% of his annual salary. The bonus is linked to the company's performance. In case of termination of employment from the company, the general manager is entitled to a severance pay equal to the monthly salary of 6 months.

## 29. Related party transactions

Altor and Goldman Sachs Merchant Banking Division as majority shareholders are qualified as related parties. In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions and outstanding balances with this related party during the year and at the end of the reporting period:

Related party transactions USD (thousands)	2017	
	Sales to	Purchase from
Majority shareholder	-	-
A company owned by the majority shareholder	1,747	409
<b>Total</b>	<b>1,747</b>	<b>409</b>

Related party balances USD (thousands)	amounts	
	owed from	owed to
Majority shareholder	-	-
A company owned by the majority shareholder	1,128	389
<b>Total</b>	<b>1,128</b>	<b>389</b>

Related party balances - Loans USD (thousands)	interest	
	received	amounts owed by
Majority shareholder	-	-
A company owned by the majority shareholder	187	8,388
<b>Total</b>	<b>187</b>	<b>8,388</b>

Related party transactions USD (thousands)	2016	
	Sales to	Purchase from
Majority shareholder	-	-
A company owned by the majority shareholder	-	712
<b>Total</b>	<b>-</b>	<b>712</b>

Related party balances USD (thousands)	amounts	
	owed from	owed to
Majority shareholder	-	2,658
A company owned by the majority shareholder	291	159
<b>Total</b>	<b>291</b>	<b>2,817</b>



### Related party transactions

The Group enters into limited transactions with related parties (see table above) and when it does enter in such transactions these are always done following the at arm's length principle. Furthermore in 2017 the Group sold some digital assets to a sister company outside of the Group at arm's length basis.

### Outstanding balances with related parties

The outstanding balances with related parties (as specified above) relate to sister-company of Navico Group AS and follows the at arm's length principle.

## 30. Pro forma full year financials

Due to the acquisition of the Navico activities as per September 30th, 2016 the comparative figures in the official income statement only covers the 4th quarter of 2016 and not the full year of 2016. In order to provide some additional information on the full year performance of the company the following tables provide an overview (on a pro-forma basis) how the income statement and cash flow statement would have looked like.

### 30.1 Income statement (Pro forma)

<b>Continuing operations</b>	<b>Proforma</b>	
<i>USD (thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>	<b>327,196</b>	<b>317,745</b>
Cost of sales	(166,207)	(165,875)
<b>Gross profit</b>	<b>160,989</b>	<b>151,870</b>
Other external expenses	(24,840)	(25,100)
Employee benefit expenses	(62,085)	(59,542)
Depreciation, amortization and impairment	(40,790)	(28,865)
Special Items	(11,418)	(21,578)
<b>Results from operating activities</b>	<b>21,856</b>	<b>16,785</b>
Finance income	1,765	3,318
Finance expense	(29,747)	(26,072)
<b>Net finance costs</b>	<b>(27,982)</b>	<b>(22,754)</b>
Share of profit / (loss) of equity-accounted investees, net of tax	-	-
<b>Profit / (loss) before tax</b>	<b>(6,126)</b>	<b>(5,969)</b>
Income tax credit / (expense)	19,166	(2,586)
<b>Profit / (loss) for the year</b>	<b>13,040</b>	<b>(8,555)</b>
<b>Profit / (loss) attributable to:</b>		
Equity holders of the parent	13,040	(8,555)
Non-controlling interests	-	-
	<b>13,040</b>	<b>(8,555)</b>

### 30.2 Cash flow statement (Pro forma)

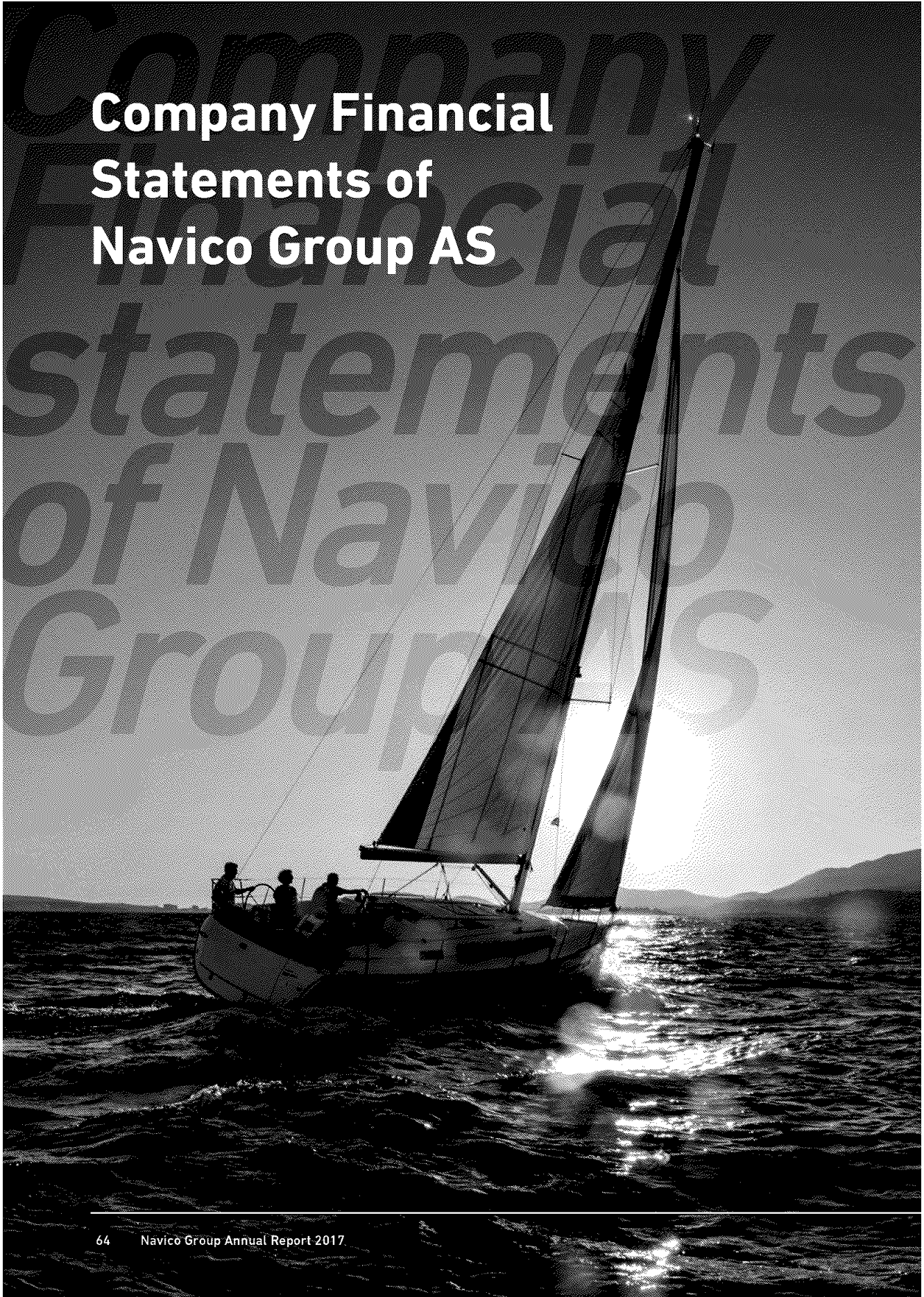
<i>USD (thousands)</i>	<b>2017</b>	<b>Proforma 2016</b>
<b>Cash flows from operating activities</b>		
Profit / (loss) for the year before tax	(6,126)	(5,969)
<b>Non cash adjustment to reconcile profit before tax to net cash flow</b>		
Depreciation / amortisation and impairment of assets	40,790	28,865
Finance income	(1,765)	(3,318)
Finance expense	29,747	26,072
Change in provisions	678	1,450
Other non-cash items (forex translation related)	684	(306)
	<b>64,008</b>	<b>46,794</b>
Foreign currency (gains) / losses	686	(3,082)
Income tax (paid) / received	(3,843)	(6,119)
	<b>(3,157)</b>	<b>(9,201)</b>
Decrease / (increase) in inventories	(16,097)	2,018
Decrease / (increase) in trade and other receivables	(3,185)	(8,690)
(Decrease) / increase in payables	10,472	4,816
Changes in working capital:	(8,810)	(1,856)
<b>Net cash from (used in) operating activities</b>	<b>52,061</b>	<b>35,737</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,593)	(8,101)
Proceeds from sale of property, plant and equipment		
Purchase of intangible assets	(18,892)	(15,430)
Decrease / (increase) in other non current assets	(8,494)	-
Acquisition of a subsidiary, net of cash acquired	(14,192)	
<b>Net cash used in investing activities</b>	<b>(48,171)</b>	<b>(23,531)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	3,500	255,500
Interest paid	(18,626)	(25,236)
(Decrease) / increase in other non current liabilities	1,787	-
(Decrease) / increase bank overdraft	12,703	(15,440)
New non-current liabilities	260,000	243,500
Repayment of debt	(248,375)	(288,052)
Bank fees	(14,030)	(9,814)
Repayment of loans from related parties	-	(20,628)
Repurchase of shares	-	(150,426)
<b>Net cash from financing activities</b>	<b>(3,041)</b>	<b>(10,596)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>829</b>	<b>1,610</b>
Cash and cash equivalents at 1 January	7,333	5,723
<b>Cash and cash equivalents at 31 December</b>	<b>8,162</b>	<b>7,333</b>

### 31. Events after the balance sheet date

In February 2018 the Group ended their legal dispute with a competitor relating to sonar and auto guidance patents. The agreement includes a broad cross licensing of patents and other intellectual property, which will bring new innovations to the market faster and benefit all marine customers.



# Company Financial Statements of Navico Group AS





## Company Balance Sheet

<i>USD (thousands)</i>	<i>Notes</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Assets</b>			
Financial fixed assets	1	246,080	242,580
<b>Total non-current assets</b>		<b>246,080</b>	<b>242,580</b>
Trade and other receivables		15,300	3,500
Cash and cash equivalents		-	559
<b>Total current assets</b>		<b>15,300</b>	<b>4,059</b>
<b>Total assets</b>		<b>261,380</b>	<b>246,639</b>
Total equity attributable to owners of the Company		245,988	242,979
<b>Total equity</b>	2	<b>245,988</b>	<b>242,979</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings		-	3,500
<b>Total non-current liabilities</b>		<b>-</b>	<b>3,500</b>
Bank overdraft		15,361	-
Trade and other payables		31	160
<b>Total current liabilities</b>		<b>15,391</b>	<b>160</b>
<b>Total liabilities</b>		<b>15,391</b>	<b>3,660</b>
<b>Total equity and liabilities</b>		<b>261,380</b>	<b>246,639</b>

## Company Statement of Profit or Loss and Comprehensive Income

<i>USD (thousands)</i>	<i>Notes</i>	<b>31 December 2017</b>	<b>6 June - 31 December 2016</b>
<b>Revenue</b>			
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		<b>-</b>	<b>-</b>
Other external expenses		-	-
Employee benefit expenses		-	-
Depreciation, amortization and impairment		-	-
<b>Results from operating activities</b>		<b>(54)</b>	<b>(12,496)</b>
Finance income		0	3
Finance expense		(437)	(28)
<b>Net finance costs</b>		<b>(437)</b>	<b>(25)</b>
Income tax credit / (expense)		-	-
<b>Profit / (loss) for the year</b>		<b>(491)</b>	<b>(12,521)</b>

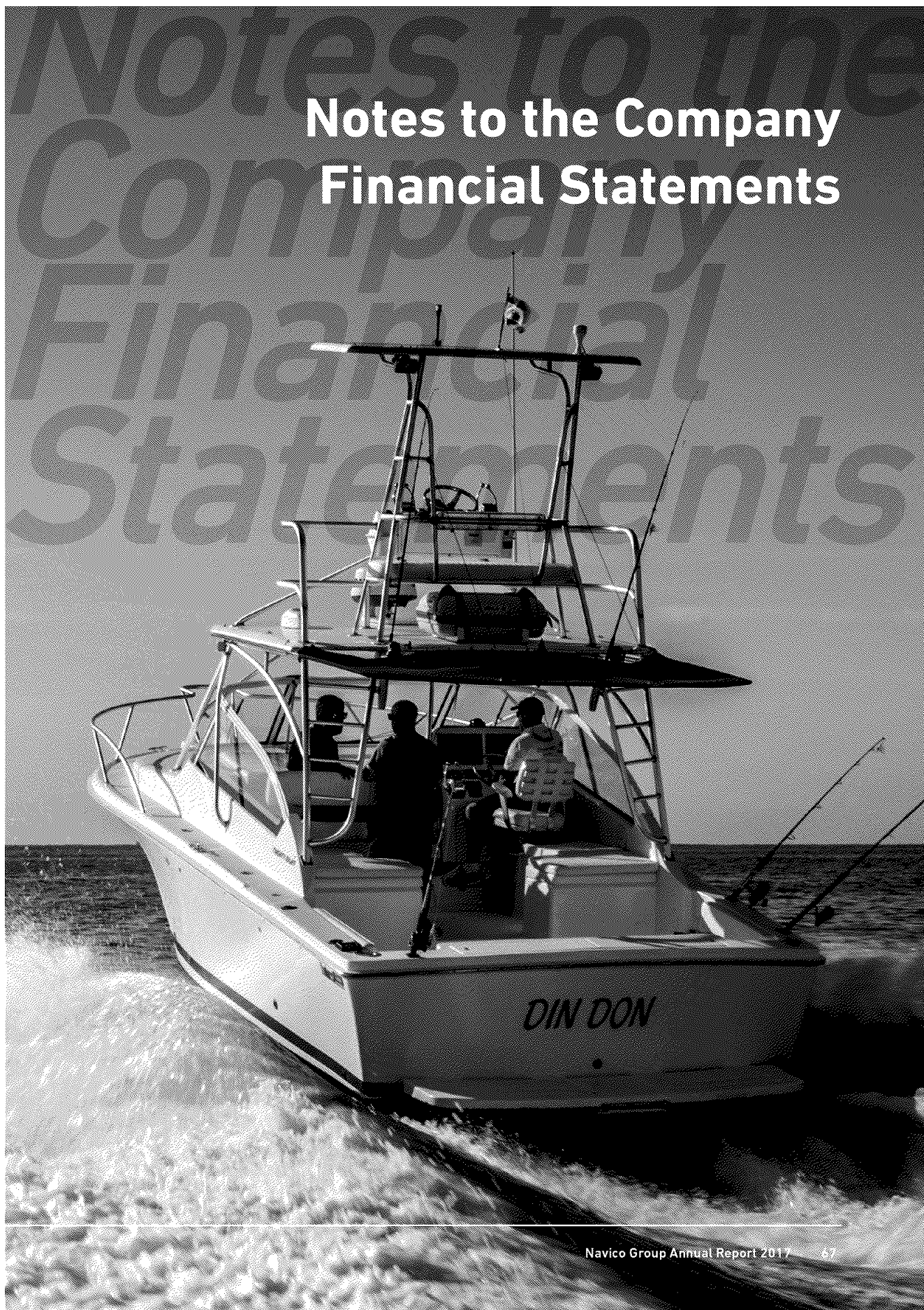


## Company Cash Flow Statement

USD (thousands)	31 December 2017	6 June - 31 December 2016
<b>Cash flows from operating activities</b>		
Profit / (loss) for the year before tax	(491)	(12,521)
<b>Adjustments for:</b>		
Decrease / (increase) in trade and other receivables	(15,300)	(3,500)
(Decrease) / increase in payables	(130)	3,660
Changes in working capital:	(15,430)	160
<b>Net cash from (used in) operating activities</b>	<b>(15,920)</b>	<b>(12,361)</b>
<b>Cash flows from investing activities</b>		
Acquisition of a subsidiary, net of cash acquired	-	(242,580)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(242,580)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	3,500	255,500
(Decrease) / increase bank overdraft	15,361	-
(Decrease) / increase in other non current liabilities	(3,500)	-
<b>Net cash from financing activities</b>	<b>15,361</b>	<b>255,500</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(559)</b>	<b>559</b>
Cash and cash equivalents at 1 January	559	-
<b>Cash and cash equivalents at 31 December</b>	<b>(0)</b>	<b>559</b>



# Notes to the Company Financial Statements





## Basis of preparation

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

## Parent Company

Navico Group AS is the parent company of the group and holds the following subsidiaries (directly or indirectly):

Company <i>(amounts in thousands)</i>	Place of operation	Country of incorporation	Currency	Nominal value of	Percentage of equity	
				issued share capital	attributable to the company	
				2017	2017	2016
Navico SA, France	Treillieres, France	France	EUR	59	100%	100%
Navico UK Ltd	Romsey, England	United Kingdom	GBP	1,227	100%	100%
Navico Logistics Europe BV	Dordrecht, Netherlands	Netherlands	EUR	18	100%	100%
Navico GmbH	Schleswig, Germany	Germany	EUR	100	100%	100%
Navico Italia SRL	Milano, Italy	Italy	EUR	15	100%	100%
Navico Marine Electronics S.L	Alicante, Spain	Spain	EUR	159	100%	100%
Navico Inc.	Tulsa, Oklahoma, USA	USA	USD	78,363	100%	100%
Electronica Lowrance de Mexico, S.A. de C.V.	Ensenada, Mexico	Mexico	MXN	60,000	100%	100%
Navico Auckland Ltd	Auckland, New Zealand	New Zealand	NZD	35,000	100%	100%
Navico Shanghai Trading Company LTD	Shanghai, China	China	CNY	4,057	100%	100%
Navico Australia PTY Ltd	Sydney, Australia	Australia	AUD	4,081	100%	100%
Navico (Suzhou) Trading Company LTD	Suzhou, China	China	CNY	12,906	100%	100%
Navico Sweden AB	Goteborg, Sweden	Sweden	SEK	500	100%	100%
Navico RBU Italia SRL	Milano, Italy	Italy	EUR	10	100%	100%
Nav Marine Electronics Oy	Finland	Finland	EUR	3	100%	100%
Contour Innovations LLP	Minneapolis, USA	USA	USD	-	100%	100%
Navico Marine Singapore Pte. Ltd.	Singapore	Singapore	SGD	101	100%	100%
Maritime Information Systems AS	Tonsberg, Norway	Norway	NOK	1,536	100%	100%
Navico Rus Ltd.	St. Petersburg, Russia	Russia	RUB	10	100%	100%
Nanna U.S. BidCo, LLC	Tulsa, Oklahoma, USA	USA	USD	-	100%	100%
Navico Holding AS	Egersund, Norway	Norway	NOK	203,608	100%	100%
NavioP SRL	Forli, Italy	Italy	EUR	100	100%	-
Yacht Defined AB	Stockholm, Sweden	Sweden	SEK	50	100%	-
Navico Sweden II AB	Goteborg, Sweden	Sweden	SEK	200	49%	-
HDC Yachts AB	Stockholm, Sweden	Sweden	SEK	50	49%	-

## 1. Financial fixed Assets

The financial assets can be specified as follows:

USD (thousands)	31 December	31 December
	2017	2016
Investment in shares	246,080	242,580
<b>Total</b>	<b>246,080</b>	<b>242,580</b>

The investment in shares is related to the following acquisitions:

- Navico Holding AS, amounting USD 237,492 thousand (2016: USD 233,992 thousand)
- Nanna US Bidco LLC, amounting USD 8,588 thousand (2016: USD 8,588 thousand)



## 2. Shareholders' equity

<i>USD (thousands)</i>	Issued capital	Share premium	Retained earnings	Total
<b>Balance at 1 January 2017</b>	296	255,182	(12,499)	242,979
<b>Capital contribution from shareholders</b>	299	3,201		3,500
<b>Total comprehensive income for the year</b>				
Profit / (loss) for the year			(491)	(491)
<b>Balance at 31 December 2017</b>	595	258,383	(12,990)	245,988

The authorised capital of the Group amounts to NOK 5,110 thousand (USD 617 thousand) and comprises 255,500 thousand ordinary shares of NOK 0.0 each. Further information regarding shareholder's equity is to be found in note 20 to the consolidated financial statements.

## 3. Income tax

<i>USD (thousands)</i>	31 December 2017	31 December 2016
<b>Result before tax</b>	(491)	(12,521)
Income tax 24% (2016: 25%)	118	3,130
<b>Corrected for tax adjustments of:</b>		
Change in non-recognition of deferred tax assets	(118)	(3,130)
Other	-	-
<b>Total income tax (expense) / credit</b>	-	0

<i>USD (thousands)</i>	31 December 2017	31 December 2016
<b>Deferred tax assets/(liabilities)</b>		
Intangible assets	-	-
Property, plant and equipment	-	-
Inventories	-	-
Receivables	-	-
Current provisions	-	-
Other current liabilities	-	-
<b>Total</b>	-	-
Tax loss carry forward	3,248	3,130
Not recognised	(3,248)	(3,130)
<b>Net deferred tax assets and (liabilities)</b>	-	-

## 4. Staff

At December 31, 2017, the company did not employ any employees in the company (December 31, 2016: zero).

### 31. Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the board of directors of the Company.

Egersund, 30 April 2018

Board of Directors

Mr. Hugo Maurstad - Chairman

Mrs. Malou Aamund

Mr. Michael Bruun

Mr. Knut Frostad

Mr. David Hess

Mr. Martin Hintze

President & CEO

Mr. Leif Ottosson



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## Independent Auditor's Report

To the Annual Shareholders' Meeting of Navico Group AS

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Navico Group AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2017, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;

- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### *Basis for opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of management for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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, 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism 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.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

#### **Report on other legal and regulatory requirements**

##### *Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

##### *Opinion on registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Stavanger, 30 April 2018  
ERNST & YOUNG AS

Erik Søreng  
State Authorised Public Accountant (Norway).





## Company Information

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**www.navico.com**

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**Skattedirektoratet**

Saksbehandler	Deres dato	Vår dato
Jeanette Munkvold Skovholt	16.01.2017	25.01.2017
Telefon	Deres referanse	Vår referanse
90076012	Wouter Boor	2017/59810

NANNA TOPCO AS  
Nyåskaiveien 2  
4374 EGRSUND

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Nanna TopCo AS, org.nr. 917 327 173, med datterselskaper

Vi viser til deres brev av 9. januar 2017 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Nanna TopCo AS med datterselskaper;

Nanna TopCo AS,	org.nr. 917 327 173
Nanna MidCo I AS,	org.nr. 917 327 106
Nanna MidCo II AS,	org.nr. 917 327 181
Nanna BidCo AS,	org.nr. 917 327 122
Navico Holding AS,	org.nr. 917 404 208
Nanna MFN AS,	org.nr. 917 508 887
Maritime Information System AS,	org.nr. 977 524 547

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Nanna TopCo AS med datterselskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

### Bakgrunn

Nanna TopCo AS med datterselskaper tilbyr tjenester innen maritim elektronikk. Konsernets arbeidsspråk er engelsk. Konsernet opererer i sektorer, der engelsk er det klart dominerende språket. Morselskapets aksjonærer er utenlandske personer eller selskaper, og morselskapet henvender seg jevnlig til potensielle investorer som er basert i utlandet. All kommunikasjon med konsernets primære kunder og kreditorer foregår på engelsk.

### Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: <a href="mailto:skatteetaten.no/sendepost">skatteetaten.no/sendepost</a>	22 17 08 60



regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at morselskapet er eid delvis av utenlandske aksjonærer. Selskapet opererer i en internasjonal bransje, og arbeidsspråket i bransjen er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad  
*seniorrådgiver*  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Jeanette Munkvold Skovholt

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*